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 Wealth.



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 make wise choices
 where life intersects wealth.

Special Points of Interest

- What are two experts saying about the stock market?
- You and Tiger Woods can be the same?
- Your current share of the National Debt may shock you.
- Resting heart rate is a simple tool for better health.
- We learn better when we act like a child.
- Do the ordinary as if you're amazing.



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What is Fama/French saying about the stock market?

by Michael C. Lantz, CPA/PFS, CFP®

Eugene Fama PhD, He is the central scholar whose groundbreaking work inspired the founding of the Dimensional Fund Advisors. The Robert R. McCormick Distinguished Service Professor of Finance at the University of Chicago Booth School of Business, Professor Fama received his Ph.D. degree from the University of Chicago in 1964. He also holds an MBA from the University of Chicago and a B.A. from Tufts University.

Kenneth R. French is the Carl E. and Catherine M. Heidt Professor of Finance at the Tuck School of Business at Dartmouth College. He is an expert on the behavior of security prices and investment strategies. He and co-author Eugene F. Fama are well known for their research into the value effect and the three-factor model, including articles such as "The Cross-Section of Expected Stock Returns" and "Common Risk Factors in the Returns on Stocks and Bonds." His recent research focuses on tests of asset pricing, the tradeoff between risk and return in domestic and international financial markets, and the relation between capital structure and firm value.

Question: Some have suggested this downturn is different because it is affecting the entire planet, not just a country or region, so previous downturns don't necessarily compare. Given the state of the world economy, is recovery beyond our grasp?

EFF/KRF: In the past, other countries have had recessions that the U.S. has not shared. But the U.S. is big, and every U.S. recession has been global. Thus, the global aspect of

the current U.S. recession is characteristic of past U.S. recessions. Every past recession has ended. This one will too.

Question: Some think the exposures associated with credit derivatives are so extreme that the failure of one or two large financial institutions will ruin the nation. Could the use—or abuse—of credit default swap exposures be that dangerous?

EFF/KRF: As far as I can tell, the government bailout of AIG has gone largely to prop up its \$2 trillion of credit default swaps. The fear of the Treasury and the Fed is that if AIG is forced to default on its credit default swaps, the "insurance" they provide to the value of bank assets will disappear, the value of the assets will fall, and lots of big banks will be insolvent. I agree that this is likely to be the eventual outcome, in other words, the Fed and the Treasury will eventually say "uncle" and let AIG and the bad banks fail. I think this is what they should have done from the beginning, and if they had we would be in better shape now. The stockholders and the bondholders of AIG and the failed banks will lose big time, but this will allow the banking sector as a whole to emerge in a stronger state.

Question: Some political commentators argue that Obama's economic policies are our path to ruin. Is capitalism really threatened by our recent political decisions?

EFF/KRF: Even in good times, economic systems are often changed dramatically by political decisions. (Think about South America over the last 30 years.) Capitalism is always under threat in the U.S., and the threat is higher when the legislative and executive branches are both in the control of liberal Democrats, who seem to be big admirers of the European system of high social welfare expenditures and "managed" (or better, mismanaged) capitalism. Unfortunately, the

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What is Fama/French saying about the stock market? (continued)



“...the big long-term problems of the country are a bankrupt social security system (thanks FDR) and bankrupt Medicare and Medicaid systems (thanks LBJ).”

Eugene Fama, PhD
Kenneth French
 Pioneers in the discovery of the modern day asset classes

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current political period may result in stagnation of the sort that other managed capitalist economies (Japan and most of Europe) have experienced. But we hope the pioneering free enterprise spirit of the U.S. can quickly reassert itself.

The current recession aside, the big long-term problems of the country are a bankrupt social security system (thanks FDR) and bankrupt Medicare and Medicaid systems (thanks LBJ). The Republicans are not faultless. When they had joint control of the legislative and executive branches, they gave us the prescription drug care program for seniors (who vote, mostly Republican).

In general, it is dangerous to have the legislative and executive branches firmly under the control of the same party, whether Democrat or Republican. Politicians like power and spending generates power. Democrats and Republicans like to spend; they just disagree on where the expenditures should go. Democrats like social programs. Republicans like defense expenditures, energy, and farm subsidies, and in the past eight years they honed pork barrel spending (earmarks) to a level not seen before. The current stimulus plan is likely to fail, but are the eventual costs likely to be more or less than those associated with the Iraq War?

