Comprehensive FINANCIAL PLANNING INC.

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Here is our 2nd Quarter 2007 newsletter we send to clients.

When Should You Start Social Security Retirement Benefits?
One of the most important and least understood decisions we face as we approach retirement is when to start Social Security retirement benefits. Should one start early and receive benefits longer or wait to get a larger check? The following will explain why the <u>vast majority of people make the wrong decision.</u>

The Social Security Administration just added a new web site for financial planners. Anyone can go to it at www.socialsecurity.gov/financialplanners. In the Retirement section of the site there is a table that shows how your monthly check will be reduced if you start benefits at age 62 vs. taking it at your Normal Retirement Age (NRA). The NRA has been going up in recent years, and for those who were born from 1943 through 1954, it will be 66. Anyone in this age group can reduce their monthly Social Security check by 25% if they start receiving their benefits four years early at 62.

On the same web site above there is a link to a "Break-even Points" calculator, where one can calculate at what age the accumulated value of the benefits taken at 62 and at your NRA are equal. Presumably one could base the decision on whether you think you will live beyond the breakeven age. An example on the web site shows that for someone who was born in February of 1942, the breakeven age for taking the benefit at 62 vs. at his NRA of 66 years 10 months is 77 years 10 months. So, if one thought they probably would not live to see their 78th birthday, they might decide to go ahead and take their benefit as soon as they can at 62.

The web site makes the point that there are several other factors that should be considered (in the link "Other things to consider"), but falls well short of even mentioning several other factors that should be considered. Here are the major factors one should consider.

1. There are really two decisions to make. The first is when to start your benefits: the second is when to quit working. If you start your benefit early but continue to earn income, your benefits will be reduced if you earn over $12,960 until you reach your NRA. Your benefits are not affected once you reach your NRA, no matter how much you make or whether to take an early benefit or not. If you delay starting benefits several years after you quit earning any income, this could result in a shortfall of

income. However, there are several planning opportunities that can be used to manage your situation.

2. Survivor benefits can in effect extend the duration of your retirement benefit to your spouse, depending upon your situation. Surviving spouses are entitled to the benefit of the deceased worker or to their own benefit, whichever is greater. If the deceased spouse took a reduced benefit and the survivor's benefit is lower that the decease's benefit, the survivor will live with a reduced benefit also. A good article which I have posted on my web site at www.CompFinancial.com on the Documents page discusses this and other issues concerning married vs. single workers.
3. Once you have taken your first benefit check, you can't change your mind. Your decision in irrevocable. You and you're survivors are stuck with the reduced benefits for life.
4. Last, and most important, what are the real risks here? Most people need a nest egg to produce income for them in retirement to supplement their Social Security check. **The biggest risk all of us face is outliving out nest egg.** If you pass on before the break-even age and you waited to take a full benefit, what are the consequences? For most of us, whether we're single or married, you and you're family are better off financially. However, if you live well beyond the break-even age, having a larger benefit will decrease the odds you outlive your nest egg. Taking a full benefit is like buying an annuity for nothing. It's free because you've already paid for it with your Social Security taxes. The benefit will be increased even more by the Cost of Living adjustment made every year.

In 2003, 59% of women and 53% of men opted to claim their retirement benefits at age 62, and most of the remaining opted to take a reduced benefit before their NRA. Unfortunately for them, most will live until they're over 80 and almost one third will live into their 90's. Most of them would have benefited by waiting to take their benefit at their NRA or even later. Your benefit can be increased another 8% for every year you delay starting your benefits beyond your NRA. For some, this may a viable option.

What should you do? Hire a financial planner with the right tools and experience to provide you with a detailed analysis and recommendation for you.

Market Overview and Outlook

After an uninspired first quarter, stocks around the world surged in the second quarter. Domestically, larger companies outperformed smaller, and growth is now ahead of value for the year to date. International stocks had another strong quarter and out-returned the U.S. market again. The overall U.S. stock market was up a bit over 7% for the first half, while international stocks gained almost 12%. The broad bond market has been weak in 2007, with a small loss for the quarter and gaining less than 1% year-to-date. Emerging-market short-term bonds (PIMCO Developing Local Markets) performed very well and added a lot of value relative to the U.S. bond market. Commodity futures were negative for the quarter though still positive for the year. REITs suffered a sharp correction, losing 9% during the quarter and have now experienced an 18% decline since peaking in early February.

So far this year our portfolios have outperformed their benchmarks, with our most aggressive portfolios gaining 8.3%. Longer term our most aggressive portfolios have returned 17.6% and 35.0% over the last one and two years respectively. I would caution all readers to not expect these returns over the long term going forward.

For the last year investors vacillated between fears of economic weakness (driven by the housing market) and strength (driven by the buyout boom and a strong global economy). Now, even more than usual, there seems to be an unusually wide variety of opinions and concerns from both investment professionals and everyday investors. We have never believed that we could add value using an investment strategy that relied on accurate forecasts of the economy over the near term. Instead we focus on our client's specific needs and identify longer-term tactical opportunities that result when asset classes are fundamentally mis-valued.

On an absolute basis, there are no asset classes that are clearly undervalued. However, we believe continuing to avoid REITS and high-yield bonds for most portfolios will add value until their valuations improve. On a relative basis, we continue to believe large-cap domestic stocks will outperform small-cap stocks. As the economic cycle matures it bodes well for large-caps. Also, larger companies are in a better position to take advantage of global economic strength and the weak U.S. dollar. Similarly, we like our short-term emerging markets bond position (Pimco Developing Local Markets Fund) in our Balanced strategies because it provides a competitive yield and a hedge against further declines in the dollar versus the currencies of some of the trading partners with whom we have bigger trade imbalances.

Does Corporate Governance Affect Mutual Fund Performance?

In last quarter's newsletter I mentioned how our funds have high Stewardship Grades. Some of you may have wondered what that means. For over three years now, Morningstar, one of two mutual fund research sources I use, has been publishing their Stewardship Grades for funds. A study issued by two professors at Northeastern University has found that higher grades for stock funds result in statistically significant higher returns. An article about their study has been posted on my web site on the Documents page.

Morningstar uses five factors in their ratings.

1. Regulatory Issues: Has the SEC cited them for noncompliance? If so, do they have remedies in place to correct past mistakes?
2. Board Quality: Do they their own money in the fund? Have they taken action when appropriate? How many funds do they oversee?
3. Manager Incentives: Do they have their own money in the fund (you would be surprised to know how many don't)? Does compensation reward long-term performance and does not emphasize asset growth?
4. Fees: Are they reasonable and have they declined with asset growth? Do they have 12b-1 fees (only 4 of our 17 funds we currently use have them)?
5. Corporate Culture: Does the firm look out for existing shareholders by closing funds to new investors when they get too large? Does the fund use their own brokerage,

thus paying themselves twice? How long have the managers and analysts been with the fund?

Analyzing Morningstar’s and others research is one of many ways I attempt to add value to your portfolios. I look forward to meeting with you to discuss your financial situation. Thank you for your continued trust, confidence and referrals.

Sincerely,

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Certified Financial Planner
Registered Investment Advisor
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