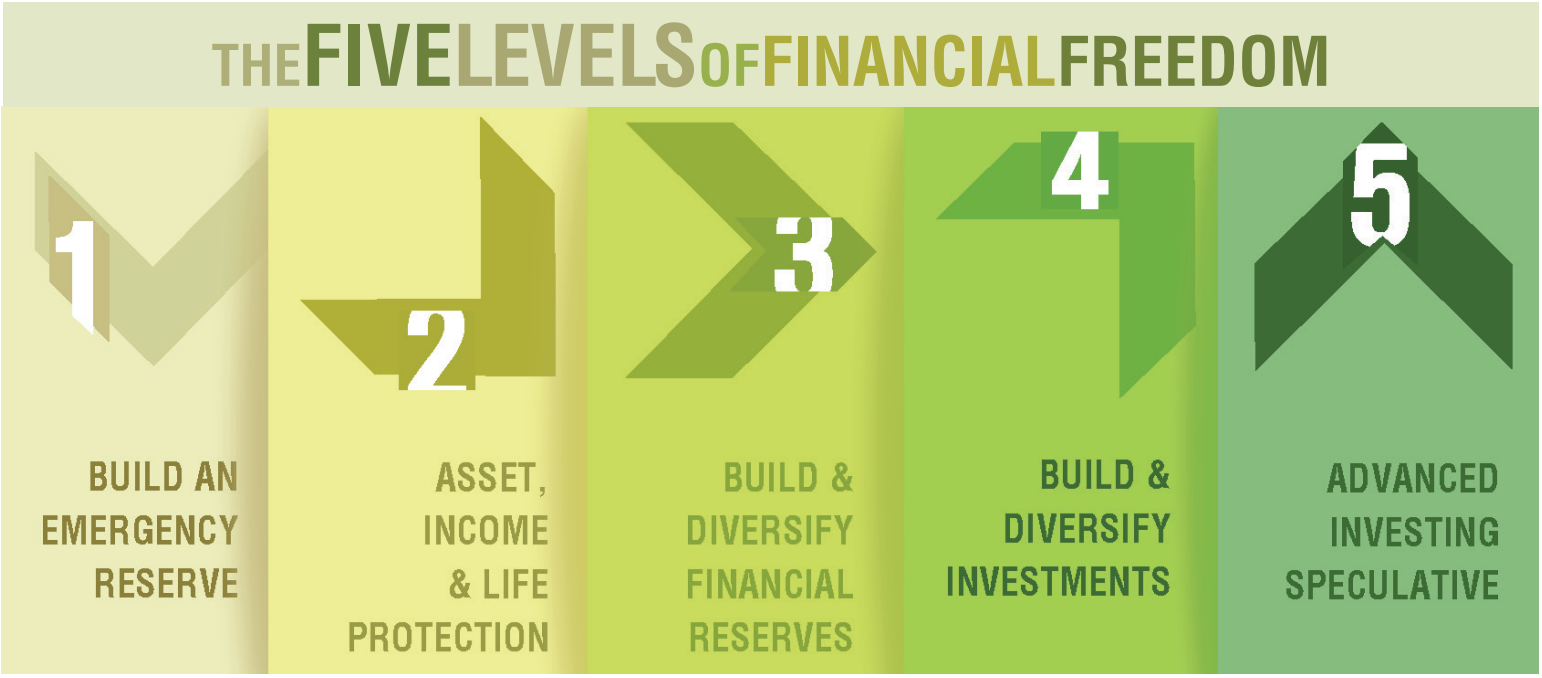
FTM Quarterly Follow The Money

Summer 2012 www.ftmdaily.com Volume 3 Number 3

Introducing the FTM Financial Philosophy

Here at FTM Quarterly, we hold some firm beliefs about how to build a financial plan that will stand the test of time. Below is a graphic representation of how we view a solid financial game plan. Note that each level is color coded. We will categorize many of our articles using these levels in each edition of FTM Quarterly to help you know the focus of the article.



The Global Breakdown

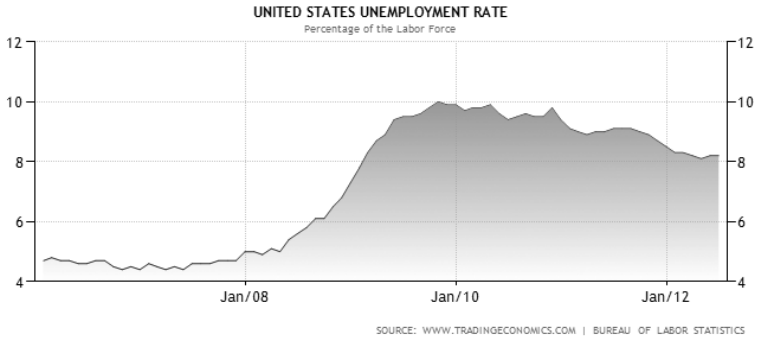
An Economic Update

By Jerry Robinson

The last three months have been a severe rough patch in the global economy. While the ongoing crisis in Europe dominated the headlines, poor economic data in the U.S. meant that there were few places to hide from the economic uncertainty.

In June, the U.S. government's official unemployment rate remained unchanged from May at 8.2%.

According to the Bureau of Labor Statistics, payrolls in the private sector increased by 84,000 in the month of June. This number was well below the 106,000 new jobs that most economists had forecast for the private sector in June and represents the third straight month of weak hiring. To put the labor market's woes into better perspective, **consider that the U.S. economy only added**



75,000 jobs a month on average in the second quarter (April-June). That is well below the stronger pace of 226,000 a month created in the first quarter of 2012. So far, job growth in the first half of 2012 is trailing the same period from last year.

Even worse, one-third of the new jobs in June were in *temporary service*. The few bright spots included: Health Care (+13,000 jobs), Manufacturing (+11,000 jobs), and Financial Services (+5,000 jobs).

The U.S. unemployment rate has been above 8% for 41 consecutive months. To put that in perspective, in the previous 60 years, the unemployment rate topped 8% in a total of only 39 months. The last time unemployment topped 8% - December 1983. **This is already the longest jobs recession since the Great Depression at 53 months**.

And as most informed citizens know, the 8.2% unemployment rate is the government's "official" rate. As such, it does not count discouraged workers who have given up hopes of finding a job. Statistician John Williams, of Shadowstats.com, has clearly demonstrated that

Table 1
Unemployment and Real Wages in the 1930s

	Unemployment Rate		*Real Wage Index*
	Lebergott	*Darby*	*(1940 = 100)*
1929	3.2%	3.2%	69.4
1930	8.7	8.7	75.7
1931	15.9	15.3	83.2
1932	23.6	22.9	80.8
1933	24.9	20.6	79.5
1934	21.7	16.0	84.3
1935	20.1	14.2	80.4
1936	16.9	9.9	81.1
1937	14.3	9.1	85.5
1938	19.0	12.5	93.9
1939	17.2	11.3	97.3
1940	14.6	9.5	100.0

Sources: Unemployment rates: Smiley (1983, p. 488). Real wage index: average hourly earnings of production workers in manufacturing divided by the wholesale price index; hourly earnings is from U.S. Bureau of the Census (1976, series D-802, pp. 169–170; wholesale price index is from U.S. Bureau of the Census (1976, series E-40, p. 200).

