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Financial Matters

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

“The key to making money in stocks is not to get scared out of them.”
--Peter Lynch

Principles of Good Living

The current Global Financial Mess is a good reminder that it may pay to follow a few basic principles of good living. As a society, we're inundated with messages that encourage us to spend, spend, spend, and buy stuff that might make us feel good in the short term, but in the long term could leave us with a migraine. For some people, the lure of easy credit and living the high life was hard to resist and they ended up getting in over their heads. By forgetting basic personal finance and life principles, some of these folks are unfortunately paying a heavy price.

As we survey the landscape, there are plenty of people and organizations who can share the blame for the situation our country finds itself in. Greedy financial institutions, hedge funds, investment banks, mortgage brokers, politicians protecting their jobs, ratings agencies, and regulators are just a few in a long list of culprits. But, at the end of the day, laying blame on other people won't solve the problem or prevent the next one. Ultimately, we each have to be responsible for our own actions and do the best we can to make prudent decisions that protect our hard-earned assets. Here are a few basic principles that can benefit all of us:

- Live below your means. Consider saving at least 10% of your annual income. Before long, you'll have a nice cushion that will help soften the blow if the unexpected happens.
- Buy adequate insurance. There's no need to expose yourself to a major loss if you can insure the potential loss for a relatively small amount.
- Invest regularly. No one can predict whether the market will go up or down tomorrow, let alone next year. By investing regularly, you establish a discipline that may help smooth out some of the fluctuations.

- Don't stress out over things you can't control. We can't control if there will be a thunderstorm tomorrow any more than we can control whether or not the \$700 billion bailout package will be successful. What we can do though, is be proactive in preparing ourselves for whatever outcome may occur.
- Focus on what's most important in life. We're all given a certain amount of time on this earth and it's in our best interest to use that time wisely. Spending time with your family, your friends, and helping others may help you stay sane in a sometimes crazy world.

Weekly Focus - From \$12,000 to \$30 Million in 68 Years

In 1940, surrealist artist Enrico Donati purchased a Picasso painting for a reported \$12,000. Earlier this year, Donati died at age 99 and his estate is putting the painting up for auction later this year. Sotheby's estimates the painting will fetch \$30 million. What do you think is the average annual rate of return if the painting, purchased for \$12,000 in 1940, sells for \$30 million later this year? Would you believe about 12.2%? That's a good example of the power of compounding!

Notable Numbers

- \$47 is the average amount that American households plan to spend on Halloween candy and decorations this October, up from \$40 last year according to Visa Inc.
- 30% is the number of Fortune 500 chief executives who are taller than 6 feet 2 inches.
- \$12,680 is the average premium for employer-sponsored health insurance for an employee and his or her family in 2008.
- 23% of students leaving college with more than \$5,000 in credit card debt. 10% have more than \$10,000. The average credit card debt in 2007 was \$2,748.