



For All That Wealth Secures™

**Special Points of Interest**

- If you blinked you might have missed the 38% return in the market this year
- Motivation and habit are connected
- FDR's New Deal prolonged the Great Depression
- Tax planning with less income
- Redistribution of wealth has been around a long time
- You can learn a lot from fallen soldiers.
- Success; a balancing act



If you know of a youth or young adult that is suffering from depression, please call Michael Lantz to introduce them to help free of charge.

For more information go to:

[www.joyfulhope.org](http://www.joyfulhope.org)

**Investing in a Bad Economy by Michael C. Lantz, CPA/PFS, CFP®**

It has been my observation that many people have a fear of investing in a bad economy. Many "feel" that while business is bad, unemployment high and general despair over our country that stock market returns must be the same. The result of this fear is parking their money in "safe" havens such as cash, money market accounts or certificate of deposits in record levels. The personal savings rate increased to 6.9% in May 2009. Historically, during the 1980s, the personal saving rate averaged 9.0%. During the 1990s, the personal saving rate averaged 5.2%. Since 2000, the personal saving rate has averaged only 1.9%. While an increase in personal savings rate (i.e., the amount of money that is saved from personal income less taxes and less household spending) is desirable to protect a family in tough times, it also indicates that consumers are not borrowing or investing in instruments that have more risk and historically pay a higher return, such as the stock market.

Historically stock market returns during times of depression and recession are good. Between the period of 1930 to 2008 there have been 16 calendar years that there were negative returns in Gross Domestic Product (i.e., the total GDP in a subsequent year was less than the prior year). During those same years the total return to the S&P 500

Index was 15.8%. While prior results are not a predictive tool of the future the results do illustrate that stock returns and the economy do not follow one another as one might think or "feel".

Why is this so?

When markets tank, like we saw the DOW do on March 9th this year to reach it's low of 6,547.05, indicated that investors at that point believed, "the value of stocks based on their prediction of future earnings were less than the March 8th prediction. Since then, even though the economy has worsened and more jobs lost, the DOW has climbed to 9,069.29 on July 24th. That is a gain of 38.52%! That means that investors are more optimistic and bullish on the economy.

So the question remains; how do you invest in a bad economy?

It has been said that "time IN the market" is better than "timing THE market". For those that were sitting on the side lines in cash, i.e., timing the market, missed the 38% return. While those that understood the market and took the risk, were rewarded with this strong return. It is best to be in the market with a long-term horizon to be rewarded with good returns over the long haul, even though short term returns can and do suffer.

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**How Motivation and Habit are Connected by JoyfulHope.org**

Jim Ryan the great Olympic runner and former Kansas Congressman said, "Motivation is what gets you started. Habit is what keeps you going."

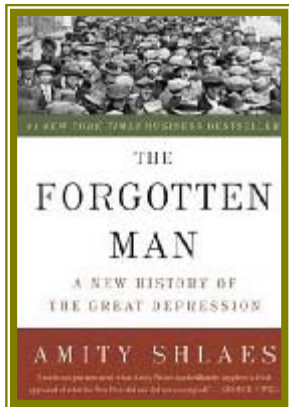
Motivation is created in many ways however it is fundamentally based on certain thoughts and feelings. Motivation is associated with great optimism and faith. A motivated person usually can see outcomes in their life even before they have actually been created. Your thoughts of accomplishing some mile stone will come with feelings of success, added wealth or health or admiration and self respect. These thoughts create a great deal of

initial energy to start you actually doing the steps necessary to move you to that outcome. You've seen and been around highly motivated people. They have abundant energy and a truckload full of optimism. They speak almost in terms of having already accomplished the outcome they seek. It is said they have a "never say die" attitude.

As we all know though, those feelings and thoughts lessen over time. The initial energy level wanes and we are faced with the realization that our initial goal may seem far away and with that distance may come doubt.

*(Continued on page 3)*

## Book Review: The Forgotten Man by Amity Shlaes



*"The big question about the American depression is not whether war with Germany and Japan ended it. It is why the Depression lasted until the war."*

Amity Shlaes

I recently finished *The Forgotten Man: a new history of the great depression*. In light of our bad economy and a lot of talk about it being another Depression I wanted to understand what, if any thing, I might be able to learn in order to help my many investors what to expect.

*The Forgotten Man* is a history lesson about the policies of Franklin Roosevelt and the people that FDR surrounded himself and consulted with. After reading the book it is hard to disagree with Ms. Shlaes assessment of how the Great Depression was prolonged with the high taxes, huge government regulation and massive spending of FDR's administration.