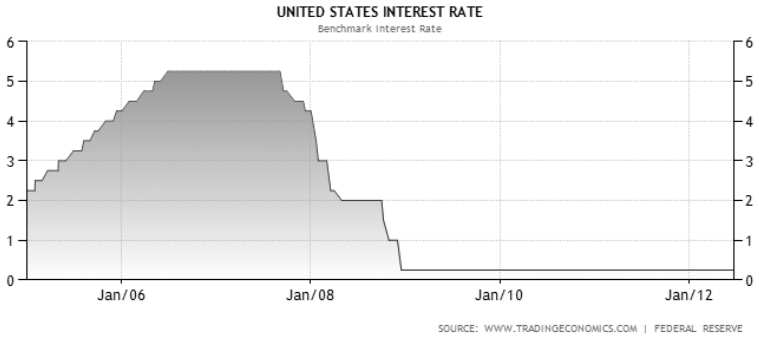
when the Federal government's official unemployment rate of 8.2% is combined with all discouraged workers, both short-term and long-term, **the current real U.S. unemployment rate is hovering near 22%**. At that rate, America is in full crisis mode with unemployment levels much more similar to the Great Depression than previous postwar recessions.

Similar statistical distortions are common in the government's "official" inflation rate, known as the Consumer Price Index. While the official number is currently near 2%, **the real inflation rate is closer to 5%.** The bogus CPI numbers have been a long running problem. However, the government directly benefits from an artificially low inflation rate as it helps prop up GDP numbers. The more inflation, the less "real" growth. Of course, no one should be surprised that Washington is in the number-fudging business.

Put bluntly, the American economy is going nowhere. And while the country's wheels spin in mid-air, the elites have attempted to comfort the jobless and debt-ridden masses with mindless talk of a "recovery."

Meanwhile, interest income for savers has been decimated thanks to the Federal Reserve's inept zero-interest rate policy.

America can now borrow from the bond markets at a cheaper rate than at any other time in the history of the republic. Over the last few years, rates on short-



term bonds have even dipped into negative territory. Amazingly, the demand did not slow. Not even during the Great Depression did bond yields dip this low for this long. And the Fed has indicated that there will not even be a consideration of raising interest rate targets until late 2014. Those who are dependent upon interest income are starved for yield while many have begun taking on big amounts of risk in a desperate attempt to increase their rate of return. Much of this risk is in the bloated bond markets. Investing in Treasury bonds at current levels would be a big mistake as prices have risen dramatically in our current interest rate environment. **According to a historical study conducted by Barclay's Capital, investors who purchased Treasury bonds at a very high price in 1945 earned a *negative* real annual return of -2.3% over the following 35 years.** The reason for their negative return was not so much that interest rates did not go up in a 35 year time frame, but rather that their initial price point was so high that it took them a very long time to get into positive territory.

Consider another way that our nation's leaders are bankrupting our country; namely, the explosive national debt, which is quickly closing in on **$16 trillion**. (*That's $16,000,000,000,000.00*) The absurdity of this amount is only dwarfed by the speed at which it is growing. In 2011, the Federal government spent a grand total of $3.6 trillion. Over $1.2 trillion of that amount was **borrowed**.

Meanwhile, the U.S. "security industry"... *aka the Military-Industrial Complex*, devours around $1 trillion per year from the annual Federal budget.

America would have done well to heed the warning issued by the outgoing President Dwight D. Eisenhower in 1961: *"In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exists and will persist."*


EISENHOWER'S FAREWELL SEES THREAT TO LIBERTIES IN VAST DEFENSE MACHINE

VIGILANCE URGED

Talk Bids 'Godspeed' to Kennedy—Voices Hopes for Peace

Consider the words of Herman Göring, the founder of the Gestapo, Nazi Germany's secret police. In an April 1946 interview from his jail cell during the Nuremberg War Crimes trials with American psychologist, Gilbert Gustave, the following exchange took place.

Hermann Wilhelm Göring, was a German politician, military leader, and leading member of the Nazi Party.

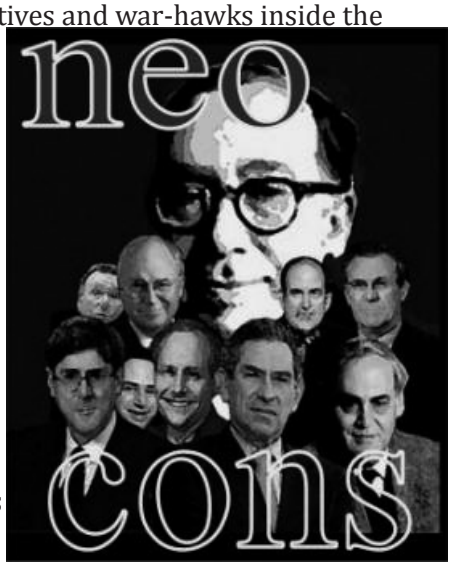
Göring: "Why, of course, the people don't want war. Why would some poor slob on a farm want to risk his life in a war when the best that he can get out of it is to come back to his farm in one piece. Naturally, the common people don't want war; neither in Russia nor in England nor in America, nor for that matter in Germany. That is understood. But, after all, it is the leaders of the country who determine the policy and it is always a simple matter to drag the people along, whether it is a democracy or a fascist dictatorship or a Parliament or a Communist dictatorship."

Gilbert: "There is one difference. In a democracy, the people have some say in the matter through their elected representatives, and in the United States only Congress can declare wars."

Göring: "Oh, that is all well and good, but, voice or no voice, the people can always be brought to the bidding of the leaders. That is easy. All you have to do is tell them they are being attacked and denounce the pacifists for lack of patriotism and exposing the country to danger. It works the same way in any country."

Göring was wrong about many things. But this statement could not have been more true.

The U.S. military is the most powerful and expensive institution in world history. The powerful elites have misinterpreted the basic purpose of the Department of Defense. Its role is to defend our nation and our borders. Today, the neo-conservatives and war-hawks inside the Washington Beltway rather use our military to create chaos abroad. **Instead of defending America's territory from its enemies, it is provoking old ones and creating new ones.** The military and "national security" machine is out of control. It is bankrupting our nation and it is stoking the fires of revenge which will lead to more blowback.



But the masses continue to believe in the manufactured stories emitting from Washington by way of the mainstream media outlets.

Since the fateful events of September 11, 2001, the Military-Industrial-Security complex has increased its stranglehold on the nation's purse strings and has tightened the noose on the basic freedoms of every American.

I will be reporting on the U.S. build-up to war with Syria and Iran in our next issue. For now, we have enough to deal with, sifting through the mountains of poor economic data from the last quarter.

