



David W. Demming
Certified Financial Planner™
David W. Demming Jr.
Certified Financial Planner™
Karen Bordonaro
Certified Financial Planner™

Securities offered through:
Coordinated Capital Securities, Inc.
Member FINRA/SIPC

Summer, 2010

DEMMING FINANCIAL SERVICES CORP.

13 New Hudson Road
Aurora, Ohio 44202

Tel: 330 • 562-2122
Toll Free: 877 • 841-2122
Fax: 330 • 562-6086
Email: info@demmingfinancial.com
www.demmingfinancial.com

Client Newsletter

Past market performance is not indicative of future results

Short-Term Thinking vs. Long-Term Returns

article courtesy of Bob Veres, Inside Information

The biggest problem with investment returns is that they're posted daily--or, in the case of the recent "flash crash," every hour or so.

Why is this a problem? Because it implies that what happened yesterday or the day before is meaningful to your financial life, and is important information for future investment decisions. People all over the world struggle with figuring out the relevance of last week's or last month's or last quarter's investment returns, and the cable investing channels and newspapers feed the confusion by trying to explain yesterday's downturn in terms of housing or unemployment data, and project tomorrow's returns based on interest rates and earnings reports.

If you're one of those people who checks the market regularly and can't quite find the meaning of all this short-term information, then this is a good time to relax. Because there IS no meaning to be found there.

At all times, there are three forces guiding the markets. The first is long-term economic growth. Global businesses are gradually expanding their operations, opening up new markets, learning to manufacture and service their customers more efficiently, creating new products. With billions of new customers emerging in India, China, Indonesia and elsewhere, and new technology improving the efficiency of building, tracking, servicing, managing and everything else, this trend has been generally upward since people first squatted in caves around a wonderful new invention called the campfire.

The industrial revolution, the information revolution, and whatever new revolution the Internet and iPhone are a part of are accelerating this long-term business trend, which is invisibly making you money in your portfolio every day you stay invested.

The second force is the economic cycle, which moves from robust growth back to recession back to robust growth in a round-trip gyration which can last anywhere from months to years. Economists have felled whole forests trying to explain the hows and whys of these fluctuations, but most of us instinctively understand what it means to become overextended, pulling back, tightening our belts and then moving forward again. No human activity can be graphed as a flat line.

The only important thing to realize about economic cycles is that they are generally subservient to the longer-term cycle. Throughout all the ups and downs and sidewayses, the world economy has experienced net long-term growth ever since those first campfires.

The third force is investor emotions, which are by far the most volatile element of investment returns, and can change hourly, daily, weekly, monthly. You know these on a personal level; it's what you feel when you see the market go into the "flash crash" freefall, or a year and a half ago when the markets suddenly realized that the demise of Lehman Brothers--a company which helped finance the Civil War--was a scary event. That urge you feel to sell everything and make the anxiety go away is shared by roughly a billion other

investors around the globe, who conspire, unconsciously but powerfully, to rock the markets like the ocean waves in a storm. Even on good days, these waves are rolling around powerfully enough to make TV analysts think they can find meaning in them.

But that's the point: studying the waves, studying what happened yesterday or last quarter, tells you nothing at all about the long-term viability, health or growth of the companies in your investment portfolio--despite what Jim Cramer happens to be screaming today. You might get equally-valid information looking at the patterns of tea leaves or the markings on the back of tortoise shells.

That doesn't mean the waves have no impact on investments, however. The great investors, like Warren Buffett, look for those times when a billion investors are pushing the panic button, and take advantage of stocks selling at bargain prices. Thousands, perhaps millions of investors had to sell during a lot of panics to make Warren Buffett a billionaire, and in his annual shareholder meetings, he acknowledges this. The waves go in the opposite direction as well, taking prices well out of the bargain zone.

Through it all, the long-term trend is quietly making you money, moving us toward a future day when people will look back at us the way we look back at people who lived at the dawn of the Industrial Revolution. They will wonder how we could get so excited about (or scream on TV about) all these little ups and downs while the economy was steadily, visibly, reliably carrying us to a better place.

