Mentor Monthly Missive

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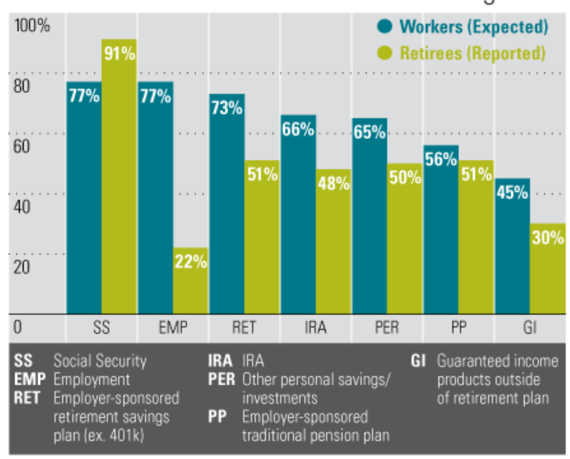
Retirement Income Sources

Times are Changing:
Sources of Retirement Income are Shifting



Source: Employee Benefit Research Institute, 2011 Retirement Confidence Survey.

Concerns about shortfalls in traditional retirement income sources like Social Security and pension plans have caused people to expect to rely more heavily on personal savings to fund their retirement. The graph illustrates that while only 50% of current retirees utilize their personal savings for retirement income, 65% of current workers anticipate personal savings to play a role during retirement. Further, 73% of workers expect to receive retirement income from an employer-sponsored retirement savings plan, while only 51% of those already retired actually receive income from such a source.

It may be a good idea to plan for a diminished reliance on Social Security or a pension plan. Whatever extra funds you save by taking this more conservative view will make retirement all the more enjoyable.

MENTOR
CAPITAL

Meet our Wealth Managers

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Mentor Capital Management Inc. was founded in response to the belief that a consumer's best interests are served when his or her financial planner is Fee Only. Advisors of Mentor Capital strive to provide objective, prudent and thoughtful advice to clients based on their personal goals and objectives.

John S. Davis is Mentor's founder, president and chief investment officer. A graduate of the University of Missouri, Columbia, he is a Certified Financial Planner licensee and a Registered Investment Advisory Firm Principal.

Daniel B. Carey is vice president of Mentor Capital and a member of its board of directors. A graduate of the University of Notre Dame, he is a Certified Financial Planner licensee and a Registered Investment Advisory Firm Representative.

Consumer Alert! A Call to Action - HR 4624

Congress is considering a law that will do serious harm to Fee-Only advisors like Mentor Capital by lumping their regulation in with commission salespeople like stockbrokers and insurance salespeople.

We are alarmed about this, and we should all be furious that this bill would allow the foxes to rule the henhouse. HR 4624 would strip advisor examination and oversight from the SEC (Securities and Exchange Commission), a government entity that has worked for 70 years with registered fiduciary advisors like Mentor Capital, and place them with a non-government organization called FINRA (Financial Industry Regulatory Authority), which oversees the Wall Street stockbrokers who created products so confusing and with such outrageous commissions that consumers had little idea what they were being sold.

We take our responsibility to put client interests first very seriously. This is called the Fiduciary Standard and means that you get planning advice from us that is ALWAYS in your best interest. Not so with stockbrokers. They can sell you a product that pays them a high commission with murky fees, and skip the product that doesn't. If there are five suitable investments, a stockbroker can sell you the LEAST suitable and still be in FINRA compliance. We absolutely don’t want to be regulated by the same body that regulates these people.

The new law would allow a big-business organization with lower standards to oversee high-standard independent small businesses like Mentor Capital. It would allow FINRA to gain a stranglehold over advisors by charging unconscionable registration fees and create a hornet's nest of rules that would make sound advice by independent advisors economically impossible to provide. This change only makes sense if you want to limit transparency and accountability but expand conflicts of interest.

Here are a few more details on the proposed legislation:

• FINRA's exorbitant operating expenses and bloated salaries make it more Wall Street than Main Street.

• FINRA's mandatory membership fees will put some advisors who offer advice to middle-class savers out of business.

• The burden of making small businesses pay mandatory fees to fund FINRA salaries is unconscionable.

• FINRA is not subject to Sunshine Laws and doesn't have to hold open meetings.

• FINRA is not subject to the Freedom of Information Act and is notoriously secret about its books and records.

• FINRA is an organization of Wall Street executives who oversee Wall Street brokers.

• FINRA has no experience working with advisors held to the high fiduciary standard.

• FINRA can act like a government authority without government accountability.

If you appreciate our independence and our ethical standards and agree that this new law ought to be vanquished, please take a moment to voice your opposition to HR 4624 by going to whoismyrepresentative.com. All you have to do is enter your zip code and you will be directed to contact info for your Congressional office.

It could be as simple as saying the following, or drawing from the bullet points above:

"As a constituent I would like to voice strong opposition to HR 4624. Small businesses will suffer or fail if their oversight is outsourced to a non-governmental organization like FINRA. Please stand for transparency and accountability. I am also disturbed that FINRA is not subject to Sunshine Laws or the Freedom of Information Act. Thank you."

