Juniper Tree Investments

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Grow Your Future

www.JuniperTreeInvestments.com

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Punch Lines

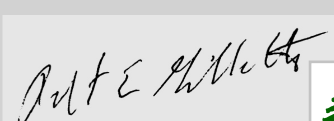
Ego has no place in investing.

Discipline is more than half the battle.

The financial services industry is not necessarily your friend, their job is to sell.

Are You In The Game?

We live in a country with the highest per capita income that the world has ever known. Yet of our seniors who reach the age of 65 - most have only Social Security to survive on. They have lost the money game! Since this is the only game in town and you have no choice but to play — you had better learn to play and play to win! Here is your chance to learn to play to win!



Introduction

This news letter is designed to provide you with current information on the markets and other financially related topics. Each quarter we will offer an in depth look at a particular financial topic, current affairs which may impact us, and include other interesting financial stuff. We're also interested in your quality of life, so you'll see health-related advice from our nutritionist, travel tips, and even suggestions on how to spend and enjoy the wealth that you've accumlated. After all, even the most disciplined investors deserve some joy in their lives.

Current Happenings and Horizons

Taxes

Congress may close several Estate Planning tools.

If you command a substantial amount of wealth, enough that inheritance taxes are of concern, we suggest that you contact your financial consultant for an update review of your financial plan. The Generation Skipping Trust, the discounting of Minority Interest, Crummey Withdrawal Powers, and Family Limited Partnerships concerning control and administration are all being looked at by the Joint Committee on Taxation. If you have been procrastinating action on any of these items, get it done before the law changes.

Stocks

We are cautiously optimistic about the near term market. Earnings continue to be reasonably good and the 4th Quarter has been good, historically. It seems that the price of oil, instead of being inflationary, is holding down the overall economy thus slowing inflation instead of adding to it.

Longer term we see a relatively flat future. Oil may fluctuate some, but it is finite as is the ability to process it into fuel. Demand will continue to grow. We are consuming more than ever before; and with China and India growing dramatically, the known world reserves are projected to be exhausted in 40 years. We think having exposure to oil stocks and oil reserves will continue to be important as part of your portfolio.

The Dollar

We feel that the dollar will soften against other currencies such as the Euro and Yen. The National Debt and balance of trade will inevitably cause the dollar to diminish against these other currencies. Tools you can use to hedge the dollar and help your portfolio are foreign stocks and bonds. There have always been currency traders but now there are funds getting into the game. We have not yet looked at them. A future report.

Social Security

Social Security has been great for the pre baby boomers and okay for the baby boomers (1946 to 1963), but for the younger generations, it is not but not such a great deal. Their return on investment is very low. This nation's young workers will contribute a great deal relative to what they can expect to get back.

Yes, it does need to be changed, but we don't think privatization is the solution. What that does, in our view, is remove risk from the Government and places it exclusively on the individual. If your investment selections fail, there will be no fall back position. There is no easy solution to correct the problems generated by having two workers for every retiree. We believe Social Security will be there for you because Congress will not let it fail. Medicare however is the true next pending emergency and no one is even talking about that.

Did You Know...

Your "Full Retirement Age" (FRA) is the age at which you are eligible for full Social Security retirement benefits. If you were born in 1937 or earlier, then your FRA is 65. If you were born in 1960 or later, your FRA is 67. For those born between 1937 and 1960, their FRA is on a sliding scale between 65 and 67. This means that younger people must work longer and contribute more to be eligible for Social Security.

Travel Tips

Since our mission is to make you financially independent we thought it would be fun to inspire you to spend some of it.

We are not travel professionals but we do travel quite a bit and through our experiences, have learned a few things that might be of assistance to you as a traveler. Travel is often listed as a retirement goal so we will include a few tips quarterly.

Remember that life is a journey, not a destination. A few years ago we took our first cruise. We had received mixed reports from our family and were not sure that Cruising was what we wanted to do. My folks did several in the 70s and enjoyed, our son took a honeymoon cruise and came home calling it the "USS Rip-off". Be prepared for the extras such as buying your own liqueur, excursions off the ship and tips for the crew at the end. Anyway, we decided to try one and have done several since.