Late-Life Marriages/Remarriages Require Unique Financial Planning

article courtesy of Financial Planning Association

Plenty of couples think about marriage or remarriage, including older couples with kids, accumulated assets and debts, and previous marriages behind them.

That's why marriages for older individuals require a specific sort of planning. For couples making another effort at marriage, a prenuptial agreement can either set the groundwork for a new and trusting relationship or reveal that money issues may prevent the marriage from working well.

It's actually not the agreement by itself that makes the difference – it's the way the couple gets the agreement down on paper. When two parties sit down to formalize a prenuptial agreement with their respective mediators or attorneys, it requires both sides to make full disclosure of their current financial situation and long-term money goals.

Prenuptial agreements can be considerably more complex for couples making a repeat trip down the aisle. Money issues are not just a matter of full disclosure between two people – in remarriage, they can affect a much wider audience including aging parents, siblings and children and ex-spouses from previous marriages. In some cases, there are sizable business and personal assets gathered before the upcoming wedding day that must be protected.

It is always wise to consult a Certified Financial Planner® to set the ground rules for this process, though legal documents that hold up in court generally need review by respective family law and estate attorneys.

Here are the primary issues any remarrying couple should discuss ahead of a formal engagement:

Families first:

Blended families bring their own financial complications. Indeed, if couples are bringing children from previous marriages into a blended family, it's necessary to establish not only how they will be supported and educated, but also what percentage of the family assets they will be entitled to in case their biological parent dies. There may be alimony and other support arrangements already in place for ex-spouses and children from earlier marriages, as well as elderly parents to support. All of these financial requirements need to be understood and spelled out beforehand.

Is there debt? And if so, how much?

The first money conversation should take place at a table with both sides showing their credit reports, savings, investments and debt figures – every dime. Both should start the process of talking about how that debt should be paid off – by the person who accrued it, or by both potential spouses. Couples also need to decide how they will handle debt going forward – jointly or separately.

What about investments?

If so, how will they be handled once the couple is married? Will these investments be held in joint tenancy after the marriage? Are some of the investments promised to

children, ex-spouses or other family members? From a tax or estate perspective, does it make sense to do anything specific with those assets before the wedding? And after the wedding – assuming debt is being dealt with – how will you maximize those investments?

What about company assets?

If one or both spouses run their own companies or partnerships, it's a huge planning priority. That's particularly true if other family members work for their respective companies. Depending on the size and complexity of the operation, some advisors might encourage couples to go through a formal valuation process of those assets to establish a base of wealth going into the marriage. A prenup could spell out who will get future percentages of those assets if the couple splits – this is particularly necessary if the goal is to keep the company in the hands of the founding family.

Handling daily expenses:

This is a universal question in any marriage, the first or the sixth. Couples need to agree on how they'll share accounts and pay bills. The most common option is to create one joint account. Others work with three accounts – one joint and then one for each individual.

What about insurance?

Life, health, home, and disability – all coverage that singles hold separately needs to be reviewed and consolidated to make sure the couples and their families have adequate coverage after the wedding.

What about our estates?

Blended families with means produce a surprisingly complex estate picture. Engaged couples need to begin addressing this need before the wedding. A qualified estate attorney who understands the variety of estate issues affecting the assets, business issues and philanthropic commitments of blended families is a particularly good investment and can work with financial planners, tax attorneys and accountants to create an estate plan for the couple that makes sense and minimizes conflict among heirs.

What about retirement?

Retirement discussions go beyond money. Couples should decide how they want to live in retirement, whether they'll continue to work and what will happen if one or both get sick. This is a particularly important discussion if one spouse is significantly older than the other and may retire years ahead. There needs to be a close look at what retirement assets have been accumulated by both parties and how they'll be shared during the marriage and after the death of one or both of the spouses.

What about our tax status?

