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IN THIS ISSUE

JUST SO YOU KNOW WHAT IS GOING ON AT PERSONAL FINANCIAL

By Loren Kayfetz, President, CERTIFIED FINANCIAL PLANNER®

Recently, we were excited to add Stefanie Corrales as our Office Manager. Stefanie has extensive experience in both an administrative and client service environment, working previously at a community bank in Southern California. Initially hired to be a client service specialist, it became readily apparent that she could fulfill a higher level of service to our clients and to us. Stefanie reports to Nicole Hanson, who was promoted to Senior Managing Advisor, and to Pat Pannell, COO.

As mentioned above, and worthy of its own mention, we were delighted to offer Nicole Hanson the position of Senior Managing Advisor earlier in the spring. She is responsible for the flow of advisory services and client relationship management for the firm. Nicole just completed her studies and received her degree of Master of Science in Financial Planning, with a focus in financial planning and taxation, from Golden Gate University in San Francisco.

To add to all of this, both Erin Hadley and Nicole are expecting the first additions to their respective families; Erin in September, and Nicole is expecting hers in February. Obviously, there will be times when each will be out on leave, and both are planning to return. We are excited that everyone is on the move.

Speaking of movement, Will Davis, our Executive Assistant, went through some difficult times with a severe leg injury earlier this year, which involved surgery and pins. He is getting around well now, though for some time his mode of transportation was wheeling his chair around our office! He made a rapid recovery considering how serious his injury was.

As you may know, I broke my right heel in a car accident in April, 2009. Since then, arthritis and impingements have set in to reduce my ability

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5 Things People Do to Sabotage Their Retirement

By Nicole Hanson, Senior Managing Advisor/Certified Financial Planner®

A quick way to run out of money in retirement is to not have saved enough, though many people who have saved earnestly for retirement can still find themselves coming up short. Here are a few ways that a dedicated saver may still sabotage his or her secure retirement:

Not taking inflation into account

You may feel on track for retirement especially if you will be receiving a pension but remember that many people live 20 to 30 years or more beyond their retirement date and pensions rarely keep up with inflation. In addition to a pension, it is very important to have an investment account holding your longer-term money that is managed towards beating inflation and being there for you 20 years down the road. This means that at least a portion of your portfolio needs to be invested in a diversified mix of stocks; bonds and cash will not get your there on their own.

Underestimating your spending needs

This is one of the most difficult parts of financial planning – determining what you spend on a monthly and annual basis. Since this information drives your retirement plan, it is crucial to get an accurate number. Here are two techniques for determining your spending needs:

1. Review at least a few months' to a year's worth of bank statements, and track where the money actually went, then compute a monthly average and multiply that by twelve.
2. Take a look at your last income tax return and locate your gross income. Subtract the dollar amount you put into savings that year and the total amount of taxes you paid and the remaining amount is a rough estimate of your living expenses for the year.

Not including estimates for variable costs in your spending needs

A person might have a clear idea of what they typically need on a monthly basis to live a comfortable lifestyle but they may not be including expenses that happen only a few times a year. These variable costs can include the following:

- Property taxes
- Federal and State income taxes
- Donations
- Gifts
- Travel costs
- Purchases of big-ticket items
- Home improvement/ renovation
- Memberships and dues to clubs and organizations
- Insurance premiums

When planning for retirement it is important to include estimates for each of these items and build a cushion into your annual income number so you have sufficient funds.

Not including the costs of supporting/helping other family members in your spending needs

Whether it is an aging parent, a sibling, or a child who needs some extra help to weather a challenge such as a job loss, divorce or a health problem, the costs for supporting a loved one can be substantial enough to derail a retirement plan. It can be very hard to anticipate what your family's needs might be but it's always good to have a frank discussion with your loved ones to let them know what you can and cannot do and encourage them to put adequate safety nets in place for themselves before something unexpected happens. In addition, it is always helpful to have some extra savings that you can draw from if help is needed. And don't forget to budget for the cost of caring for aging pets too.

Moving without reassessing your budget to make sure the numbers still work

Moving to a new home changes everything. Every cost from rent or mortgage and property taxes to your electric bill and HOA dues is adjusted. Before you buy a new home, it is essential to take pen to paper and estimate what new and additional costs you may have. By the time you include the costs of moving, renovating the new home, an increase in property taxes, travel costs and energy costs, you might find that the home you thought would be more affordable will actually cost you a bundle more!

It is impossible to predict the future but a truly secure retirement includes not only adequate savings to cover day-to-day expenses but also a cushion of funds that you can go to when you have a surprise expense. A little extra planning can make all the difference.

Bubble 2.0: Are We In It and On Our Way to Another Tech Crash?

By Erin Hadley, Certified Financial Planner®

"The definition of a tech bubble," according to veteran Silicon Valley entrepreneur and lecturer Steve Blank, "is the rapid inflation in the valuation of public and private technology companies that exceeds their fundamental value by a large margin. It is accompanied by the rationalization of the new pricing, and then followed by a spectacular crash in value. (It also has the "smart money" investing early and taking profits before the crash.)"