Ms. Shlaes says, "The big question about the American depression is not whether war with Germany and Japan ended it. It is why the Depression lasted until the war. **From 1929 to 1940, from Hoover to Roosevelt, government intervention helped to make the Depression Great.**"

Many of Roosevelt's top advisors were heavily influenced by a trip they took to the Soviet Union where Stalin personally met with them and showed them their most successful programs. FDR called his experiment, The New Deal. Many of the programs created by The New Deal were close to being called "socialistic".

FDR indeed spent a lot. "He nearly doubled the federal budget in his first term." Shlaes said. One of FDR's advisors and the head of his Public Works Administration was Harold Ickes, the father of the adviser to President Bill Clinton.

Ms. Shlaes describes FDR's programs and how they prolonged the Depression by reporting, "The worst factor was Roosevelt's war on business." She goes on to say, "the public jobs did their work inefficiently. That was because they were scripted to serve political ends, not economic ones."

In her conclusions and parallel to our economic problems today she says, "The relevance for today is simple...infrastructure spending is often just a nicer name for what we used to call pork." Finally she says, "The New Deal edifice is solid enough, but it doesn't form the best basis for the national future."

We study history to understand what works and what doesn't. It is clear to me that as our current administration attacks small business with added taxes (Roosevelt's top rate was 79.6%) and more regulation, job creation will be slowed. The creation of more service jobs such as police and firemen, while serving a good, doesn't create lasting wealth that creates jobs. It is our opinion that if Obama continues to create massive deficits and more debt we are likely to duplicate the Great Depression.

## Income Tax Planning When Earnings are Down



*"When taxes are used as a political tool instead of an economic tool, the economy will pay a price."*

Michael Lantz  
CPA/PFS, CFP®

If your earnings are down doesn't mean that tax planning is not necessary. While generally your income tax will be less if your income is less, there are still several areas of planning to focus your attention on.

### **Depreciation for small businesses**

If you've acquired equipment or other large fixed assets this year you may actually benefit by being more conservative in the way you choose to depreciate the asset. The IRS allows a one time large upfront tax deduction (often referred to as the Section 179 deduction) that many businesses in the past would have taken to substantially reduce your tax and thus pay for the equipment. If your income is down this year and your tax bracket is lower, deferring the depreciation to be used in subsequent years may make more sense especially if you believe your tax bracket will be greater in future years.

### **Deduction deferral strategies**

If you can defer certain expenses and pay for them in subsequent years when your tax bracket is greater would yield more tax benefits. Perhaps you may be able to defer expenses normally due in December to the following January such as real estate taxes, home mortgage payment or

some other business expenses such as a profit sharing contribution.

### **Accelerate income into this year**

If your income is down this year and you have the opportunity to bill and receive payment at the end of the year instead of early next year may help because the income would be taxed in a lower bracket.

### **Regroup and plan for the future**

When your business is good and you're very busy, you often "work in the business" instead of "working on the business." If your business is slower than in the past is a good time to clean up your plans and create strategies that will work when the economy begins to improve. This may not be traditional "tax planning" but it can improve your earnings with better operating efficiencies in the future.

### **Meet with your CPA**

Your CPA is slower now too and it may be the best time to capture their attention and plug any holes in your income and estate tax plans.

## How Motivation and Habit are Connected (*continued*)

It is then when habits come into play to shorten this gap.

It has been discovered that 95% of our actions are habitual. That means that we do most everything out of habit; without thinking about them.

How are habits created? Since 95% of our actions are habitual, we first have to recognize those habits that are less than productive. After this recognition, you have to replace that habit with one that is productive or more desirable to help you best accomplish your goal.

Here is a simple example. Let's say you want to lose weight. You're highly motivated because your doctor told you that at your current health level you run the risk of high blood pressure and hypertension. You also want to run a 10K in an upcoming charity race with a friend. You used to be in better shape and know that you would be able to once again obtain a level of fitness that would allow you finish the 10K.

You recognize that you have several habits that are contributing to your poor health. You first get up in the morning and read the newspaper for 45 minutes. You then eat a large breakfast that tastes good but is full of bad carbohydrates and fat. So the first habits you want to replace are these two.

So instead of reading the paper you ride a stationary bike for 45 minutes. Then because of the exercise your metabolism has increased and your appetite is suppressed so you eat less and change what you eat to better carbohydrates and less fat. The motivation will provide all the energy to make these new habits fun and enjoyable but will not be strong enough to sustain them.

It takes 21 days of doing new tasks in order to make them a habit. So is it wise to use your motivation at the onset to create change, it is important to make new habits quickly to sustain your quest to accomplish your new goals.



*"It takes 21 days of doing new tasks in order to make them a habit."*

**Michael Lantz**

## What Did Our Founding Fathers Say About Wealth Redistribution?

One of the principles Conservatives believe in is the protection of private property. This was such an important element in the creation of our Constitution, the founding fathers recognized that it must protect it's citizens from their own government and from foreign governments from taking their property.