What are the investment implications of these challenges? The huge drop in the value of public corporations since President Obama's inauguration suggests the market shares our pessimism. But for investors the damage is already done. Although the economy is likely to suffer from high unemployment and low profits for quite a while, the market has already incorporated all this bad news into prices. In the real economy the pain of a recession may be spread out over several years, but investors bear the full expected impact as soon as the market sees it coming.

This means there is no reason to be gloomy about our current investment prospects. Prices may continue to fall, but only if the news turns out to be even worse than the market expects. We are equally likely to be surprised by good news that pushes prices back up. It is impossible to forecast how prices will evolve,

but we believe the market is currently offering investors unusually high expected returns as compensation for this uncertainty.

Question: Newsweek recently proclaimed "we are all socialists now". How has government intervention changed expected stock returns?

EFF/KRF: Government intervention affects the market in two ways. First, it affects the level of expected future profitability, which has direct effects on stock prices. Second, government intervention and uncertainty about the government's future actions change the risk of expected future profits, which affects stock prices by raising or lowering the discount rates for expected future profits, and thus raising or lowering expected stock returns. Our view is that the rhetoric and sweeping initiatives of the new administration have lowered market expectations of future profitability, and the uncertainty about government policies has increased the risk of expected future profits. Both effects have contributed to the lower stock prices we have seen as the policies of the new administration have unfolded. If the market has it right (that is, if the market is efficient) all this is built into current stock prices, and expected returns are higher going forward.

Question: What can you say about expected return if you do not think the stimulus plan can have positive impact on the economy?

EFF/KRF: The recent sharp decline in prices suggests that the market does not think the actions of the government (including the stimulus plan) are, in aggregate, good for the economy. If you think the market has it right, then expected stock returns are high, for the reasons outlined above. If you are more pessimistic than the market about the effects of government actions, then (at least on this score) you think prices are too high, which means expected returns are low. Conversely, if you are more optimistic than the market about the effects of government actions, then you think prices are too low, which means expected returns are quite high. Keep in mind, however, that the empirical evidence says you are on thin ice when you decide your forecast of the future is better than the market's.

What is the difference between Tiger Woods and the weekend duffer?

The humorous answer may be “About \$100 million in net worth!” But in reality perhaps the only difference is in the way they think. For example, the difference in “greens in regulation”, a measurement of how well a player hits the ball until they get on the putting surface, between Tiger and the 150th best player in the world is only 1. That means that Tiger is on the green putting for birdie only one more hole per round than the 150th ranked player. Why is this important?

When Tiger misses a green and has to then save his par by relying on his short game he thinks to himself, “Okay, I will make this shot. I deserve to have this shot go in the hole. I love my short game and it allows me to go after some tough pin placements without fear.” However when the 150th player in the world misses a green he may be saying to himself, “I’m so lousy. Why did I miss this shot. I can’t believe how stupid I am.” To further illustrate this point, you can see what I’m referring to by observing the body language of each player after missing the green as they approach their next shot.

The main point here; the difference between

Tiger Woods and the weekend duffer is in how they think about themselves. Our thoughts about ourselves can be controlled. The weekend duffer can think just like Tiger Woods. If they did, would it make them as good as Tiger? Probably not but it would allow them to perhaps unlock all of their potential and inspire them to practice as much as Tiger and who knows, someday master the game and play at a much higher level.

Your thoughts usually manifest themselves into reality. If you think negatively about yourself chances are the object of your thoughts will come true. You may say, “I’m not very good at meeting new prospects.” When the situation occurs to then meet a new prospect, you would shy away or even say the wrong thing. But if you think to yourself, “I love meeting new people and some of them become good customers.” There is a much higher chance that you’ll say and do the necessary things that would make a good first impression.

The power of the mind is real. Start using it to control your destiny and be like Tiger Woods!



Happy



Sad

“Your thoughts usually manifest themselves into reality. If you think negatively about yourself chances are the object of your thoughts will come true.”

Michael Lantz

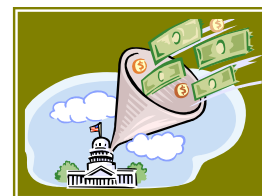
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Your Current Share of Government Debt is \$36,301

According to the US Treasury the national debt as of March 25, 2009 was \$11 trillion consisting of \$6.7 trillion held by the public and \$4.3 trillion held by other countries.

As of July 2008 the US Census indicated that 304 million people lived in the US. Therefore each citizen of the US’s share of the national debt is \$36,301. Did you want this added debt? It is real and will have to be repaid.

Why is this important to report? The current climate in Washington is to double the national debt with record spending and borrowing. Everyone knows the stress of having to pay debt off when there is insufficient income to pay it. We’ve been counseled to use personal debt wisely. In our opinion added national debt is a threat to national security and the future strength of our country.