The economic situation is dire for an Obama administration in full re-election mode… and they know it. (*We expect to witness a bloody election season*.) **Back in 2009, the Obama camp promoted its $800 billion stimulus package with promises that America's unemployment rate would decline to 5.6% by the summer of 2012**. *Oops…* Now, it will take 219,000 net new jobs a month for the unemployment rate to dip below 8% on Election Day. And that is if the current labor force participation rate holds steady. Speaking of which, the "labor force participation rate" — the number of people who have jobs or are actively

looking for one, compared with the entire working-age population — is now 63.8%, down from 65.7% in June 2009. The labor participation rate is lower than it's been in 30 years. **In previous recoveries, the labor participation rate has almost always risen, not fallen—as it has this time.**

Another shocking development: the rapid increase in American workers enrolling into the Federal government's disability program. ***Not surprisingly, more Americans joined the Federal government's disability program than got new jobs in the month of June.*** According to the Social Security Administration, 85,000 American workers left the workforce to begin receiving disability payments from the government. In fact, the number of new SSI disability income recipients has outpaced the number of new U.S. jobs by 19% over the last three years. Since June 2009, 2.6 million jobs have been created within the U.S. economy. However, during that same time period, 3.1 million Americans have begun receiving disability payments from the government.

Also in June, over 275,000 Americans began the application process for SSI disability payments.

Another important measurement for the Obama re-election strategists are how the June unemployment numbers appear demographically.

White unemployment: 7.4%

Hispanic unemployment: 11%

Black unemployment: 14.4% (Up from 13.6% in May)

Most alarming to the Obama administration is likely the stubbornly high Hispanic unemployment rate. While Mr. Obama has been courting the Hispanic community through his lax immigration policies, Hispanic voters still vote with their pocketbooks. Most surveys show that unemployment and the economy are much more important issues than immigration within the Hispanic community, which may impact the November elections in an interesting way if all things remain constant.

The unemployment picture becomes even more alarming when we factor in youth unemployment.

White youths (age 16-19): 20.9%

Black youths (age 16-19): 39.3% (Up from 36.5% in May)

It is difficult to quantify the damage that is currently being done to our national psyche amid this stagnant labor market.

However, in May, consumers were more eager to shop with plastic as credit card use in America jumped by **11.2% --** the largest percentage increase since November 2007. Total borrowing, including student loans and car loans, grew to $2.57 trillion in May.

The poor recovery has also driven people to sign up for food stamps in record numbers. Between June 2009 and April 2012, food stamp enrollment climbed **11.3 million** — a 32% increase — according to the Department of Agriculture.

The financial crisis and the lingering stagnancy in the labor market has also driven down median U.S. household incomes, according to Sentier Research. After adjusting for inflation, **median annual household income dropped 5.3% between June 2009 and May 2012**, Sentier found.

Meanwhile, U.S. home prices continue their six year slide downward. And now, **foreign buyers are stepping in to scoop up the deals**. Of the international investors into U.S. housing, 55% come from five countries: Canada, China, Mexico, India, and the United Kingdom. Over half of these buyers are focusing their purchases within five specific states: Florida, California, Texas, Arizona, and New York.

Thanks to the U.S. housing bust and falling investment prices, the median net worth of U.S. families plunged nearly 40% from 2007 to 2010. **Today, the average American's net worth -- $77,300 -- has fallen to a level not seen since 1992**.

So how exactly does a weak jobs market coupled with poor economic news translate into the everyday world of the average American? It makes U.S. consumers less confident and much more cost-conscious. This is confirmed through **the Consumer Confidence Index which fell in June for the fourth straight month**.

Obviously, this tightening of the consumer's purse strings leads to a lack of demand. And decreasing demand directly impacts the bottom line of the corporate world, causing business profits to suffer. **Retailers reported weaker than expected sales for June**. Recently, Costco and Target reported lower than expected gains, missing Wall Street's expectations. We expect this to be the beginning of a very tough earnings season on Wall Street as corporate profits will likely be down significantly across several industries. Lower corporate profits will inevitably lead to more layoffs. It is a vicious circle.

And if history is any indicator, the Obama administration is keenly watching the stock market for clues as to their re-election efforts. Consider this interesting factoid from S&P

Capital IQ's Sam Stovall:

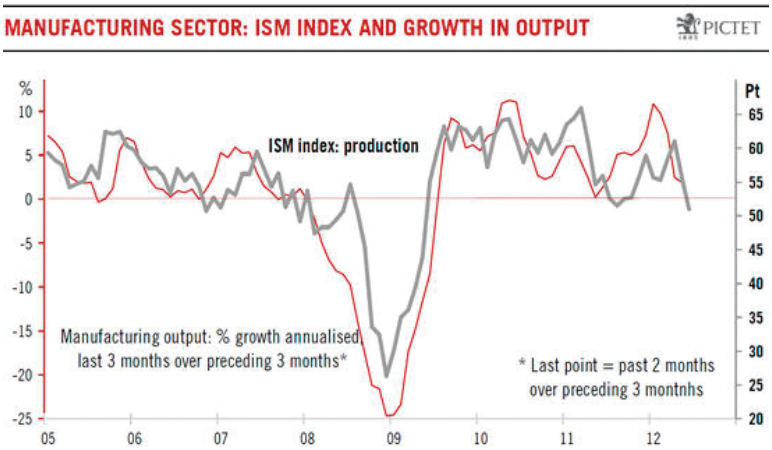
"An S&P 500 price rise from July 31 through October 31 traditionally has predicted the reelection of the incumbent person or party, while a price decline during this period has pointed to a replacement. Since 1948, this election-prognostication technique did an excellent job, in our view, recording an 88% accuracy rate in predicting the re-election of the party in power (it failed in 1968). What's more, it recorded an 86% accuracy rate of identifying when the party in power would be replaced (it failed in 1956)."

One of the easiest ways to throw the odds into Obama's favor is to release a new flood of printed money (QE3) into the economy no later than the month of August. Given the terrible June jobs numbers, a sagging stock market, and the Federal Reserve's own downgraded economic outlook and jobs growth forecast, QE3 is appearing much more likely.

Companies that actually make things were another casualty in the month of June. According to the Institute for Supply Management (ISM), the manufacturing sector suffered its first contraction in three years. Weakness in emerging markets and the ongoing crisis in Europe led to a decrease in demand for U.S. manufactured goods, causing export orders to fall. But it is not just foreign consumers that are slowing down. **The ISM report also showed that domestic demand is contracting, as overall new orders plunged by 12.3 points to their lowest level since October 2001**. *(In the month after Sept 11, 2011, new orders fell by 12.4 points.)* Prior to 2001, you would have to go back to the doldrums of December 1980 to find a steeper monthly drop. The ISM measures the shifts in manufacturing activity through a composite index of 0-100. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. The ISM reported that manufacturing contracted from 53.5 in May to 49.7 in June.

As far as the GDP numbers are concerned, the economy grew at a 1.9 percent annual pace in the first quarter and estimates for the April-June period are increasingly coming in around 1.5 percent.

U.S. economic growth in the first half of 2012 was largely driven by **automobile production and sales**, which accounted for about 61 percent of the period's 1.9 percent



increase in GDP. Automakers continued to rack up big sales numbers in June selling nearly 1.3 million cars and trucks during the month, up 22 percent from the same month last year. Chrysler posted its best June in five years and sales soared at Volkswagen, which is on track for its best year in the U.S. since 1973.

Uncertainty is building, however, over the so-called U.S. fiscal cliff — a combination of expiring tax cuts and automatic government spending cuts — which will hit in early 2013 if Congress does not act. In essence, U.S. lawmakers have planted a tax and spending time bomb that's set to go off in 2013. Tax cuts worth about $600 billion annually are slated to expire at the end of this year, and more than $100 billion in spending cuts go into effect on Jan. 1. The uncertainty over these events will continue to take an economic toll on Americans in the second half of this year as companies and households have no clue what their tax liabilities will look like in 2013.

