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# DETERBECK WEALTH MANAGEMENT

A Division of DWM Financial Group, Inc.

August 25, 2009

Issue 19

## Sherpa Snapshots

*"Preparing you for the  
financial road ahead"*

### -Ask DWM-

#### I'm getting a new car. Should I buy or lease?



"Ownership gives one a real sense of accomplishment. Or skip the whole accomplishment thingy and just lease."

There is a simple answer: it depends. But here are some questions to ask yourself to help you decide:

#### In This Issue

- Ask DWM: Should I Buy or Lease?
- World: Europe's Turn to Gloat?
- Consumer Spending: Christmas Already?
- Market Update

#### Quick Links

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1. What are the effective interest rates available for a lease or purchase? Sometimes there are incentives that car companies provide for either leasing or financing a purchase by providing attractive rates. We recommend you negotiate your deal to buy the car assuming you will be using cash for the purchase. Then, once you have established the price, have the dealer give you options if, instead, you lease the car or you finance the purchase. This will give you the information to determine the effective cost of financing or leasing or whether buying for cash may be best.

2. Do you enjoy getting a new car every two or three years? If so, you should probably consider leasing, since most of us don't like the hassle of having to sell or trade in cars on a regular basis.

3. What about number of miles driven and how long will you keep the car? There are typically charges on leases for cars driven more than 12,000 per year. On the other hand, leasing is not a good idea for low mileage cars as the rates impute driving 10,000 miles or more per year.

4. Do you mind the unexpected cost of repairs after the warranty has expired? If these don't bother you and you expect low mileage, you might consider buying a car and driving it for seven years or more.

5. Is the car for business or personal use? Income tax rules typically provide only a small amount of annual depreciation for cars that have been purchased. Yet, the lease payments may be fully deductible. Therefore, you will need to check with your tax adviser if it is for business use.

In summary your first consideration should the effective interest rate. Next, assuming rates are similar, you might want to consider buying a car if you like to drive and maintain your car for quite a few years to spread out the cost, like to customize your car, and do not mind the uncertain cost of repairs after warranty has expired. On the other hand, if you enjoy getting a new car every two or three years, are able to enjoy the tax benefits of leasing as a business owner, do not like trading and selling used cars, and are willing to pay more over the long haul to get these benefits, you should consider leasing.



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*Thanks*

One final note, here is a useful tool to compare and analyze the car finance options: <http://www.leaseguide.com/leasevsbuy.htm>. You could plug in real numbers to compare the real world deal. And, of course, if you have any questions as you are negotiating your deal, please give us a call.

## -World-

### Europe's Turn to Gloat?

The somewhat shocking news that Europe, particularly France and Germany, appears to be emerging from their recession more swiftly than we are, has people asking some questions.

Germany, Europe's biggest economy, grew at an annualized pace of 1.3% in the second quarter, while France, the region's second-biggest economy, expanded at an annualized rate of 1.4%. Both countries bounced back earlier than other advanced economies including the U.S. and the U.K.



Global stimulus measures to battle the deepest slump since the Great Depression have boosted demand for European exports, and government packages are supporting spending at home. Government and household spending were among the main drivers of second-quarter growth in Germany and France.

Both countries have turned to vehicle-scrapping subsidies as one way of encouraging consumers to spend. There are signs that Europe's exports are picking up. German sales abroad gained 7% in June and French exports rose 1% in the second quarter. Both of their economies expanded 0.3% in the three months through June after four consecutive quarters of contraction.

In contrast, the U.S. economy shrank 0.3% in the second quarter from the first three months of the year and British GDP dropped 0.8%. Not all Euro-area countries are growing. Italy's economy contracted 0.5% in the second quarter, Dutch GDP declined 0.9% and Spain shrank 1%.

The euro region's surprise upturn will require most economists to raise forecasts for Europe, although some are a bit wary of how sustainable this growth is. Europe still faces the possibility that its recovery could slow or even stall in early 2010 because of lagging efforts to repair its banking system and sharply rising unemployment.

For additional information in The New York Times' August 14th issue [click here](#)

## **-Consumer Spending- Back-to-School Buying Starts Slowly**



July typically offers retailers a chance to bolster second-quarter profits by selling new autumn merchandise to fashion conscious students, eager to begin piecing together a stylish wardrobe for the first day of school, but the start of back-to-school season failed to entice consumers this July. So far, retailers have noticed moderate interest in back-to-school merchandise, according to retail sales tracker Redbook Research.

Consumer demand has been soft through much of the summer. That concerns retailers because they rely on back-to-school sales to guide their inventory choices for the holiday shopping period. Shoppers are showing a reluctance to buy anything at full price, and new fall merchandise arriving in stores is competing with the heavily discounted summer goods that failed to sell well in June. Several back-to-school surveys found that shoppers plan to forgo name brands altogether.

Total retail sales fell 5.1%, according to Thomson Reuters' survey of 30 major chain stores. That was worse than the negative 4.6% average for the year through July and marked the second-weakest month for retail sales in 2009, the information company said.

Sales last month were hampered by lean inventories, colder-than-usual weather in some regions of the country and a shift of sales-tax holidays from July to August in most of the dozen or so states that have them. The continued weakness, a result of consumer anxiety about job security and falling home values, could signal trouble for the all-important holiday season. And with consumer spending accounting for about two-thirds of U.S. economic activity, it also raises doubts that the economy is poised for a rebound any time soon.

For additional information in The New York Times' August 15th article [click here](#)

## **-Market Update-**

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

INVESTMENT	PERFORMANCE	
	Last week	52-week
Crude oil	6.2%	-35.5%
Russell 2000 (small stocks)	3.1	-21.2
European stocks	2.7	-17.3
S&P 500-stock index	2.2	-20.6
Dow Jones Industrial Average	2.0	-18.2
Nasdaq Composite Index	1.8	-16.3
REIT stocks	1.3	-32.7
Global stocks	1.3	-17.9
Emerging-markets bonds	0.8	5.6
Gold	0.7	15.2
Commodity futures	0.1	-33.9
U.S. investment-grade bonds	-0.2%	8.0
U.S. corporate junk bonds	-0.6	4.9
U.S. dollar, trade weighted	-0.6	3.8
Emerging-markets stocks	-0.8	-11.6

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

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

## We appreciate your feedback!

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