Our already existing travel goals were further motivated by this first cruise. We sat at a table for 8 with people we did not know. It was a good dining experience, but we observed that of our table mates, there was only one other man, eighty three, traveling with a lady of similar age. They were both widowed. The others were older lady friends or mother and daughter traveling together as the men in their lives were dead. Each night our dinner companions were anxious to hear what adventure we had that day. Some of them were not up to making the excursions provided by the ship, let alone the "do it yourself" opportunities.

We ask lots of questions when we travel. When we meet people that we consider experienced travelers (50 or more cruises), we ask about their favorites. The response most often comes back to be the Western Mediterranean, we tried it three years ago, it was great, but we have since done the Eastern Mediterranean and enjoyed it even more.

We place a copy of our passports in each piece of luggage and a copy of our literary so if the luggage gets lost it can potentially find it's way back to us. We also start our travel with a small soft sided bag folded in one of the larger bags. It works great for dirty clothes and carries them home leaving room for purchases. By-the-way, we travel with one large suitcase each and a backpack or travel bag which can double as a purse. When cruising a third folding bag is taken for the formal stuff and not opened until on the ship.

Taxes

Maximum contributions	2006	2007
401k, 403(b) and 457 plans	$15,000, plus $5,000 catch up	$15,500, plus $5,000 catch up
Traditional and Roth IRAs	$4,000 plus $1,000 catch up	same as 2006

Note that catch-up contributions are available for participants age 50 and older.

FOCUS OF THE MONTH

What we think you need to know about Investing

Rule number one: Understand the basics of investing and investment vehicles. Know enough to know when to ask a question, and then ask it until you get a satisfactory answer from whoever is your expert help.

If you don't understand that the markets (all of them) will go down as well as up, you should not be investing in them. Instead, stay in short AAA bonds and CDs; technically you still have risk through loss of purchasing power (taxes and inflation). These are the risks that can hurt you.

Asset Allocation will almost guarantee you losses in parts of your portfolio, or at least create under performers. But you must keep in mind your overall return and the risk of over concentration in a single sector. A down year in your overall portfolio is what you most want to avoid.

Asset Allocation is not "set in stone", pay attention and weight your allocated funds to emphasize where you think the markets are likely to go. Right now we are cautious with bonds and REITs as interest rates are rising. We will share studies that seem to have merit which might intrigue you to over weight and underweight certain sectors. One such study reported on a 25 year study which divided the Wilshire 5000 index into 6 parts, growth and value and then into small, medium and large. It seems that the "middle child" on the value side has the best overall record. Each year you would move your investment to the new middle child. No pattern emerged on the growth side, but the results on the value side were impressive. If we can help you add one percent to your return, over time, the difference becomes huge.

We feel that conventional thinking and planning is not always on the right track. We believe that there are exceptions that MAY benefit you in your planning. For example:

1. Conventional wisdom says to move more and more of your retirement funds to bonds as you reach retirement. We believe that bonds are important in a portfolio, but we don't see retirement as a short term play. Actually 25% in stocks and 75% in bonds is more stable than just bonds and over time provides a higher return. Your life expectancy is probably 20 to 30 years at retirement and as you live longer, the life expectancy table reflects a "receding target", the longer you live, the longer you can expect to live. The probability of making your money last is greatest with a combination of stocks and bonds.

2. Projections done by computerized models regarding how much money you will need as you grow older, in our view is an over statement. At age 90, these programs will tell you that you need to have enormous amounts of money to live. The CFP planners of the world are divided on this issue. We come down on the side that projecting for this amount of future need is over saving.

For years we have observed that retirees have a lot of fun in the first years of retirement. Case in point, my folks, we did't know where they were about half the time, but when age 75 came around, Dad did't see well enough to drive the motor home and Mom just didn't feel well. I would share this story and almost universally have had agreement from clients. Our belief has recently been substantiated by a study which indicates people spend the most just after retirement and then less and less as they age. There are exceptions of course.