Is he right? Only time will tell, but his points about prices not reflecting a company's underlying value, along with the willingness of the masses to pay and try to justify such valuations are warning signs seen not just in the tech sector but in any market bubble. Just as people believed during the first tech bubble that the way of doing business had fundamentally changed, they believed also that

housing prices would do nothing but rise. Each time, investors were convinced that "this time, it's different."

Headlines are dominated by news of recent initial public offerings (IPO's) like LinkedIn and Pandora, and prognostication about when companies like Twitter, Zynga, Groupon and of course, Facebook might do the same. High demand leading up LinkedIn's IPO pushed their share price to $45, up from $32 to $35 per share. Pandora put their share price range at $7 to $9 then $10 to $12 then went public at $16 per share. People are taking notice and wondering how to get in and make a bundle.

No company compares to Facebook when it comes to hype. According to SharesPost (discussed later), the average valuation of Facebook recently rose in one month's time by almost 25%, to $56 billion. Some project it will go as high as $100 billion, which, on revenue of $4 billion, would be a 25 times sales multiple. Google, by comparison has a 5 times sales multiple.

The concern is that these prices are the result of speculation, not underlying value and therefore are poised for a fall. Pandora may not be profitable, as royalty costs eat up half of revenues and are likely to continue to rise. Groupon is having difficulty not losing money despite high revenues, and they use an accounting method many believe does not accurately reflect true costs.

As of this writing, LinkedIn's price is down almost 26% from the high on its first day of trading in May and Pandora is down almost 27% from its IPO high just days ago.

If prices get pushed up to a high point at offering, only to fall sharply, why not get in before the IPO, and hence be part of the "smart money" that cashes in by selling before or upon the day shares begin trading on public exchanges?

Until recently, only employees of a private company held shares and used investment banks to help them choose the proper offering price leaving the rest of us to wait until the stock became available on public exchanges. In the last few years, however, a new phenomenon has come about: private exchanges.

Companies like SharesPost and SecondMarket, in existence since 2009 have helped closely held companies enjoy the best of both worlds: trading and inflation of their share prices without having to publicly reveal their financials (the SEC requires this only if the number of owners exceeds 500.)

To be able to trade on private exchanges such as these, one must be an "accredited investor" as mandated by the SEC's Regulation D which include having a net worth of at least $1 million (not including your home), annual income of at least $200K-$300K and be able to show that this income will continue. Buyer and seller both pay $2,500 per transaction.

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Just So You Know (continued from pg. 1)

to walk. Knowing that both Nicole and Erin would be out for some period of time later this year and early next year, I elected to have surgery in June to try and reduce or eliminate the cumulative damage. I was lucky to find a surgeon who specializes in non-invasive treatment for this type of injury. This may be just the first of a number of treatments I will need over time to deal with the trauma. I had to postpone or reschedule some appointments as a result. So, if you were affected, apologize for the sudden change in times and thank you for your understanding.

Whether it is a hobbling or humbling experience, we still love what we do and do for you. Elsewhere in today's newsletter, Nicole and Erin write about topics of great interest and concern to all of us. Whenever there is uncertainty, there is opportunity, and we find that the most exciting thing of all: Defining, planning, implementing, monitoring, and meeting your goals.

Bubble 2.0 (continued from pg. 3)

Another way to gain exposure is through "qualified institutional buyers" who help their "highly valued" private wealth division clients, usually those whose net worth is around $30 million and, in the case of Facebook, are willing to invest a minimum of $2 million.

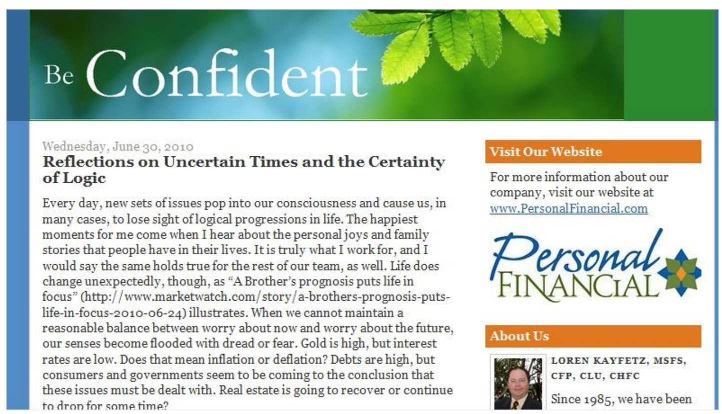
The risk is a loss of value or worse: the fate of those who, after buying in, watch the price fall, then wait for the price to return to the buy level, only to see the company fold instead. That's what happened to many in the first tech bust, who were invested in companies like Pets.com, the poster child of the tech crash. Much hyped after its 2000 Super bowl commercial, sales skyrocketed, yet the company actually lost money on most of its sales. It liquidated a mere 268 days after its IPO, leaving its shares worthless.

So are we in Bubble 2.0? We'll know soon enough.

PERSONAL FINANCIAL HAS A BLOG!

We are excited to announce that Personal Financial has a new blog! Get all your client updates, thoughts about what's happening in the market, and general news and events of the happenings at Personal Financial by visiting our blog spot.

To view our blog, go to the PersonalFinancial.com website. In the bottom left corner of the home page you will find a link to our blog. Enjoy updated news and events!



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