I expect a temporary resolution in the fourth quarter of this year which will do nothing but extend the financial uncertainty in the nation. This is yet another example of the poor leadership in Washington. The political gridlock in America is embarrassing and nothing short of pathetic.

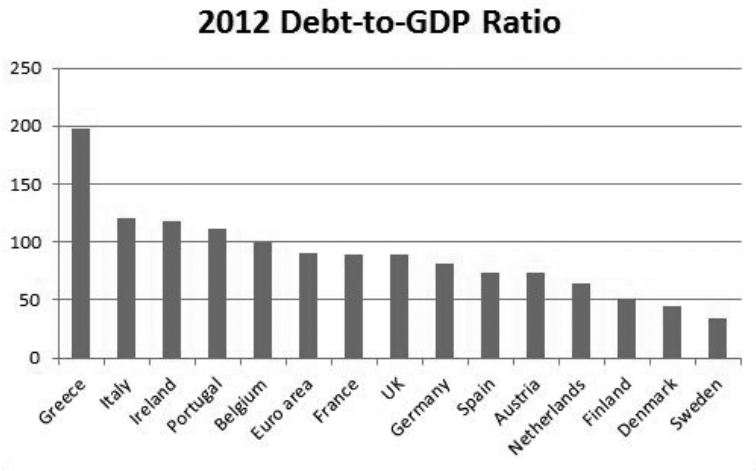
Obviously, America's economic problems are evident. However, dark financial clouds are swirling over the global economy as well. In fact, the global economic outlook has become more grim in 2012…

The International Monetary Fund has become increasingly vocal over its concerns regarding the global economy despite recent aggressive monetary intervention in England, China, and the broader Eurozone. The IMF released an update to its World Economic Outlook report on July 16. It revised its global growth forecasts downward for the remainder of 2012 and into 2013. Of particular concern to the IMF is the Japanese economy. The imminent risks to Japan's economy include further appreciation of the Yen in the wake of the Euro crisis and an ensuing slowdown in Japanese exports to Europe as a result. Analysts are downgrading European profit forecasts at the fastest rate since 2009 while growth in China slows for a sixth straight quarter.

And while the saga in the Eurozone continues, the bailouts are becoming more frequent. In essence, Europe has become a student of the Western concept of throwing money at financial problems.

I know that sometimes I must sound like a broken record when I tell you that the Euro is *not* going away. **The Euro is here to stay as it is a prototype of the other regional currencies that are waiting in the wings**; namely, a single Asian currency among others.

And now, there is movement towards unification of the European banking sector through the creation of a



banking union. **The details of the banking integration are expected to be fully revealed by the end of 2012.** A banking union, with the European Central Bank as the chief banking supervisor, will prepare the way to the next, and most complicated, phase of the master plan: a European fiscal union. Stay tuned because it is coming.

Amidst the global economic turmoil, the U.S. dollar has been resilient, up 5% in May alone against a basket of global currencies. The strength of the dollar has driven the prices of commodities downward. Of course, to those who understand economics, commodities are on sale in America because the dollar's rise is completely unsustainable over the long run. Consider that global central banks have been purchasing massive quantities of gold bullion. In the last 12 months, ending in March 2012, global central banks

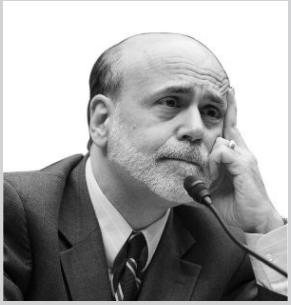
added over 400 metric tons of gold to their holdings. That's up from 156 tons in the previous year, and the strongest amount of buying since 1965. Most experts expect that they will make up 10% of all global sales annually.

I expect central banks to continue beefing up their gold reserves, especially on the dips. **Personally, I am adding to my current positions on the major dips, and holding on for the long-term.**

Why so serious?

"Today in school we learned about the three main branches of government: lobbyists, fund-raisers and media."

What Jerry Thinks: The Federal Reserve and QE3



On June 20, the Federal Reserve released its latest grim economic and jobs outlook. The Fed sees no improvement in the unemployment numbers throughout the end of 2013.

While the predictive arts are not a strong suit for the Fed, they hit the nail on the head when they admitted that the economy is a train wreck.

While investors did not get their highly anticipated third round of quantitative easing (read: money printing), the Fed did extend Operation Twist. The Fed committed itself to purchasing $267 billion of long-term bonds, with the sales proceeds of short-term bonds, by the end of the year in an effort to keep long-term interest rates low.

So, what about QE3? Should you expect it this year?

Based upon the tidal wave of bad economic data that the Fed will have to sift through before its August meeting, I am strongly expecting to see a move towards QE3 within the next 30 days. While I could certainly be wrong on this, understand that President Obama is in desperate need of some light at the end of the "economic" tunnel.

No President has survived a re-election amid such a dismal economic climate. The Fed is President Obama's final hope for a fake economic bounce prior to the November elections.

The way I see it, if the Federal Reserve does not take action quickly, it will be an indication that the global elites are done with Obama and have moved their attention to a "President Romney." While Obama has been a willing stooge of the globalists, it is doubtful whether he will be able to push through their agenda for another four years. It may be time for a fresh face who can muster another round of political capital. So, to me, the Fed's actions will be a referendum on Obama.

My forecast: Expect QE3 by late August 2012 followed by an Obama re-election. No QE3, no Obama re-election.

LEVEL 2

What Does Obamacare Mean For You?

by Jennifer Robinson

The U.S. Supreme Court upheld the constitutionality of most of President Barack Obama's loftiest achievement so far, the Affordable Care Act (a.k.a. Obamacare). The decision to uphold the law was reached with a 5-4 vote from the court justices after much speculation that the outcome would go the other way. Regardless of the prior predictions, the law is now firmly in place, with many aspects already in full force today. Free vaccines for kids, cheaper drugs for the elderly and many other benefits are already enjoyed by many Americans. More are coming, like a guaranteed right to buy health insurance, even for patients with serious pre-existing conditions. Although many aspects of the law are beneficial for lower and middle-class Americans, many businesses and wealthy taxpayers will likely see their costs go up.

What exactly is the Affordable Care Act? What does it mean for you and your family's health care costs and quality? Here at FTMQuarterly, we have put together some of the key aspects of the new law that affect everyone from children and young adults to small business owners and senior citizens. This law is a very broad-reaching piece of legislation. At 955 total pages, there is no way for us to describe every detail of the law, but we can give you a good idea of how it will affect you and your family or your business. To get the entire Affordable Care Act in PDF format, visit http://www.healthcare.gov. Some of the key aspects are listed in the boxes below.