Our goal is for you to have the means to meet or exceed your financial expectations.

An Alternative Approach to an Abundant Life

A useful tool if you are budgeting in retirement and are making withdrawals from an account, over which you have control, is to establish a second account. If your source account is sheltered money, i.e. an IRA, 401(k) or 403(b), open a similar account so when you move money to it there will be no tax impact. This second account is to become your "wages" account. You should have already established a withdrawal system of around 5% of your principal, so you just move a year or two's worth of your "wage" withdrawals into your newly established account which should be held as money market funds. You have now established an available total for the year and limited yourself to that amount. Treat it as if that is all you have and budget accordingly. Once a year or when the markets seem right, move more into your second account to keep it funded, but continue to use only your self authorized draw of 5% of the account totals. This system is designed to help with that difficult word 'budgeting".

The balance of this article is best suited for those of us still out there in the labor force but parts do apply to everyone. It has been written to remind and emphasize the profound importance of controlling the amount you spend while creating a meaningful life for yourself. The typical advisor is directed towards maximizing assets and seldom becomes involved in helping you control spending.

When you think about it, aggressive budgeting versus aggressive earning and investing is easier. A penny saved is worth two pennies earned when you are in the 50% tax bracket. "Nothing builds a nest egg faster than frugality. Making money, paying taxes on it, turning around and paying more taxes on the dividends and interest earned is a laborious path to wealth." *

The alternative view is, it seems to me; do what you love, not what pays the most especially if it is something you hate to do. **"Do something you love and you will never work a day in your life."**- George Burns.

Western economists see our problem as scarcity. We have unlimited desires and limited resources. What can we do? We could work more, wish for less or do something as George Burns says and receive greater reward from what we do. Do you want to work for 30 years doing what you hate or 50 doing what you love? A good job adds value to life and makes other things less important.

Another aspect of this equation is remembering Einstein: **"the greatest discovery of mankind is the concept of compounding."** Would you rather work longer or spend less? Examples put forth in Jim Grote's article that he quoted from a professor friend cited the following: "If I buy a tie for $25, my opportunity cost in future retirement assets is only $200 as I am close to retirement, but if my son buys that same tie, his future cost is almost $2,000 had he invested." "If a couple in their 20's buys $15,000 in furniture, when they retire that $15,000 will have cost them $250,000 in retirement assets."

Fortunately this can work both ways; $1 a day invested from age 20 to age 70, i.e. over 50 years can take an $18,250 investment to more than $2 million! Start early! If it is possible, I think a Roth IRA is the best tool for this kind of investment.

***Jim Grote, CFP** wrote an article for *Financial Planning* magazine titled **Buddhist Economics** from which I borrowed his quote and my inspiration for this section.

Top Five New Years Resolutions

Tips from Cynthia Dormer, Ph.D

Did you make a New Year resolution? Polls suggest that many of us do. Here is a list of some of the most common resolutions people make. We've added our hints for following through:

1. Spend more time with family. One idea: each night before closing your eyes, think of each family member and also think of one thing you could say or do to help make their day.
2. Exercise more. Something to consider: new research confirms that upbeat music helps people exercise longer.
3. Lose weight. Something else to consider: more new research confirms the slimming effect of eating plenty of fruits and vegetables. Set a goal to eat 5 (or more) cups per day of fruits and vegetables.
4. Help others. Yet more new research confirms the mood and health benefits of service. Pick an area of service (building houses, delivering meals, mentoring children, helping animals, or conserving the environment) and set a goal for figuring out how best you could put your skills to work.
5. Reduce debt and save more. One idea: aspire to ignore the media messages suggesting you "need" to keep up with trends. Chances are, your car, kitchen, and even the sunglasses you currently own are perfectly functional. Advertising makes us dissatisfied with what we have. Turn off the tube and read a book (one that's already on your bookshelf).

Happy New Year!

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