



DETERBECK WEALTH MANAGEMENT

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Issue 18

Sherpa Snapshots

*"Preparing you for the
financial road ahead"*

-Bailout-

Clunkers Become a New Driving Force for Dealers



U.S. auto sales rose to their highest levels of the year in July as consumers rushed to trade in older vehicles under a government incentive program that became so popular it was in danger of running out of money. Vehicle owners can get a credit of \$3,500 or \$4,500, depending on your mileage, toward the purchase of a new car.

President Barack Obama signed into law July 31st a

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measure tripling the budget of the \$1 billion incentive program that has drawn big crowds to formerly deserted showrooms. The Senate passed the legislation extending the two-week-old program into Labor Day and preventing it from running out of money.

The extra money, approved by the House, is aimed at helping automakers and spurring the economy while removing some of the least fuel-efficient vehicles from the road. Meanwhile, dealers said the additional money would help them maintain a sales pace they haven't seen in months and continue to benefit from heavy publicity.

Automakers issued their sales reports August 3rd, raising hope that the sagging auto industry is headed for a recovery, although some analysts cautioned that a turnaround would still be slow. The uptick came as Congress considered whether or not to provide up to \$2 billion more for trade-in incentives to keep the effort going.

Ford said its sales were up 2.4 percent over the same period a year ago, its first monthly increase in two years. The automaker attributed much of the gain to the Cash for Clunkers program. Subaru said it also benefited from the trade-in program, as sales were up 34%. However, Chrysler, General Motors and other major automakers did not show gains, but interest in the rebates appeared to have eased their losses as well.

Now, a new problem is beginning to develop. Car dealerships are running out of cars. Still, even as car lots thin, some wonder if government cash being poured into the clunkers program may actually be weakening consumers' drive to go out and make a deal. When the program first began, consumers flocked into dealerships because they didn't want to miss out on the deals. Now, shoppers may not feel as pressured.

Senate opponents of the program question its effectiveness and cost. They contend the funding is leading the government to pick winners and losers and that many car buyers simply held off buying until the incentives started in July.

For additional information in The New York Times' August 4th article, [click here](#)

For additional information in Chicago Tribune's August 8th article, [click here](#)

-Consumer Spending-

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Thanks

Christmas Already?

This time of year, we are use to seeing back-to-school sales, but this year you may notice something a little different on the aisle over-Santa. Is it beginning to look a lot like Christmas?

While many retailers are launching Christmas sales and promotions in response to the recession, the sales are getting mixed reviews. Some consumers like the early sales because it helps them budget better, avoid big credit card bills in January, and avoid Christmas time crowds. Others find 'Christmas come early' to be commercialism at its worst.

These sales may help store chains that are low on money, but they will probably just displace sales that would normally have taken place in October. That may be good for retail balance sheets, but only for a brief period.



Consumers are so badly shaken by unemployment, flat wages, and credit problems that they are not likely to spend a lot of money in malls now and then come back and spend a great deal more money in the fall. Furthermore, retailers usually need extra workers during the holiday rush, which is a big boost for the unemployed. But if they have their Christmas rush now, they most likely will not need to hire extra part-time employees in the fourth quarter.

So, is the idea of 'Christmas in July' going to be as successful as retailers and toy makers are hoping? Holiday shopping is tricky to predict, but we'll see.

For additional information in The Wall Street Journal's July 31st article, [click here](#)

-Bailout-

Economy Low, Generosity High



For some nonprofits, surviving in a time of a down economy is a double-edged sword. As both corporate and private donors tighten their belts, giving tends to trend downward. Yet, as the global economy continues to falter, demand for those same nonprofits increases. These organizations are faced with the very real problem of trying to fill a growing need with diminishing resources.

People nationwide are struggling to make ends meet, to keep the lights on, their children fed and clothed. Food banks, community service programs, children's programs and other organizations providing first-line relief are feeling the pinch more than ever, especially in some of the hardest-hit communities.

In 2007, Americans gave more generously than they ever had before - to the tune of more than \$3 billion dollars. The corporation for National and Community Service's report on July 28th indicated that while that number had fallen during the economically turbulent months of 2008, that figure still remained near \$3 billion, a generous amount, given that Americans as a whole had a tough year financially in 2008.

Almost a million more people donated their time to civic causes in 2008 than in 2007 even though volunteer rates typically drop during economic downturns. According to the 2009 Volunteering In America Report, 61.8 million people volunteered last year. On average, 26% of Americans continue to donate their time.

The biggest increase came from young adults. Volunteers ages 16-24 rose 6%, from 7.8 million to 8.2 million. Nearly half of non-profit organizations said they expect to rely more heavily on volunteers in the coming year. It may also be good in the long run for

some nonprofits, as their leaner operations may pave the way to more transparency, better operations and more efficiency.

These reports mean that even in our toughest times, Americans are still striving to be generous people, carving out something for those less fortunate, even if it means a smaller amount. And for those that can't give their money, they are giving their time. They are reaching out to their communities through service, which is just as valuable as dollar signs. Even in the midst of an economic downturn, the American civic spirit is still alive.

www.volunteeringamerica.gov/find.cfm

For additional information in USA Today's July 28th article, [click here](#)

-Market Update-

What's Hot - and Not How different investments did last week.

INVESTMENT	PERFORMANCE	
	Last week	52-week
REIT stocks	16.4%	5.3%
Commodity futures	3.0	-31.2
Russell 2000 (small stocks)	2.8	-22.0
European stocks	2.6	-20.3
S&P 500-stock index	2.3	-22.1
Dow Jones Industrial Average	2.2	-20.1
Crude oil	2.1	-38.4
Global stocks	1.8	0.4
U.S. corporate junk bonds	1.7	5.8
Emerging-markets bonds	1.5	5.5
Emerging-markets stocks*	1.4	-13.6
Nasdaq Composite Index	1.1	-17.1
Gold	0.4	11.6
U.S. dollar, trade weighted	0.4	4.9
U.S. investment-grade bonds	-0.6%	6.5

Notes on data: European stocks: Dow Jones Stoxx Index; emerging-markets-stocks: MSCI price index for free markets; corporate-bond prices: Merrill Lynch Global Bond Indexes; U.S. dollar and U.S. Treasuries: J.P. Morgan; REIT stocks: Dow Jones Equity REIT Total Return Index; emerging-markets bonds: J.P. Morgan EMBI-plus price index, in U.S.-dollar terms; commodity futures: Dow Jones-UBS Commodity Index; global stocks: Dow Jones Global Stock Index *As of Thursday, August 6, 2009

Sources: WSJ Market Data Group; Dow Jones Indexes; Reuters; Merrill Lynch

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