



GOING LONG

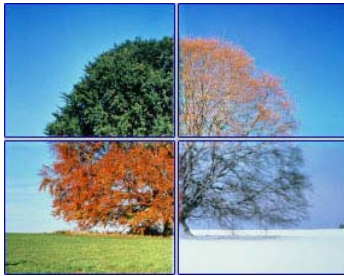
Detterbeck Wealth Management, Inc.



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SEASONS OF THE ECONOMY

By Les Detterbeck, CPA, MBA, CFP®, PFS, CFA



Many of our most important decisions in life - including decisions about finances, careers, business, and real estate to name a few- are tremendously impacted by the direction and magnitude of economic change. A growing, strong economy can increase our wealth and makes our businesses successful. A falling economy can devastate our finances and ruin our businesses. If you know what lies ahead (even generally) in our economy it can help prepare for growth, as well as guard against catastrophic loss- not just in finances, but in life.

The economy is really the 800 pound gorilla in the room no one is willing to talk about. Why is it ignored? Why aren't market professionals screaming from rooftops about their forecasts of what is around the corner and how it will impact the financial markets? The answer is simple - because most market professionals lack the tools and knowledge to estimate where the economy is headed next. Instead, they use watered-down average numbers gathered over 80 years to estimate inflation, interest rates, growth and productivity.

Over the last 80 years, large cap equities have returned approximately 11% per year. Yet, how many times have they returned within 1% of 11%? Only twice. The economy and the markets move in waves of growth and waves of contraction; planning for these waves in advance makes the difference between success and failure.

Of course, if you have lots of money (let's say \$25million or more) and/or lots of time (let's say you were 20 years old), you can just invest in the stock market and ride it up and down. If you take a big hit, you still either have lots of money or lots of time for the numbers to revert to the mean. The only problem is that most of our clients have estates between \$2million and \$20million and many are in their 50s and 60s. How they invest over the next twenty years is critical to their well-being.

So, how does one get reliable information on the "Seasons of the Economy" to help in those decisions? (Notice we are not saying perfect information or absolutely certain information).

One of the ways we do it is through a group called H.S. Dent Advisers Network. Harry S. Dent, Jr. is the President and founder of the HS Dent Foundation. His mission is to help people understand change. He has served as a consultant to Fortune 500 companies and has authored a number of books. His first book in 1989 predicted the Dow would hit 10,000 before 2007. Other authors at the time were preaching doom and gloom, but Harry was looking at other data and, obviously, was correct. In 1993 he wrote The Great Boom Ahead which was followed in 1998 by The Roaring 2000s and by The Roaring 2000s Investor in 1999. The Next Great Bubble Boom was published in 2004. In general, these books have provided good information on the economy ahead.

I met Harry in 1991 and have been reading and watching him for the last 15 years. At that initial presentation in 1991, Harry told our group that Japan was going to experience a big downturn due to "demographics". Japan was at a high at the time and few believed it possible. But Harry's predictions proved out. Japan's Nikkei index fell 80% and their real estate plunged 60% from their peaks.

I was always intrigued by Harry's work based on demographics, which is the study of statistics about specific population groups. Demographics do not guarantee the future will turn out as the past suggests but they do give some indications of long-term trends. And, that can be valuable information. I've received his newsletter for most of those fifteen years and, based upon the need to know more, joined the H.S. Dent Network Advisers in 2005.

Through the Network, I get regular training and education, monthly conferences, custom research and an interactive exchange of ideas with other network advisers across the country. I don't expect Harry and the Dent organization to be 100% correct. But, I do think he has a good track record and he proposes rational arguments for what may lie ahead economically. And, if he is even 50% correct, then we think our clients should be informed of and consider his thoughts when reviewing their financial planning.

Obviously, the baby boomers are a big part of Dent's demographics. In short, all of us earn and spend at a peak level on average somewhere in our mid 50s. When we stop earning and spending (consuming) as much, the economy shrinks. Dent predicted Japan's drop-off based on the ages

(Seasons continued from page 1)

of the Japanese population and the fact that their “baby boom” reached retirement in the early 90s and reduced its earning and consumption. Harry calls the consumption demographics “The Spending Wave”. Japan had a big dip. Ours may hit around 2010.

At the same time, Dent talks about the seasons of the S-Curve. Inflation and innovation are followed by growth and then maturity. This can apply to individual products, industries and the economy in general. He believes our current technological S-Curve is in the major growth stage right now. This should propel the equity markets through 2009.

There certainly are Seasons of the Economy. A Season occurs when fundamental economic trends head in one direction for a long period of time, a decade or more. The last major Season occurred from 1968 to 1982 when the economy faltered. Beginning in the 80s, the Season changed. Since then we have been a growing economy; with falling inflation rates and mainstreaming of those technologies and product innovations.

As you know, Detterbeck Wealth Management

ANNOUNCEMENTS



DWM would like to announce the addition of a new team member:
Mark Pliska

Mark is a recent graduate of the University of Kansas where he earned a B.A. in Economics.

Mark was active as an Economics, Finance, and Accounting tutor for student athletes.

feels that its clients should accept no more risk than is necessary for them to reach their financial goals. This is one of the reasons that most of our clients have balanced portfolios; that is, some equities, some fixed, and some alternatives. When assessing risk, we think it is important to not just look at 80 year histories of returns and standard deviations, but also to measure risk in terms of the current and coming Seasons of the Economy. For that reason, we will continue to follow Harry Dent and other economists and provide reports and information to all of our clients on an ongoing basis.

Watch for information on our upcoming seminar September 28th entitled “Seasons of the Economy”. Details will follow.

Contribution Limits for Tax Year 2006

Type of retirement account	Contribution limit	Add'l contribution for acct. holders age 50+ by 12/31
Traditional or Roth IRA	\$4,000 or 100% of compensation, whichever is less	\$1,000
SEP-IRA	Lesser of \$44,000 or 25% of compensation (20%* if self-employed)	None
Qualified Retirement Plan (QRP)	Lesser of \$44,000 or: • Employer tax deduction- 25% of compensation (20%* if self-employed) • Participant contribution- 100% of compensation	None
SIMPLE IRA salary deferral	\$10,000 or 100% of compensation, whichever is less	\$2,500
Individual 401(K) Includes employer contribution and salary deferral	\$44,000 total: • Employer contribution-25% of compensation (20%* if self-employed) • Salary deferral-lesser of \$15,000 or 100% of compensation	\$5,000

* Self-employed individuals have a maximum contribution of 20%. This percentage of the business's net profit, after subtracting the self-employment tax deduction, is equivalent to a 25% employee contribution. See IRS Publication 560 for more info.

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