

John Clair

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Dear Friends,

If you're considering a donation to The American Red Cross for the those affected by the continuing disaster in Japan, we've made it easy for you. [Click here to donate](#).

This month's newsletter highlights are:

How will the ongoing catastrophe in Japan impact the global the economic recovery? An industry analyst says...[Read More](#)

Did you see The Chesterfield Observer's annual financial advice edition? Check out our own Tom Leahy...[Read More](#)

Is paying off your mortgage a good idea? Here's a good article that will help you determine if it's right for you...[Read More](#)

Finally, if you're not a Leahy & Clair client already, and you've been on the fence about finding a financial advisor, check out NAPFA's new [Pursuit of a Financial Advisor Field Guide](#), which will walk you through all of the steps to finding the right advisor for you and your family.

Best regards,

John & Tom

March 2011

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[Should You Pay Off Your Mortgage Early?](#)

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Did You Know?



12.8%...Percentage the S&P 500 rose in 2010. (1)

96.0%...Percentage of the highest country return in 2010 - Sri Lanka's Colombo All Share Index. (1)

-35.6%...Percentage of the worst country return in 2010 - Greece's ATG Index exceeded all other world stock market losses. (1)

529,973...Number of jobs eliminated in the United States in 2010; downsizing reached its lowest level last year since 1997. Down from 1,288,030 layoffs in 2009. (1)

Is Japan a Major Worry for the Global Markets?

Excerpts from a Recent Economic Analysis

There's no question everyone is shocked and saddened by the disaster in Japan. So much destruction and loss of life makes it hard to think about anything else. On top of that, there is worry about the global economic impact. Sheraz Mian, Director of Research for Zacks Investment Research, spoke about this in his latest analysis. We thought you might like to read some of his commentary on selected topics:



Current Events Impacting Global Markets

"The Japanese situation is just the latest in a string of recent events that have weighed on the stock market. The unrest in the Middle East and its impact on global oil prices has not gone away; the tragedy in Japan has only pushed it from the headlines. One could easily add concerns about Europe's debt and China's growth outlook to this list of worries for the market."

The U.S. Outlook

"As significant as all these events are, the ultimate stock market driver remains the U.S. economic outlook. The economy's ability to withstand these headwinds is a function of the recovery's momentum. And the trend on that front has lately not only been positive, but accelerating. Reports show strength in manufacturing activities, corporate investments and retail sales all point that direction. Even the labor market appears to be showing signs of a turnaround."

Putting Japan's Economic Impact in Context

"Aside from the negative impact that images of destruction will have on investor sentiment, I don't expect the Japanese situation to have a lasting impact on the market. Despite being the third largest economy in the world (it ceded the number two spot to China last year), Japan has been in a multi-year deflationary spiral. As such, they were not central to global growth projections as are other Asian economies.

Having said that, production shut downs in Japan will have a cascading impact on global supply chains for a number of products and components that are manufactured there. Luckily the country's population and industrial heartland was not directly hit by the natural disaster. While factories in the directly affected region have most likely suffered major damage and will remain off-line for an extended period, others will resume operations in the coming weeks and months as critical infrastructure gets restored."

Putting It All Together

Source:

1. *Journal of Financial Planning*,
March 2011

"Japan is not expected to be an enduring concern for the market in the coming days, in my view. But as this tragic story recedes from the headlines, we will go right back to our fixation on oil and the unsettling developments in the Middle East. And oil is more potent of the dark clouds on our economic horizon.

But as referred to earlier, the U.S. economic recovery has enough momentum to withstand this hurdle as well. Of particular significance on the recovery front at this stage is the labor market turnaround. The market should be in good shape, notwithstanding the volatility of the last few days, as long as the jobs picture continues to improve."

Sheraz Mian, Weekly Market Analysis: March 14, 2011

Tom in the Chesterfield Observer Advice & Management of Your Money

Chesterfield Observer

Chesterfield County, Virginia • Your Community Newspaper Since 1995

Tom shared his advice on a broad array of topics including investing in

fixed income securities, 401(k) withdrawals, 529 plans and saving for college in last month's special financial section. [Click here to read.](#)

Should You Pay Off Your Mortgage Early? The Answer Is, Not Surprisingly, "It Depends"



This is a question we get asked a lot these days - especially with historically low interest rates. Early payoff can make sense if you are thinking about retiring soon and want to reduce your living expenses. However, it's not the right solution for everyone.

Helen Huntley, a fellow NAPFA-registered advisor out of Florida, recently wrote a good article on the subject and how to best evaluate whether making extra payments on your mortgage is right for you. According to her, you are a candidate for early payment of your mortgage *only if you can answer "yes" to all these questions:*

1. Have you paid off all your credit cards and other non-deductible debts such as car loans?
2. Will you be able to maintain an emergency fund sufficient to cover three to six months of living expenses?
3. Can you make the payoff (or extra payments) without tapping your tax-deferred retirement accounts?
4. Will you be able to continue contributing enough to your 401(k) to get your employer's matching contribution in full?
5. Do you plan to own the house at least for the next few

years?

If you've passed her Five-Question Test, consider the following points before making your final decision:

- How does the interest rate on your mortgage compare to the return you can earn if you invest the money?
- Are you still itemizing deductions? If you can't itemize or barely have enough deductions to itemize, you aren't getting any real tax benefit from your mortgage. This is a common situation for long-time homeowners whose mortgages are approaching payoff. At that stage, the mortgage interest payments are mostly principal rather than deductible interest.
- How much will your cash flow improve if you pay off your mortgage? Remember that only the principal and interest portion of your mortgage payment will go away. You'll still have to pay real estate taxes and homeowners insurance.

Like most financial decisions, it all comes down to your personal situation. If this seems like something that may work for you, please feel free to contact us or ask your own CPA or financial advisor.

Source: Helen Huntley, NAPFA Planning Perspectives, Jan / Feb 2011



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