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Financial Matters

**SPECIALIZING IN FINANCIAL MANAGEMENT AND INVESTMENT PLANNING
FOR INVESTORS FALL 2007**

Pedal to the Metal

Put the pedal to the metal. What does this phrase mean to you? For some, the meaning is literal: *to press the throttle all the way to the floor.* For others, the meaning may be more metaphorical: *to hurry.* Financially speaking, here's what it should mean for you: *now is the time to focus more heavily on your retirement account than ever before—to really maximize your contributions in order to ensure a secure and wealthy retirement.*

As I'm sure you will agree, retirement is definitely one event at which you would prefer to arrive *overdressed* and not *underdressed*.

Whatever you are currently contributing to your retirement account, now is the time to ask yourself: *could my money be working harder for me?* One mistake people make prior to their retirement years, is to fall into a track of complacency regarding the amount of money they have been putting aside for their golden years—assuming a *'that's good enough'* attitude. The reasons are many, but the solution is always the same—to plan ahead, to put the *pedal to the metal* now so you do not find yourself short when the real need arises.

Thoughts on Volatility

Warren Buffet once said, "Every putt makes somebody happy." If the ball goes in the cup, the golfer that made the shot is happy. If he misses, his opponent is happy. Volatility is like a putt. If we're already invested we don't mind volatility to the upside. If we're still investing (putting money into investments for future income) then volatility on the downside may provide an excellent opportunity to buy investments at a lower price.

David Letterman's quirky style of delivering insights on life and current events through his Top 10 list provided the inspiration for my thoughts, which follow. In thinking about recent market volatility and how this compares to other times over the last few decades, here is:

Top 10 Reasons to Be Nervous about This Market

#10: The Fed might raise interest rates. Conventional wisdom says if the Fed raises interest rates then rates go up and the equity market falls. Thus the old adage, “Three hikes and a stumble.” Just make sure you don’t think about the 17 rate increases the Fed made between June 30, 2004 and June 29, 2006 and the subsequent increase in the Dow Jones Industrial Average® from its 2004 levels to around 10,100. (Source: Federal Reserve, Dow Jones, Inc.®)

#9: The Fed might lower interest rates. Lowering interest rates is good for stocks. Unless of course it means that the Fed has to cut rates because the economy is slowing down. Then it’s bad.

#8: The economy is growing too fast. That might mean inflation. And that’s bad – except that it lets everyone live in a more expensive neighborhood without moving.

#7: The economy isn’t growing fast enough. And by the time the revisions on the economy’s growth tell us what the growth really was 6 months ago and how wrong the initial government data was, we have new data to worry about.

#6: The Democratic/Republican party (pick one) is in power. Whether it’s the 4-year cycle or the 2-year election cycle, there is nervousness with change.

#5: After the next election, the Democratic/Republican party (pick one) will be in power. See number 6. If you look hard enough for a reason to be nervous about the market, you can always find it.

#4: The market has gone up so much it is sure to fall from this height. I’m sure that’s what “they” said in 1982 when the Dow got above 1,000.

#3: The market has fallen so far from its high, it’s sure to keep going down.

#2: Imports, exports, trade surpluses and deficits, exchange rates, flight to quality and speculation, consumer spending and debt, government spending and debt, business investment and debt. Just don’t factor in that valuation levels are near the lowest levels they’ve been since 1995. (As of 6/30/2007. Source: Standard & Poor’s®. Based on price to earnings ratio of the S&P 500®.)

And the number one reason to be nervous about this market:

#1: Will this year’s American Idol have another Sanjaya?

It’s Ironic, Don’t You Think?

On July 21, 2007, Sandra Block wrote an article proclaiming we should get all of our bills and financial statements online instead of in paper format in order to save 16.5 million trees per year. While I agree, isn’t it a little ironic that this article appeared in USA Today, which sells about 11,000,000 newspapers per week?

David Pottruck, the former CEO of Charles Schwab® and board member of Intel®, spoke in April 2007 at an investment industry conference. Charles Schwab was a pioneer in promoting low-cost, do-it-yourself investing. This former head of Schwab is now a client of asset managers and talked about how he “has no problem paying the freight” for advice. Is it just me or is it ironic?

So What to Do?

According to me, “Stay the course.” And, of course, if you have questions, please call. We’re here to help.