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Financial Matters

**SPECIALIZING IN FINANCIAL MANAGEMENT AND INVESTMENT PLANNING
FOR INVESTORS SPRING 2008**

When planning for Retirement, Take a Holistic Approach

It's not unusual for investors to consider retirement planning a numbers game that focuses on the size of a nest egg, a desired rate of return and how much to withdraw annually to cover living expenses. As with many areas of life, though, there are a host of other factors to consider. Many individuals and couples approach retirement with personal goals such as spending more time with family or supporting causes that matter to them.

Adopting a holistic consulting approach that focuses *first* on life goals and future aspirations *before* selecting investments may increase the chances of living the retirement lifestyle that you desire. Values play a significant role in how individuals manage their money, especially during their later years. While we often postpone certain aspirations or activities when we're busy starting careers or raising families, accommodating your personal needs may make the transition to retirement a more rewarding one.

Another benefit of holistic consulting is that it may provide a comprehensive view of all areas of your financial life. Within many households, assets may exist in compartments earmarked for retirement, savings and investments, real estate, insurance, trusts, etc. This approach may lead to redundant strategies or exposure to unnecessary levels of risk. Holistic financial consulting may help you take a broader look at all of your assets and improve your financial situation in a number of ways.

Stock Market Update

Well, the chickens are coming home to roost. Investment banks and other "money center" financial institutions are under renewed pressure due to so-called "credit market" concerns. There are concerns alright, but I do not think they are general credit market concerns. Folks are, rightly, concerned about: 1) a continued lack of transparency at some big financial institutions and 2) a lack

of trust; known in the business as “counter-party risk.” We just had a large investment bank declare last Wednesday that it was in decent shape and then go to near bankruptcy two days later. Now *that* risk is a very real thing to cause concern.

The Federal Reserve (the Fed) is moving quickly to restore some semblance of order. It lent \$30 billion to head off a bank’s (Bear Stearns) complete demise, and it is moving to lift an enormous amount of debt off of, not only banks’ balance sheets, but all primary dealers’ balance sheets. The Fed has also announced a big increase in their lending facility. Their statement about what is acceptable collateral under this Primary Dealer Credit Facility (PDCF) will likely be looked upon as hilarious after things settle down. Here it is: “[collateral] includes all collateral eligible for pledge in open market operations, plus investment grade corporate securities, municipal securities, mortgage-backed securities, and asset-backed securities. Collateral that is not priced by the clearing banks will not be eligible for pledge under the PDCF.” Talk about including the kitchen sink! It looks to me as though the only thing they will not take is a security that cannot be priced. Good idea!

I think the Fed is doing the right thing. They do have a responsibility as “lender of last resort” to restore order to the banking system now and then sort out the innocent from the guilty later. The Fed has nearly \$1 trillion in financial assets, so there is no lack of firepower. And they can create more by lowering interest rates and printing money.

I understand these are scary, troubled times. I continue to believe that we will work our way through this mess on Wall Street and return to growth. Perhaps we will slide into recession, but if so, I expect it will be a mild downturn. It would be a shame to have all the great efforts of American workers and companies over the last six years end in a serious recession because of these shenanigans in the investment banking system. As always, please call me with any questions or concerns.