Key Aspects of the Affordable Care Act for Everyone

Key Aspect	What It Is	What It Means For You
Children's Pre-Existing Conditions	Health plans cannot limit or deny benefits or deny coverage for a child younger than age 19 simply because the child has a "pre-existing condition"	Plans that cover children can no longer exclude, limit, or deny coverage to your child under age 19 solely based on a health problem or disability that your child developed before you applied for coverage. Until now, plans could refuse to accept anyone or limit benefits for that condition.
Preventive Care	You and your family may be eligible for some important preventive services — which can help you avoid illness and improve your health — at no additional cost to you	Depending on your age, you may have access — at no cost — to preventive services such as: ✔ Blood pressure, diabetes, and cholesterol tests ✔ Many cancer screenings ✔ Counseling on quitting smoking, losing weight, etc. ✔ Routine vaccinations ✔ Flu and pneumonia shots ✔ Counseling, screening, and vaccines to ensure healthy pregnancies ✔ Regular well-baby and well-child visits, from birth to age 21

Doctor Choice & ER Access	Guarantees that you can choose the primary care doctor or pediatrician you want from your health plan's provider network, that you can see an OB-GYN doctor without needing a referral from another doctor, and that you can seek emergency care at a hospital outside your plan's network without prior approval from your health plan	✔ You select your doctor ✔ No health plan barriers to OB-GYN services ✔ Access to out-of-network emergency room services
Curbing Insurance Cancellations	Stops health plans from retroactively canceling your insurance coverage solely because you or your employer made an honest mistake on your insurance application	Until now, if your insurance company found that you'd made a mistake on your insurance application, the insurance company might "rescind" your benefits. Now, they cannot rescind coverage for this reason.
Young Adult Coverage	You can now add or keep your children on your health insurance policy until they turn 26 years old	Your children can join or remain on your plan even if they are: ✔ married ✔ not living with you ✔ attending school ✔ not financially dependent on you ✔ eligible to enroll in their employer's plan
Lifetime and Annual Limits	Prohibits health plans from putting a lifetime dollar limit on most benefits you receive	Lifetime limits on most benefits are prohibited in any health plan or insurance policy issued or renewed on or after September 23, 2010. No annual dollar limits are allowed on most covered benefits beginning January 1, 2014.

Key Aspects of the Affordable Care Act for Seniors 65 and Older

Key Aspect	What It Is	What It Means For You
Medicare Preventive Services	If you have Original Medicare, you may qualify for a yearly wellness visit and many preventive services for free	Preventive services are covered under Medicare. Services include: ✔ Annual wellness visits ✔ Tobacco Use Cessation Counseling ✔ Mammograms ✔ Cholesterol Screenings ✔ Diabetes Screenings ✔ Bone Mass Measurement ✔ Others

Medicare Drug Discounts	Helps make your Medicare prescription drug coverage (Part D) more affordable	✔ If you reach the coverage gap in your Medicare Part D coverage, you will automatically get a 50% discount on covered brand-name drugs ✔ You will also get a 7% discount on generic drugs while in the Donut Hole ✔ You can expect additional savings on your covered brand-name and generic drugs while in the coverage gap until the gap is closed in 2020
Strengthening Medicare	The life of the Medicare Trust Fund will be extended to at least 2024 as a result of reducing waste, fraud, and abuse, and slowing cost growth in Medicare	You get future cost savings on your premiums and co-insurance. Starting in 2014, the law offers additional protections for Medicare Advantage plan members by taking strong steps that limit the amount these plans spend on administrative costs, insurance company profits, and things other than health care.

Key Aspect of the Affordable Care Act for Employers

Key Aspect	What It Is	What It Means For You
Small Employer Tax Credits	Helps small businesses and small tax-exempt organizations afford the cost of covering their employees	If you have fewer than 25 employees and provide health insurance, you may qualify for a tax credit of up to 35% (up to 25% for non-profits) to offset the cost of your insurance. This credit will increase in 2014 to 50% (35% for non-profits).

The Affordable Care Act is the most broad-reaching legislation on healthcare since Medicare was passed in the 1960s. It is a pivotal point of healthcare in the United States. If you want to know where healthcare is headed in this nation, just look at Obamacare. Most people in the United States would agree that, although Obamacare is far from perfect, healthcare needs to be reformed.

The current state of healthcare is dismal at best. Basically, people who do not carry insurance get to walk into an emergency room and cannot be turned away for care, even if the person admittedly cannot pay. The hospital is a business, and therefore must be able to cover these non-collectibles somehow. So what do hospitals do to cover for those who cannot pay and cannot qualify for Medicaid? They simply bill insurance companies at a higher rate for services provided for those of us who *do* carry insurance. Obviously there are problems with this system, and it needs to be reformed.

The major point under fire from the Supreme Court was whether or not Congress has the power to impose a penalty for inactivity (in this case, failure to purchase health insurance). If the new law were based solely on the Commerce Clause, under which government would set up an agency to collect the penalty fees for not purchasing insurance, the Supreme Court probably would have struck down the law. However, the authors of this law likely anticipated this, because they wrote the law in a very clever way. The authors wrote the bill so that the penalty fee is a tax, collectible by the IRS. Since the IRS is the fee-collector, the fee must be a tax, and Congress has the constitutional right to pass a tax onto the citizens of the U.S., according to the Supreme Court decision.

So, is the Affordable Care Act here to stay? The answer to this question may boil down to who wins the election come November 2012. Mitt Romney has been campaigning on the promise to allow states to opt out of Obamacare, which may provide him much needed support from individuals who do not like Obamacare. Furthermore, the promise to allow states to opt out may be a promise he can more likely keep when compared to repealing the act altogether.

How Will Obamacare Change Healthcare in America?

Although there are many provisions put forth in the Affordable Care Act, the major premise is that every American must obtain health insurance either through an employer plan or through an individual plan directly from an insurance company. If employers choose not to provide insurance for employees, they pay a tax, and their employees must obtain insurance on their own.

Furthermore, if the employee fails to obtain individual insurance, he or she will pay a penalty. The penalty amount is currently unknown. Those exempt from the penalty include very low-income individuals, certain religious groups, and families who pay over eight percent of their income to insurance premiums even after employer contributions and federal subsidies.

Another key premise of the new law is that insurance companies cannot deny coverage to an individual due to a pre-existing condition. In other words, as long as the person will pay the premium, the insurance company must provide insurance to him or her. Consider the impact this new rule has upon the core of the health insurance industry. The basic definition of an insurance contract is the transfer of risk from one entity to another. Regarding health insurance, you basically transfer your risk of paying big medical bills over to the insurance company in exchange for a premium paid to the company. People pay premiums every month, but may or may not need the coverage. Since the insurance company can count on these premiums, they can plan and manage risk to be able to cover those who need massive coverage. However, now that someone can go through life, paying no premiums, and then can purchase a policy when they get sick, the insurance companies will be forced to re-think their entire model.

The insurance companies are now going to be faced with an entire new group of customers that are the result of adverse selection. Let's say that you have not carried vehicle insurance for 1½ years. You hit someone while driving, and it's your fault. The same day, you call up your property and casualty guy and request to buy the policy he offered you last year. The agent would laugh you out of the office! This is called adverse selection, and it is not how insurance is supposed to work. This new wave of individuals who will be requesting health insurance under Obamacare will already be sick and have high claims from the very beginning of their policies. Therefore, the insurance companies will either have to raise premiums for everyone, or they will go out of business due to adverse selection.

So, let's break this down into a real life example. As an economic newsletter, we focus on incentives and how people make decisions. Let's take 25-year-old Justin, who is young, healthy, and hasn't been to the doctor in 5 years. Justin's health insurance would cost him $200 per month, but the penalty is only $100 per month. So Justin chooses to pay the penalty instead of buying health insurance, and he saves money.