It makes sense for couples to consider their tax status before they marry, particularly if there are sizable business or personal assets being brought into the marriage or past tax liabilities. In any event, remarrying couples should involve a tax expert in all pre-marital financial planning

Notice Regarding Treatment of Confidential Information

Privacy Notice to Our Clients. DFSC strongly believes in protecting the confidentiality and security of information we collect about you. This notice describes our privacy policy and how we protect your personal information.

Why We Collect And How We Use Information. When we evaluate your request for our services, provide investment advice to you, and process transactions for your account, you typically provide us with certain personal information necessary for proper planning and transactions. We may also use that information to offer you other planning services to meet your investment and planning objectives.

What Information We Collect. The personal information we collect may include:

- Name, address, and phone number(s), e-mail address(s);
- Social Security or taxpayer identification number(s);
- Financial assets and net worth;
- Income;
- Account balances;
- Investment activity;
- Accounts at other institutions; and
- Personal and/or family situations and objectives.

How We Protect Information. We do not sell or provide your personal information to anyone, other than what is required to establish accounts with custodians or other financial service providers (i.e., insurance co., etc.). Information collected in connection with, or in anticipation of, any claim or legal proceedings will be shared with appropriate legal and professional outside advisors.

We treat information about current and former clients and their accounts in a confidential manner. Our employees may access information and provide it to third parties only when completing transactions or providing our other services to you.

At your request, we may disclose information to or from attorneys, accountants, securities firms, and others to assist us, or them, in providing services to you. We may also share information with companies that perform services on our behalf, such as the companies that we retain for marketing or administrative services. Companies we may retain to provide support services are not allowed to use your personal information for their own purposes. We may make additional disclosures as permitted by law.

We also maintain physical, electronic, and procedural safeguards to protect information. Employees and our professional service representatives are required to comply with our established information confidentiality provisions.

Access to and Correction of Information. Generally, upon your written request, we will make available information for your review. Information collected in connection with, or in anticipation of, any claim or legal proceeding will not be made available.

If your personal information with us becomes inaccurate, or if you need to make a change to that information, please contact us at the number shown below so we can update our records.

Further Information. For additional information regarding our privacy policy, please contact Demming Financial Services Corporation at 13 New Hudson Road, Aurora, Ohio 44202, or by calling us at (330) 562-2122.

Dear Clients:

The first half of 2010 closed with a dose of downside volatility bringing many equity indexes to a modest negative year-to-date return. Having experienced significant recovery in the second half of 2009 (and as indicated in earlier commentary), equity valuations appeared to be ahead of corporate earnings. With the recent pull-back witnessed in the second quarter, overall global stock valuations appear modestly attractive. This environment should provide reasonable returns, not necessarily on a straight-line basis, but over the coming years.

That having been said, many investors seem to be repeating former mistakes. If there is one area that is likely inappropriately valued, it is the fixed income markets. U.S. interest rates, promulgated by the European debt crisis, have retraced themselves to historic lows. Two-year Treasury Notes recently traded at .59% record low yields and the 10- year Note fell below yielding 3%. In other words, investors are taking a line from Will Rogers: "I'd rather have a return of my money rather than a return on my money." Retail investors may be chasing yields at the wrong time. Record low interest rates condemn fixed income vehicles of all genres because an inverse relationship exists between bond prices and yields. Interest rates will inevitably rise. In all likelihood longer duration bonds should either erode their principal or, at best, give back some of their yield. Is this going to be a case of another bubble – this time fixed income? Investors have a history of chasing a path towards self-destruction. Will history repeat itself?

We entered a three-decade period starting in the early 1980s when interest rates were at historic highs. Now rates have declined from high double-digits to essentially zero. This portends another interest rate cycle, however long no one knows. Achieving above-average returns in fixed income similar to historical equity returns is highly improbable in our opinion. But investors as a whole will make the same mistakes again, even when events of the past have proven them wrong.

Best wishes,

David W. Demming, CFP®

David W. Demming Jr., CFP®

ADDRESS CORRECTION REQUESTED

Demming Financial Services Corp.
13 New Hudson Rd.
Aurora, OH 44202