We appreciate your attention to this very important manner.

Behind the Veil of Anonymity

If you're a computer user who spends time on the internet, you've likely encountered review web sites. These are bulletin boards where people can post comments about their experiences with local businesses, from restaurants to dry cleaners.

Review sites could be useful tools for consumers to find out what others are saying about companies they might do business with. Unfortunately, because of a lack of supervision by the sites, the reviews are worthless.

This opinion is based on my time as a small-business owner and former journalist. I have been the president of Mentor Capital since 1992, and I recently helped my brother start a business. This new business has been the subject of numerous reviews, good and bad.

For 14 years I was a newspaperman, managing a number of editorial functions, including letters to the editor. Our newspaper would never publish a letter to the editor without ascertaining the true name, address, phone number and background of the author and confirming that he or she had a legitimate interest in the topic being discussed. We would withhold the name of the author from publication rarely, and only after considering whether the weight of the topic and the opinion of the writer justified it. This engendered trust and respect from readers.

Review sites, on the other hand, make no attempt to confirm the identity or legitimacy of the opinions of those who post comments. Screen names are typical, and the sites have refused to reveal the identities of posters who have written potentially libelous reviews.

The result is that review sites, with few exceptions like Angie's List, deserve neither trust nor respect. Yelp, Google, Yahoo – none makes an attempt to assure that a reviewer isn't actually:

• A competitor of the business, running a smear campaign;

• An employee of the business itself, trying to boost its ratings;

• Someone with a personal vendetta against the business owner.

Review sites could provide an actual service to consumers, instead of just a forum for people to spew disinformation. The sites could require full identification of those who post and require that they use their real names in the reviews.

Unfortunately, none of this is likely to happen. The internet is not journalistically oriented. It has no ethics or principles. It's a place where many have opinions and few have any real knowledge. But it could be so much more.

- John Davis

Monthly Market Commentary

Fear grew in May as bad news out of Europe and China continued to dominate the markets. Greece remained the epicenter of European problems as Greek election results have made it difficult to form a new government. Bank runs in Greece and rumors of an exit from the eurozone have plastered headlines as people speculate the possibility and implications of such an event. On a lighter note, investors breathed a slight sigh of relief for the eurozone, which managed to eke out a very slight GDP growth in the first quarter of 2012 after contracting in the fourth quarter of 2011, avoiding the technical indication of a recession (back-to-back quarters of negative GDP growth).

As China's growth rate continued to soften because of manufacturing and export demand weakness in tandem with Europe's slowdown, China cut interest rates for the first time since 2008 with the hopes of spurring more growth. Barring a complete financial collapse, there should be minimal impact on the U.S. economy because the U.S. exports next to nothing to Europe (and even less to China), while Chinese exports to Europe represent a significant portion of China's GDP.

Employment: Markets tanked as a result of a disappointing employment report, with only a meager 69,000 jobs added in May. Worse, the previous two months of unemployment data were revised downward by a total of 49,000 jobs. Despite these setbacks, Morningstar economists still expect monthly employment growth to average about 195,000 jobs per month, with better housing employment and continued 2% or so GDP growth to drive that employment. The unemployment rate rose slightly to 8.2%.

Manufacturing: Despite a tepid manufacturing sector outside of the U.S., domestic manufacturing data mostly came in above expectations in April. Almost every category showed strength, led by utilities, which rebounded nicely as weather returned to more normal-conditions. While autos have been a huge help in the past couple of months, April showed a broadening of the improvement in manufacturing across all categories. Investors should be aware that while the month-to-month numbers looked positive, the year-over-year growth rate remained flat, indicating just steady, forward progress as opposed to a boom-or-bust scenario.

Housing: Seasonally adjusted home prices increased 1.1% from the fourth quarter 2011 to the first quarter 2012, the largest increase since the third quarter 2009. Year-over-year, prices fell by 1.9%, which was much better than the 4.6% year-over-year decline in the first quarter of 2011. As home prices stabilize, this will likely help the difficult appraisal process that had prevented thousands of homes from closing. April's pending home sales fell from March but was still up 14.4% year-over year, marking the 12th straight month of positive growth. Morningstar economists believe that the U.S. housing market has far more room for upside than downside at this point in the business cycle.

Consumers: Consumer spending continued to increase on both a month-to-month and year-over-year basis despite the apparent volatility in the employment market. Some of the reasons include greater availability of credit, falling gasoline prices, and a substantially lower inflation rate. However, in the face of weakening employment as businesses hit the pause button on hiring, there is little chance that consumption growth will accelerate.

Market: The U.S. stock market suffered its worst day of the year on June 1, 2012; the Standard & Poor's index fell by 2.5% after the release of a surprisingly weak employment report. Fears of the impact on the U.S. because of the slowing global economy saw a flight to safety away from stocks and into Treasury bonds.

Mentor Capital Sponsors Elmhurst College Golf Outing

John and Dan spent the day golfing at the Elmhurst College Bluejay Backer Golf Outing on Tuesday, June 12th.

What a great way for them to enjoy such a beautiful day while supporting the athletic teams of Elmhurst College and our community.

They even took time out to take a picture of our sponsorship sign!

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