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MENTOR
C A P I T A L

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Mentor Monthly Missive

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Retirement cost savings

Although retirement can mean an end to some forms of income such as earned compensation, it can also mean elimination of certain expenses. Studies have indicated that the cost of living for retirees can be just as high as it is for younger taxpayers, but there are still many expenditures that may disappear. Here are some you might be able to eliminate once you hit your golden years:

Mortgage Payments

The best thing about a mortgage is that, at some point, it gets paid off. Elimination of this expense is a huge burden off the back of any homeowner and can mean the difference between positive and negative cash flow for many retirees.

Children

By the time most parents are ready to retire, the children are grown and gone and do not require school tuition and fees, food and clothing, sitters or daycare, which can cost thousands of dollars each year.

Car Payments

Houses aren't the only things that are eventually paid off. Although some owners choose to trade in for a new car every few years, others keep their cars in good condition until they are paid for, which not only results in the elimination of the car payment, but can also allow the owner to opt for cheaper insurance coverage. Also, retired couples in many cases can make do with one car instead of two.

Retirement Savings

Many workers automatically opt to put 15% of their earnings away in some sort of employee-sponsored retirement plan, such as a 401(k) plan. Others allocate money each month into a traditional or Roth IRA. But without earned income, all qualified plan contributions will cease.

Smaller House

For those who still have a mortgage, buying a smaller house can mean a lower payment every month. Those who have paid off their homes will realize a windfall upon buying down that they can use to bolster their retirement savings or pay off bills such as cars or medical expenses. In most cases a smaller home can also mean lower property taxes and utility bills.

Life Insurance

Those who have cash value policies may get them paid off by the time they retire, and those with term policies may no longer need them, or may not be able to afford to continue the coverage. In any of these cases, it spells the end of monthly or annual premium payments for the policy. This can free up thousands of dollars in some instances, depending on the amount of coverage involved.

Miscellaneous Debt Payments

Student loans, credit cards and other consumer debt can constitute a large portion of many budgets. But older consumers often get these debts paid down in later years, and their elimination can substantially ease even the tightest budgets.

The Bottom Line

For many retirees, elimination of some or all of the debts listed above can make a big difference in the amount of income that is required to make ends meet. Many retirees are able to live on Social Security plus their retirement savings with relative ease, if the major debts that they incurred earlier in their lives are finally paid off.



Poison lunch

When you eat at a restaurant, you have a reasonable expectation that the waiter won't serve you toxic food.

You have an even more reasonable expectation that the waiter won't *knowingly* serve you toxic food.

Investment bank Goldman Sachs is alleged to have done just that: Knowingly serving its customers toxic assets then acting like what it did was normal business practice. It may be normal, but that doesn't make it right.

Goldman put together a mortgage-investment vehicle and allegedly allowed an unrelated hedge fund manager to select the mortgages that would go into it. The fund manager was bearish about the housing market and wanted a vehicle to bet against, so it selected mortgages that were likely to fail. Goldman then sold the vehicle to its customers, the hedge fund bet against it... and we know the rest of the story.

The Securities and Exchange Commission is investigating the case to determine whether Goldman committed fraud and whether it should have disclosed to its customers that an unrelated third party was involved in selecting mortgages that were placed in the vehicle. We're not sure whether fraud was committed, but it is our opinion that what happened wasn't right.

The Goldman case illustrates an issue that has been at the forefront of financial regulation reform in Washington. Should "financial advisors" be allowed to sell investments to their customers if they believe only that the investments are "suitable?" Or should they be required to act as fiduciaries and fulfill the tripartite duties of due care (including due diligence), loyalty, and utmost good faith?

As it stands now, Goldman and other investment brokers are required only to meet the suitability standard. Investment advisors such as Mentor Capital must meet the higher fiduciary standard.

The higher standards were once part of reform measures proposed in Washington, but they were replaced by a recommendation only to study whether the current standards are adequate.

Events of the last couple of years are proof that "suitability" is not enough and that the current standards are not adequate, no matter who is involved. It's time for Congress to recognize that the investing public deserves more from brokers and require fiduciary standards from everyone calling himself a "financial advisor."



Summer cost savings *(the following article was previously published in USA News and World Report)*

Before the summer heat and summertime utility bills start to make you sweat, you might want to consider making a few changes to cut your energy consumption. You can shave dollars off your monthly bills without sacrificing comfort as long as you plan ahead and get creative. Here's a room-by-room guide to saving money this summer, and benefiting the Earth at the same time.

In the basement: Location of your heating and cooling systems. Cleaning air conditioning filters every month and getting your system checked by a professional once a year will ensure that it's functioning as efficiently and inexpensively as possible. A lot of people ignore the AC system until something goes wrong, and then they end up buying an entirely new unit. If you need a new air conditioner, an energy efficient one might be eligible for a tax credit.

Throughout the house: Make sure your house is leak-free. Nice, cold, expensive air could be going out the cracks. You might want to consider assigning this task to a professional. You can find a local auditor who will use diagnostic equipment to test your home for areas where air conditioning might escape. Your auditor will probably do what's known as a blower door test, which lowers the air pressure in your home and reveals leaks. He or she may also take a photo of your house with a thermo-graphic camera, with the red areas of the photo indicating where better insulation and sealing are needed.

If you don't want to shell out money for an energy auditor, you can perform a casual energy audit yourself. Efficiency experts recommend feeling around baseboards, windows, doors, light switches, and electrical sockets for air leaks. Air can escape or enter anywhere that two different building materials meet. If you find problem areas, seal it with foam or caulking, which you can find at the hardware store. Insulation that meets certain efficiency criteria is also eligible for the federal tax credits.

Using a programmable thermostat so that the temperature automatically rises when no one is home during the day can yield annual savings of about 30 percent.

Replacing older light bulbs with compact fluorescents not only reduces your electricity bill, it can help save energy on air conditioning since fluorescents generate less heat.

In the living room: Simply turning off a television set doesn't put a stop to so-called "vampire power"-the power that devices consume even when they're not in use. That's why you should either unplug your electronics or use a Smart Strip, which cuts power when it's not needed.

If you're in the market for a new television, check energy efficiency ratings. The Energy Department bestows its Energy Star rating to sets that use about one-third less energy than regular televisions. In general, LCD televisions use less energy than plasma screens, but both use more than older sets.

Remember to turn the power off or unplug your digital photo frames when you're not gazing at those illuminated photos.

In the kitchen: Baking a cake or casserole in the summer will force your air conditioner to go into overdrive. Plus, eating hot food will only make you want to turn the thermostat down. But you don't have to survive on cold pasta salad this summer. Instead of using your oven, consider an outdoor grill or toaster oven for small amounts of food.

In the bathroom: If you don't want to spend money on a low-flow toilet, you can still make yours more efficient by dropping a soda bottle filled with sand or water into the back. It will use less water each time it flushes. Small steps such as turning the water off while brushing your teeth or shaving can save a substantial amount of water (and money on your water bill) each year.

In the bedroom: Stay cool while you sleep with an overhead fan instead of pumping air conditioning throughout the entire house. Shutting the doors and vents of unused rooms can also lighten the load of your air conditioning unit.

Outside: A way to reduce cooling costs in the longer run is to plant trees or shrubs so that your house is more shaded, especially on the sunnier side. (For a quicker fix, draw the blinds or shades when you're not home.)



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