However, Justin starts feeling dizzy often, constant fatigue, and cannot concentrate on his work. He visits the doctor to discover he has diabetes. Now Justin really wants a good health insurance policy. Although he has some savings, he knows that this sickness will bankrupt him in a hurry. Before Obamacare, the insurance companies could turn Justin away because he has a pre-existing condition. With Obamacare in effect, as long as Justin agrees to pay the premium asked by the insurance company, the insurance company cannot deny him coverage for his diabetes.

What Does Obamacare Mean For Me?

The biggest question on people's minds is how Obamacare will impact them on an individual level. Will it mean people gain new access to the best medical care offered in their city? Well, actually there will be no better access than what you had to begin with. Will it mean that you get to see top specialists whenever you are sick? No, you will still be required (based on your plan details) to see a primary care physician first. Will it mean your doctor bills will drop as more people join the ranks of the insured? Decidedly not. If anything, insurance rates and deductibles will go up due to adverse selection, as we explored earlier.

Although the law details several aspects that will help seniors over age 65, many elderly Americans are still worried about the cuts in reimbursements paid to hospitals and insurers by Medicare, which have already started and will grow deeper.

If you are a business owner and do not currently provide insurance, starting in 2014, you must provide coverage if you have 50 or more employees. Otherwise, you pay a penalty of $2,000 per employee. If you are a business owner who currently provides coverage, the cost to insure your employees will almost certainly increase, but not as dramatically as individual coverage plans. Pre-existing conditions are already covered within twelve months with employer-based plans, so the effect of the new provision in Obamacare will not be as profound on existing employer plans. Change is coming, but for now, keep going as usual, because the mandate does not affect you right now. However, it would be wise to speak with your group health provider (or find one if you don't currently offer group insurance) and discuss your options going forward.

If you are a consumer (which all of us are), get ready for prices to increase at your local grocery store, restaurant, clothing shop, and beauty salon. All of these businesses will be forced to make a decision: cover their employees or pay the penalty. Either way, their cost of doing business increases, and those increases will likely be passed on to the customer through price hikes.

New Tax Laws in Obamacare

Obamacare also provides the government with some extra income to help pay for all these new rules. In other words, new taxes are coming. Individuals making more than $200,000 a year and couples earning above $250,000 will get new payroll taxes. These people are also hit with a 3.8

percent tax on investment income. Medical-device makers will pay a 2.3 percent excise tax, which will likely get passed on to their customers. Finally, taxpayers will have to spend more on unreimbursed medical care before they can claim itemized deductions.

Affordable Care Act: Summary

Some aspects of the law have already taken effect. For example, new health plans are required to provide free preventative care for services like colonoscopies and mammograms, and young adults are covered by their family's insurance plan until they turn 26. However, many of the provisions are set to begin in 2014. Unless Congress changes the law, starting in 2014 almost everyone will be required to be insured or pay a penalty. Subsidies will help people who cannot afford coverage. Most employers will face fines if they don't offer coverage for their workers. Newly created insurance markets will make it easier for individuals and small businesses to buy affordable coverage. There is very little information available about these "insurance markets," so we do not know what this will look like.

Furthermore, Medicaid will be expanded to cover more low-income people, so the government will be taking on a bigger expense to provide health coverage to these individuals. Insurers will be prohibited from denying coverage to people with medical problems or charging those people more. They won't be able to charge women more than men, either. The law is expected to bring coverage to about 30 million of the estimated 50 million uninsured people in the U.S.

It's estimated that more than 20 million people in the United States will still be uninsured, including illegal immigrants, people who opt to pay the penalty, and those who cannot afford coverage even with the subsidies. That number could be higher, depending on whether any states decline the Medicaid expansion.

The bottom line is that the government is over-reaching its boundaries. Our already bankrupt federal government is attempting to solve a massive problem in healthcare, but the solution only creates more problems. Whether you agree with Obamacare or not, the time to be responsible is now. Make sure you and your family are covered with proper health insurance now. Create a pool of liquid savings so you can raise your deductibles and lower premiums. If you are a business owner, look into providing good, cost-effective insurance for your employees. Of course, always speak to a trusted financial advisor or health insurance agent before making any decisions. The time for debate is over, but the time to prepare is now.

LEVEL 4

P.A.C.E. Investing: A Second Quarter Review

by Jay Peroni, CFP

Here's a quick summary of the economic & market events from Q2 as well as an update on the PACE Investment Portfolio.

2012 started with a bang, as the first quarter was the finest quarter for U.S. stocks since the late 1990s. However, we quickly ran into trouble in the second quarter with a flat April, a dismal May, and a slight advance in June. All being said, the second quarter results were less than favorable. Though the second quarter wasn't as bad as it could have been, it still had plenty of bumps in the road.

The quarter at a glance

The blue chip stocks declined 2.51% in a quarter filled with major news items:

- European Union's struggle to bail out banks and governments
- The possibility of Greece exiting the euro
- The Supreme Court approval of Obamacare
- The Facebook IPO flop
- A major drop in oil and retail gas prices
- Another "soft patch" in the U.S. recovery

Domestic economic health

The strong job growth prospects from the first quarter quickly faded. Unemployment went in the wrong direction as the rate climbed from 8.1% to 8.2% in May. More concerning, however, was the fact that payrolls expanded by only 69,000 new jobs. This was worse than the poor numbers in April (77,000 net).

Consumer spending also became a thorn in the investor's side and we couldn't blame that on gas prices. Gas prices peaked in April at $3.94 nationwide and fell 12.3% to end the quarter at a national average of $3.45 a gallon. May saw flat personal spending and consumer sentiment via University of Michigan; hit a six-month low to end the quarter at just 73.2. Also troubling was that the Conference Board's index declined in April, May and June, ending the quarter at 62.0. Producer prices dropped a full percent in May after a 0.2% retreat in April; by May, the annualized gain in the PPI was just 0.7%.

American manufacturing was also troublesome. The Institute for Supply Management's much-watched PMI tracked a slowdown: April had a short-term peak at 54.8 followed by 53.5 in May and 49.7 in June. This was the first contraction signal in 35 months. The Institute's non-manufacturing index came in at 53.5 in April followed by 53.7 in May. Hard goods orders improved 1.3% in May after two months of declines, and factory orders were up 0.7% in May after slipping the same amount in April. One bright spot was new cars sales: GM's sales were up 16% from a year ago, Nissan's up 28%, Ford's up 7% and Chrysler's car sales up 42%.

The Fed's major move during the quarter was a very minor one as they extended its Operation Twist bond-buying program through the end of the year. The most controversial aspect of President Obama's healthcare reforms passed a Supreme Court test: in a 5-4 vote, the Court decided that the oncoming requirement for individual health insurance was constitutional, characterizing it not as a legal mandate but as a tax. The Supreme Court nixed Obamacare's expansion of Medicaid, saying that the federal government cannot threaten states with losing 100% of Medicaid funds if they do not expand the program. This had a very minimal impact on the markets.