“I sincerely believe . . . that the principle of spending money to be paid by posterity under the name of funding is but swindling futurity on a large scale.”

Thomas Jefferson
3rd US President

Resting (Wake-up) Heart Rate

Have you ever checked your morning heart rate (HR)? If not, chances you’re missing an element that can give you feedback on your overall health.

HR is affected by blood flow, aerobic fitness, and the amount of oxygen being transported by the circulating blood. Cardiac output (the amount of blood pumped per minute) is a product of HR and stroke volume (amount of blood pumped with each beat of the heart), and it helps to explain what affects the flow of blood around the body.

At any given time, your body needs a particular amount of blood flowing to its parts. During exercise, blood flow increases dramatically to the exercising muscles and also possibly to the skin. Blood flow to any particular area is determined by cardiac output and resistance in the vessels that supply that area with its blood, and resistance is a function of where the body wants to divert blood by

constricting some vessels and dilating others.

With this in mind, here are some reasons you might notice a change in morning HR:

- 1) A change in blood volume, often associated with a change in the degree of hydration,
- 2) A change in blood available to be sent to the exercising muscles, which depends on the amount routed to other areas (e.g., to cure an illness at the onset or to an injured muscle),
- 3) A change in overall fitness level,
- 4) A change in the oxygen-carrying capacity of the blood, which often depends on nutritional status.

Monitored on a regular basis, a slower morning HR than usual can indicate improving fitness. Conversely, a consistent increase in wake-up HR can indicate dehydration, poor nutrition or the onset of an illness.



“In the three years that I’ve devoted to endurance training I’ve lowered my resting heart rate from 80 to 47.”

Michael Lantz
3X Ironman Finisher
Triathlon Coach

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"If we had no winter, the spring would not be so pleasant."

Anne Dudley Bradstreet

If I Were Amazing *by Jim Stovall*

Each of us are confronted with a myriad of tasks each day that require our attention. Most of us allow far too many things to get onto our calendar or day planner. There are very few things that are truly important or critical enough to require your immediate and personal attention; therefore, we go through our day confronting routine items while asking ourselves:

"What do I have to do?"

"What is expected of me?" or

"What is the least I can do in this situation?"

If we did fewer things but did them better, we would find ourselves achieving and moving ahead faster.

Once we get our daily list cut down to a manageable number of things that are truly significant and need our personal attention, instead of asking, "What's the least I can get away with?" we should ask ourselves one of the most powerful questions I have ever discovered. When confronting tasks before you, simply ask yourself, "What would I do if I were amazing?"

This is a hard question for us to contemplate, because most days we don't feel amazing. Remember that all you need to do to be amazing is to do amazing things. These things can come to you easily when you simply ask yourself, "What would I do if I were amazing?"

My friend and mentor, Coach John Wooden, often cautioned his players as well as top level executives as they were achieving a certain amount of fame or notoriety, "You will be known for a lifetime of good

What can we learn from being as innocent as a child?

Many adults over a lifetime have built up mental barriers that stop their curious mind from exploring new truths. A child, on the other hand, is full of excitement to explore new discoveries. They are said to be innocent. In order for you to achieve greater heights of achievement that learning new insights and truths can bring, you need to be innocent, like a small child.



things you do or one stupid thing that you do."

You and I all know the names of people who will forever be known for one stupid statement, misstep, or moral lapse. I agree with Coach Wooden that this should always be avoided; however, the converse is true and can give each of us power beyond belief.

You can rise out of mediocrity and normality by doing one amazing thing, whether it's a hockey player making an incredible shot just as his team needed it; a business or political leader delivering an immortal message that touched our hearts, minds, or souls; an airline pilot who saves 150 lives by successfully using the Hudson River for a runway; or simply someone who goes above and beyond in their daily lives.

Every day we encounter numerous people in a myriad of situations. Each occasion gives us the opportunity to perform normally or as expected. When we do this, it will be forgettable, routine, and everyone will walk away without noticing anything.

If you choose to act in a manner that is less than expected, you will encounter complaints, resistance, and anger. The communication will be remembered by everyone involved and label you as inadequate or incompetent. On the other hand, by performing a routine task as if you were amazing, you not only change your own behavior, but you become unforgettable and can actually change the behavior of others.

As you go through your day today, eliminate opportunities to be average, and seek ways to be amazing.

Today's the day!



"...by performing a routine task as if you were amazing, you not only change your own behavior, but you become unforgettable and can actually change the behavior of others."

Jim Stovall

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