



# MILNE FINANCIAL PLANNING

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## 2007 Newsletter

### MARKET REPORT

The stock market was fantastic this year – at least until August. As I write this newsletter, we again hit a new high, but who knows if it will last. I expect we will continue to see a significant amount of volatility.

A few clients have asked if I was concerned about the market decline. Any market decrease concerns me, but this is part of the process. If we look back and realize the gains the markets have made in the last three to four years, a market correction seems likely. What is unknown is how far the market will drop and how long will it last. As my clients know, my investment philosophy focuses on the long-term. Though it is difficult to ignore the shorter-term market fluctuations, this volatility is part of being invested in the market.

### SOCIALLY RESPONSIBLE INVESTING

At the suggestion of a client, I spoke about socially responsible investing at this year's Client Appreciation Day. I have a number of clients with Socially Responsible mutual funds. I created both a socially and non-socially responsible portfolio. Interestingly, the socially responsible portfolio had a slightly better 12-month return. I had never seen this. My experience has always been that socially responsible investments generally did not perform as well. The longer-term returns still confirm this.

I do not fully understand this trend, but an obstacle of socially responsible funds is they often have higher expense ratios. The higher management fee may be justified since extra time and effort are

spent determining what companies meet the funds socially responsible requirements.

### NEW OFFICE – South Burlington

I recently opened a third office in Burlington. The three offices are now:

- 51 Church Street, Barre Granite Association, Barre, VT
- 76 Ethan Allen Drive, Suite #4, South Burlington, VT
- 1246 Old Concord Road, St. Johnsbury, VT (my home)

### CLIENT PROFILE – A Younger Couple

**The question:** A younger couple had recently received a significant increase in salary. They wanted to know what they should do differently. **The Analysis:** The spending analysis determined that they should be saving more to achieve their retirement goals. Though the monthly saving target was higher than they were comfortable with, it was achievable. **The Take Away:** It was great they called before they had started to spend the salary increase. Often when my recommendation is to save more for retirement, spending must be reduced in order to save. In this couple's case, they did not have to make any spending cuts.

### COMMUNITY SERVICE - Rotary

Do you help your community? I know many of you are involved in your community or hope to become involved once you retire. I joined the Barre Rotary Club 11 years ago. I have enjoyed my time in Rotary and believe it is a great

organization. The Barre Club does a lot to support the community. I am unable to make their new morning meeting time, but I will transfer my Rotary membership to the St. Johnsbury Club. I have already participated in their river clean up. In three hours, we pulled 48 tires, a lawn mower and other junk out of the river. If you are interested, all service clubs are looking for members.

### **RECEIVE \$250 from the State of Vermont**

If you (or a family member) are, or will be paying for college, you may want to consider contributing to Vermont's 529 plan, officially known as Vermont Higher Education Investment Plan; [www.vheip.org](http://www.vheip.org). Today, 529 plans are a great way to invest for college. The basic benefit is that all growth of the money invested avoids income tax.

Vermont has increased the tax credit (a \$1 for \$1 reduction in your Vermont State income tax) to 10% of the first \$2,500 invested in Vermont's plan (for Vermonters) per person per child. This means a couple can contribute \$5,000 in 2007 and save \$500 on their Vermont income tax for each child. That is a 10% return before you even start!

### **REAL ESTATE**

Over the years, many clients have asked me what I think about real estate as an investment. My basic answer is "I don't like being a landlord," and for that reason I have not shown any enthusiasm.

However, I gave not heeded my own advice. I currently own three homes and one duplex. I have lived in three of them, and plan to live in the most recent purchase in the future. Additionally, my daughter Caroline purchased a condo instead of renting for the five years she attends graduate school in Illinois. She hopes (fingers crossed) she will be better off financially when she graduates!

In my case, I still do not like being a landlord, but I do see this as a form of diversification. In my daughter's case, she has a chance to learn what it is like to be a homeowner, and earn some income by

renting her extra room. If you are considering investing your money in real estate, or becoming a homeowner, I encourage you to ask yourself:

1. Is the property likely to appreciate?
2. Will you be able to rent the property?
3. How much money must you invest into the property to make it "rentable"?
4. Do you have the time to take on the responsibility of being a landlord?
5. How long will you likely own the property?
6. Can you continue to pay the mortgage and expenses if you have a long-term vacancy?

### **CLIENT APPRECIATION DAY**

July 28 marked the first annual Client Appreciation Day, held at my summer home on Joe's Pond, Vermont. We enjoyed an afternoon of water sports, including a pontoon-boat ride around the lake. I also offered the discussion on socially responsible investing mentioned earlier. To show my gratitude for the continued support of my clients and to get to know my clients better, I intend to continue this tradition each summer. Please watch for announcements on next year's event!

### **PERSONAL**

I enjoy exercising – perhaps too much at times. During the summer, I run and bike. Many of my runs are around Joe's Pond and my biking is a combination of road biking and mountain biking. If you have never been on the Kingdom Trails in Burke, I highly recommend them. My road biking includes riding solo, riding in groups or for fund raising events. What do you enjoy doing?

### **ADV FORM and PRIVACY STATEMENT**

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