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Financial *focus*

ADDRESSING THE NEEDS OF OUR CLIENTS AND PLANTING THE SEEDS FOR A SECURE FUTURE.

Kissinger Investments, LLC is a registered financial advisor firm located in Clearwater, Florida. Our services include wealth management and retirement planning. Please visit our website at www.KissingerInvestments.com

How to Set Financial Priorities

Many people are confronted with different goals and objectives in setting their financial priorities. For some, saving for that dream home occupies the forefront of their mind. For others, answering the question of how am I going to pay for my kids' college is the most pressing question. And, still others are carrying high-cost, nondeductible credit card debt. Setting financial priorities are key:

o **Debt:** The first priority is to pay off high cost, nondeductible consumer debt. Don't even bother saving for college or for retirement if you haven't paid off your high-interest credit card debt. Paying off this debt is like gettting a risk-free, tax-free 18% (or more) rate of return. Pay the maximum you can on your highest-interest rate card and the minimum payment on the other cards. As you get one card paid off, move onto paying off the next card until all are eliminated.

o **Cash Savings:** Once the credit card debt is gone, then establish a cash savings fund of at least three months worth of living expenses. Keep the cash in a money market account and use it for emergencies, such as the loss of your job, only.

o **Retirement Savings:** Once you have a cash cushion, you should contribute to your 401(k) retirement account, if available. Invest at least enough to get the maximum company match because that's free money. Ideally, people should be saving approximately 15% of their salaries towards retirement. While most investors don't reach the maximum $15,500 limit ($20,500 if over 50), if you do and depending upon your tax situation and eligibility, you should also contribute the maximum to your IRA account.

o **College Savings:** It's not what parents want to hear, but saving for retirement must come before saving for college for the kids. That's because there are always other ways to pay for college. A student could borrow, get scholarships or attend a less expensive school, but no one is going to lend you money for retirement.

o **Prepaying your Mortgage:** Many people find it tempting to pay down their mortgage. But, this is generally a mistake if you are not already maxing out your retirement contributions or are not in the latter part of a mortgage where the interest is no longer enough to justify itemizing your tax deduction.

o **Buying Insurance:** Do you have

enough life insurance? The purpose of life insurance is to replace your earned wages if you were to pass away. If you are single and no one else, such as a spouse or children, relies upon your income, then a minimum life insurance policy should be sufficient. If you are a full-time worker with a family, then a general rule is that you should have life insurance valued at a minimum of seven to 10 times your annual salary.

o **Estate Planning:** No matter the size of your estate, it's important to update your will to ensure your wishes are carried out. That means you should have a durable power of attorney and a health-care power of attorney, which authorizes someone to make medical decisions if you can't make them yourself. Planning ahead saves time and money for your heirs. Make sure the beneficiary information on all your accounts are up-to-date.

MARKET WATCH

Index	Description	1Q07 Returns
Dow Jones Industrial Average	30 Actively traded Blue-Chip companies	1.67%
S&P500	500 Largest U.S. Companies	1.61%
NASDAQ Composite	All NASDAQ stocks	2.05%
Russell 2000	Small cap stocks	1.58%
Kissinger Discretionary Accts	Avg return for all accounts under management	9.01%

Cashing in on the BABY BOOMERS

Over the next ten years, many of the baby boomers born from 1946 – 1964 will begin retiring. Plus, younger boomers continue to raise familes. This will create investing opportunties for those savvy enough to recognize the opportunities….

In 1945, after a half-decade of World War, most people's thoughts in the United States were of returning to normal life and starting a family. So the greatest baby boom in the history of the United States began. The shifting demographics of this boomer age group is worthy of some serious thought about how these trends will affect your investments.

First, the baby boom has fueled the labor force in the United States for the past fifty years. The U.S. benefited from a labor force that grew faster than the overall population. But, starting in 2010, a demographic shift will occur as the 65+ population begins to grow at a faster rate than the 20-64 population growth. Some demographers have likened this to a "pig moving through a python."

It is easy to see that a potential labor shortage for the U.S. is coming. While some older workers will continue to work later in life than has been traditional due to better health care, aerobic exercise and "health" foods, there will still be labor shortages in the coming years. Therefore, we believe that companies that focus upon short-term contract workers are set up to succeed in the coming years. In this sector, we like **Kelly Services** (**KELYA**), a global temporary staffing provider operating in over 30 countries. Kelly focuses upon providing more technical temporary staffing positions in areas such as IT, engineering and financial services.

To further segment the boomer population, it can generally be divided into two separate categories:

Early Boomers: Born between 1946 and 1955, these boomers have already raised families. Areas in which these boomers will continue to spend their money are:

- Financial services: As baby boomers retire, they will begin rolling over their 401k accounts to retirement management firms. Turn on the television set and you will see heavy advertising by these firms during golf events, NCAA tournaments and even NASCAR races.
- Insurance companies such as MetLife.
- Spending on their grandchildren….infant toys and clothing and education savings, etc.
- Hospitals: **LifePoint Hospitals (LPNT)**
- Medical and healthcare companies, specifically orthopedic **Stryker (SYK), Kyphon (KYPH), Arthrocare (ARTC)**, optometry (eyes) and otology (hearing)
- Home healthcare and Nursing Homes: **Apria Healthcare (AHG), Kindred Healthcare (KND)**

While the demographics set up well for these sectors, you still must be mindful of your entry points. For example, orthopedic companies are at extremely high valuations right now. Purchasing at a high price to value promotes the "greater fool" theory. You are basically hoping that someone comes along after you and purchases shares of the company at a higher price than you did.

Younger Boomers: Born between 1956 and 1964, the center of these boomers life is their families. Areas in which these boomers continue to spend their money are:

- Pets
- Playgrounds
- Children's clothing
- Health foods and nutrapharmeceuticals.

By evaluating demographic trends, we are not trying to "take advantage of baby boomers." Instead we are trying to capitalize by investing in solid companies that will provide those boomers with the health care, financial services and consumer products they will need.

While I haven't listed target companies for all of these areas, you can see the top-down approach and thinking necessary for capitalizing on these demographic trends. Once a target list of companies is identified, it does not necessarily mean you should rush out to buy those companies. In today's volatile stock market identifying WHEN to buy is as important as identifying WHAT to buy. That is where the experience and advice of a good financial advisor can help you. Please contact your financial advisor at Kissinger Investments if you have any questions.

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