Global economic health

At the start of Q1 2012, 12 European nations had slipped into recessions, including Great Britain, Spain, Italy, Ireland and the Netherlands. The quarter ended with Greece still in the euro and with strong evidence of a global manufacturing slowdown. After May's Greek parliamentary elections failed to result in a workable coalition government, special elections were held in June. The Syriza party that had threatened to reject the latest EU bailout did not get the most votes. Two more moderate parties were left to create a coalition, with a Greek exit still a question mark over Europe.

Other Eurozone economic problems worsened in the quarter. S&P cut Spain's credit rating from A to BBB+ and downgraded 11 Spanish banks, which cued a rescue. The EU jobless rate hit a Euro-era high of 11.1% in June and the Markit PMI index sat at 45.1 in both May and June (that was better than the mid-30s, which is where it was in Q1 2009). The EU came up with a couple of bold ideas in June: it crafted a plan to recapitalize troubled banks with liquidity injections from the Eurozone rescue fund (without adding to existing sovereign debt), and it proposed a single Eurozone banking regulator.

With dips in consumer demand around the world, key-manufacturing economies saw declining PMIs. By the end of

the quarter, the economies of China, Japan, Germany, Great Britain, Italy, France, South Korea and Taiwan all shared something in common: manufacturing sector contraction. India's PMI stayed above 50 in June, but China's HSBC PMI was at 48.2.

World markets

The twin MSCI indexes fell like a rock during the quarter. MSCI's Emerging Markets Index fell 10.0% and the MSCI World Index lost 5.82%. Other national benchmarks had a similar fate:

- Sensex, -0.76%
- CAC 40, -6.63%
- DAX, -10.63%
- FTSE 100, -3.42%
- Hang Seng, -5.45%
- Nikkei 225, -12.85%
- TSX Composite, -7.97%
- Shanghai Composite, -1.65%

Commodities markets

The quarter was not kind to precious metals—or oil, for that matter. This negatively impacted all areas of our P.A.C.E. Portfolio. Gold ended June at $1603.50 an ounce after its poorest quarter since Q3 2008. Gold slipped 3.9%, palladium fell 10.6%, platinum was down11.7% and silver plummeted 15.0% in Q2 2012. The U.S. Dollar Index advanced 3.3% in the quarter. Oil cratered, losing 17.5% with prices dropping $19.91 per barrel over May and June to end Q2 2012 at $84.96. Natural gas rose 33%, wheat futures rose 12%, and coffee futures fell 6.8%. Overall it was a horrible quarter for commodities.

Real estate

Things were looking up in the second quarter for real estate. Or maybe it was just that things weren't looking so dismal? In May, the National Association of Realtors said existing home sales were 9.6% better than a year ago. Prices were up 7.9% over the prior 12 months as supply dwindled to about a six and a half-month supply of unsold homes. Additionally, the listed sales inventory was 20.4% smaller than in May 2011. NAR's pending home sales index was at 95.5 in April and 101.1 in May. The Case-Shiller Home Price Index saw price gains in the majority of its metro markets for a second straight month in April. New home sales were up 7.6% in May according to the Census Bureau. Take a look at lending rates! Back on March 29, Freddie Mac had average mortgage interest rates as follows: 30-year FRMs, 3.99%; 15-year FRMs, 3.23%; 5/1-year ARMs, 2.90%; 1-year ARMs, 2.78%. On June 29, the averages were lower across the board: 30-year FRMs, 3.66%; 15-year FRMs, 2.94%; 5/1-year ARMs, 2.79%; 1-year ARMs, 2.74%.

Market Averages

June was the best month for the S&P 500 since 1999 as it was up nearly 4% for the month (+3.96%). The CBOE VIX ended the quarter at 17.04 after a 9.94% Q2 rise.

% CHANGE	Y-T-D	2Q CHG	1-YR CHG	10-YR AVG
DJIA	+5.42	-2.51	+5.05	+3.93
NASDAQ	+12.66	-5.06	+7.10	+10.06
S&P 500	+8.31	-3.29	+4.19	+3.76

2nd quarter P.A.C.E. Portfolio additions

Precious Metals

No portfolio additions

Agriculture

1. CVR Partners (NYSE UAN): 8.50% dividend. CVR Partners, LP engages in the production, distribution, and marketing of nitrogen fertilizers in North America. Its nitrogen fertilizer products include ammonia and urea ammonium nitrate. The company was founded in 2007 and is based in Sugar Land, Texas. CVR Partners, LP is a subsidiary of CVR Energy, Inc.

2. Teucrium Corn (NASDAQ: CORN): The fund seeks to replicate, net of expenses, the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for corn that are traded on the CBOT. With a drought in the Midwest, we see corn prices soaring. This is a pure play on corn.

3. Rentech Nitrogen Partners, L.P. (NYSE: RNF): 14.6% dividend. Rentech Nitrogen Partners, L.P. engages in the production of natural gas-based nitrogen fertilizer and industrial products for agricultural uses. The company primarily offers ammonia, urea ammonium nitrate, urea granule and urea solution, nitric acid, and liquid carbon dioxide. It markets its products in the states of Illinois, Iowa, and Wisconsin. Rentech Nitrogen GP, LLC serves as the general partner of Rentech Nitrogen Partners, L.P. The company was founded in 1965 and is based in Los Angeles, California. Rentech Nitrogen Partners, L.P. is a subsidiary of Rentech, Inc.

Commodities

No portfolio additions

Energy

Duke Energy (NYSE: DUK): 4.6% dividend. Duke Energy Corporation, together with its subsidiaries, operates as an energy company in the United States and Latin America. The company operates in three segments: U.S. Franchised Electric and Gas, Commercial Power, and International Energy. The U.S. Franchised Electric and Gas segment generates, transmits, distributes and sells electricity in central and western North Carolina, western South Carolina, central, southwestern Ohio, north central and southern Indiana, and northern Kentucky; and transports and sells natural gas. This segment supplies electric service to 4 million residential, general service, and industrial customers; and provides regulated transmission and distribution services for natural gas to 500,000 customers in southwestern Ohio and northern Kentucky, as well as sells electricity on wholesale to incorporated municipalities, electric cooperative utilities, and other load serving entities. It generates electricity through nuclear, coal-fired, hydroelectric, combustion turbine, and combine cycle stations. The Commercial Power segment owns, operates, and manages power plants, as well as engages in the wholesale marketing and procurement of electric power, fuel, and emission allowances related to plants. This segment also retails electricity to customers in southwest, west central, and northern Ohio. The International Energy segment operates and manages power generation facilities, and sells and markets electric power, natural gas, and natural gas liquids. It serves retail distributors, electric utilities, independent power producers, marketers, and industrial/commercial companies. The company was founded in 1916 and is headquartered in Charlotte, North Carolina.