Our founding fathers lived through the tyranny of Britain's rule and crafted the Constitution accordingly to protect us and our private property.

You may have heard the term, "redistribution of wealth" over this past year. Conservatives believe that the progressive income tax rates, taxing the rich higher than the less wealthy, is a form of wealth redistribution.

The founders wrote a great deal about this subject. They were inspired to exclaim, "all men are created equal." This equality was meant to reward men with the bounty of their labor as a way to create wealth and property but perhaps more importantly to increase self worth with industrious behavior.

Below are some quotes from our founding fathers on the redistribution of wealth and industry.

*"To take from one, because it is thought his own industry and that of his fathers has acquired too much, in order to spare to others, who, or whose fathers, have not exercised equal industry and skill, is to violate arbitrarily the first principle of association, the guarantee to everyone the free*

*exercise of his industry and the fruits acquired by it."* — Thomas Jefferson, letter to Joseph Milligan, April 6, 1816

*"I predict future happiness for Americans if they can prevent the government from wasting the labors of the people under the pretense of taking care of them."* — Thomas Jefferson

*"The moment the idea is admitted into society that property is not as sacred as the laws of God, and that there is not a force of law and public justice to protect it, anarchy and tyranny commence. If 'Thou shalt not covet' and 'Thou shalt not steal' were not commandments of Heaven, they must be made inviolable precepts in every society before it can be civilized or made free."* — John Adams, A Defense of the Constitutions of Government of the United States of America, 1787

*"I am for doing good to the poor, but I differ in opinion of the means. I think the best way of doing good to the poor, is not making them easy in poverty, but leading or driving them out of it."* — Benjamin Franklin

Abraham Lincoln said, "Property is the fruit of labor...property is desirable..is a positive good in the world. That some should be rich shows that others may become rich, and hence is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another; but let him labor diligently and build one for himself."



*"To take from one, because it is thought his own industry and that of his fathers has acquired too much...is to violate arbitrarily the first principle of association, the guarantee to everyone the free exercise of his industry and the fruits acquired by it."*

**Thomas Jefferson**

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We may always be reached 24/7 via our cell  
Please respect our privacy during non-business  
hours.

*"If you obey all the rules, you miss all  
the fun."*

Katharine Hepburn

## Grateful and Hungry by Jim Stovall

Success, and life in general, is a multi-faceted process. Anyone who purports to tell you the one key to success or happiness is either misguided, mistaken, or short-sighted. Each of us have many elements within our daily lives. You have your professional or work life, your family or home life, your friends or social life, as well as your finance, faith, physical health, community involvement, etc.

Overwhelming success in any one area can be totally negated by failure in another area. If you make billions of dollars but have an impoverished family or home life, we could not call you a success. If you have a great career but neglect your physical health, you could not be considered successful.

Success is much more of a balancing act. You must master each of the elements that matter most to you. It is not a snapshot but much more like an epic motion picture. It is always changing, growing, and evolving. You do not achieve success in gardening one time and reach your goal once and for all. Having a wonderful garden is a process. It is always either improving or declining.

One of the most critical elements you must balance to achieve success is your ongoing passion and drive. This is difficult, because you want to also enjoy the process, be thankful for where you are, and take time to smell the proverbial roses; therefore you must strike a

## What can we learn from those that gave their life for our freedom?

Clarence Seward Darrow (1857–1938) a well known defense lawyer, said, "You can only protect your liberties in this world by protecting the other man's freedom. You can only be free if I am free." Let those brave soldiers who have served our country and given the ultimate sacrifice, their life, be a reminder that our founding fathers created an inspired document in our Constitution to insure that our freedoms could be perpetuated only as we protected each other's freedom; even with our life if necessary.

(Photograph of Arlington National Cemetery)



compromise between being grateful and being hungry.

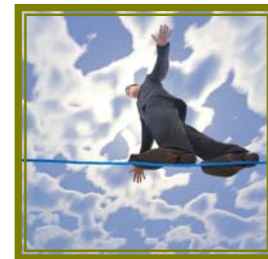
If all you want out of life is to earn more, own more, and have more, you will never be successful nor content. On the other hand, if you are totally satisfied with your current condition, you will never reach your potential. I believe that it is easiest to find this balance when we realize that our past success—as well as our hope for future success—is not only about us.

You can experience overwhelming gratitude for the success you currently have when you reflect upon the people that made it possible. No person is an island. All of us are a product of many contributions toward our success made by others, both known and unknown.

You can stay hungry when you recognize that your future success is not simply a matter of you getting more than you have now. We must remember that success comes from the service that we provide to humanity. Just as you cannot succeed without the help of others, you cannot experience more success without being a help to others.

As you go through your day today, be grateful for the people who helped you to get where you are, and be hungry to help others through your future success.

Today's the day!



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