World Dominators

VF Corporation (NYSE: VFC): 2.1% dividend. V.F. Corporation designs and manufactures, or sources from independent contractors various apparel and footwear products primarily in the United States and Europe. The company offers apparel, footwear, outdoor gear, skateboard-inspired and surf-inspired footwear, backpacks, luggage, handbags and accessories, outdoor apparel, travel accessories, and women's active wear primarily under the Vans, The North Face, Timberland, SmartWool, JanSport, Eastpak, Kipling, Napapijri, Reef, Eagle Creek, and lucy brands; and denim and casual bottoms, and tops principally under the Wrangler, Lee, Riders, Rustler, and Timber Creek by Wrangler brands. It also provides occupational, protective occupational, athletic, licensed athletic, and licensed apparel primarily under the Red Kap, Bulwark, Majestic, MLB, NFL, and Harley-Davidson brands; men's fashion sportswear, denim bottoms, sleepwear, and underwear, as well as handbags, luggage, backpacks, and accessories principally under the Nautica and Kipling brands; and premium denim and casual bottoms, sportswear, accessories, luxury men's apparel and footwear, premium women's sportswear, and accessories primarily under the 7 For All Mankind, John Varvatos, Splendid, and Ella Moss brands. The company sells its products to specialty stores, department stores, national chains, and mass merchants primarily through its sales force,

P.A.C.E. Portfolio Results
As of 6-30-12 (dividends included)

Name	Purchased	Symbol	% Gain/Loss
Precious Metals:			
ETFs Silver Tr	1/3/12	SIVR	-1.02%
Ishares Comex Gold	1/3/12	IAU	2.17%
Royal Gold	1/3/12	RGLD	17.09%
Market Vector Gold Miners	1/3/12	GDX	-12.95%
Market Vector Jr. Gold Miners	1/3/12	GDXJ	-24.73%
Global X Funds Silver	1/3/12	SIL	-14.00%
Agriculture:			
CVR Partners	6/28/12	UAN	3.06%
Teucrium Corn	6/28/12	CORN	0.72%
Rentech Nitrogen Partners, L.P.	6/28/12	RNF	5.77%
Cresud	1/3/12	CRESY	-38.35%
Deere & Co.	1/3/12	DE	3.41%
Powershares Agriculture	1/3/12	DBA	-3.42%
Chilean Chemical & Mining	1/3/12	SQM	1.96%
Commodities:			
Powershares DB Commodities	1/3/12	DBC	-5.85%
Greenhaven Cont. Commodity	1/3/12	GCC	-6.62%
Southern Copper Co.	1/3/12	SCCO	3.52%
Tenaris	1/3/12	TS	-10.38%
Titanium Metals	1/3/12	TIE	-26.22%
Energy:			
Duke Energy	6/6/12	DUK	1.90%
Chesapeake Energy	4/17/12	CHK	-2.72%
Mitcham Industries	4/27/12	MIND	-28.52%
GeoResources Inc.	4/27/12	GEOI	0.94%
Statoil ASA ADR	4/27/12	STO	-7.52%
National Oilwell Varco, Inc.	1/3/12	NOV	-7.56%
World Dominators:			
Kimberly Clark	1/3/12	KMB	15.97%
Colgate-Palmolive	1/3/12	CL	15.42%
VF Corp.	6/28/12	VFC	-0.41%
Abbott Labs.	1/3/12	ABT	16.49%
Costco Wholesale	1/3/12	COST	13.95%
TOTAL RETURN			**0.59%**

P.A.C.E. Outlook

This third quarter may be a trying one for investors worldwide. Will we see Greece make a managed exit from the euro? Will the widespread recession in Europe deflate demand, translating to a summer and fall of weakness in global manufacturing and perhaps earnings? There could be a downside to any upside: if positive news rolls in (for example, the EU manages to exert real control over its debt crisis and U.S. economic indicators provide pleasant surprises), the Fed might be convinced to abandon any notions of quantitative easing. With the 6-month extension of Operation Twist, the Fed has signaled a preference to stand back from the market – a preference that may be reaffirmed as a result of its upcoming policy meetings. It may be that the third quarter presents some jarring potholes for the markets, with investors faced with the challenge of hanging on until the promise of the fall arrives.

In October, I'll send you my third quarter review detailing what could be a momentous three months for the global economy. Should you have any pressing financial questions or concerns in the meantime, feel free to contact me. Call me at 888-664-6963 or e-mail me at jay@ftmdaily.com.

LEVEL 4

How the Wealthy Get Their Money

by Jennifer Robinson

Success is ultimately found in the impact you make on other people's lives, not in the amount of money you make. Jerry and I have a lifetime "giving goal" instead of a lifetime earnings goal. And although we like to focus on making money and developing income streams, we know that in order to give away money, we must first earn it. So we approach earning money from a different perspective. We desire to give away a very large sum of money in our lifetimes. Therefore, we must have a plan in place to earn this money. Do we get a good salaried job? Do we place our bets on the glorious casino of Wall Street? Do we start a hot dog stand or an auto repair shop?

Well, these are questions many of our readers probably grapple with. What is the proven strategy to break free financially and become wealthy enough to give away $1 million in your lifetime? Well, look no further than the IRS database. Each year, the government agency publishes a report of the 400 Individual Tax Returns Reporting the Largest Adjusted Gross Incomes. From this report, we can gather information about how these wealthy and decidedly financially free individuals created their wealth.

Income Sources of the 400 Individual Tax Returns Reporting the Largest AGIs in 2009

Income Source	Percentage of Income from this Source
Wages and Salaries	8.6%
Interest	6.6%
Dividends	13%
Partnerships and Corporations	19.9%
Capital Gains	45.8%

What can we learn from the income breakdown of the top 400 individual income earners? Just by looking at their income sources, we learn that:

- Working for a salary will not make you rich
- Making only safe income investments will not make you rich (especially in today's low interest rate environment)
- Investing only in large companies will not make you rich (a.k.a. Dividends)
- Owning a business (or being a partner in a business) is the proven pathway to financial independence

Remember the key to wealth creation is value creation. Money flows toward value in today's society. Begin thinking about ways you can create value in other people's lives. Then, turn off the sitcoms, shut down the Facebook, and start creating wealth. Who knows? You might make the list of the 400 Largest Incomes one day.

Follow the Money: The 10 Largest Corporate Political Donors in 2012

by Jerry Robinson

Corporate America's overwhelming influence in Washington D.C. has been a problem for decades. And in today's tough economic environment, the stakes have never been higher for corporations seeking favors from the government.

To help you understand how corporate donations influence lawmakers in Washington, we have provided a breakdown of the 10 largest corporate political donors so far this year. Below, we have listed the total contributions and lobbying costs year-to-date, and identify which party got the dough.

10. **Lockheed Martin**. (YTD Contributions: $1,927,200. YTD Lobbying Costs: $3,979,250.)

38% to Democrats | 62% to Republicans

This massive defense contractor lobbies hard in Washington to get what they want. It appears to be working. In 2011, Lockheed Martin was awarded over $17 billion in government contracts.

9. **Bank of America.** (YTD Contributions: $2,125,513. YTD Lobbying Costs: $870,000.)

26% to Democrats | 74% to Republicans

Bank of America typically donates over $2 million each year and enjoys special favors in Washington. For example, during the 2008 financial crisis, they received $45 billion in bailout money from TARP.

8. **Honeywell International Inc.** (YTD Contributions: $2,222,605. YTD Lobbying Costs: $1,750,000.)

37% to Democrats | 63% to Republicans

Honeywell received $725 million in government contracts in 2011.

7. **Huntsman Corp.** (YTD Contributions: $2,250,389. YTD Lobbying Costs: $100,000.)

0% to Democrats | 100% to Republicans

Owned by the former Republican Presidential contender, Jon Huntsman.

6. **Microsoft Corp.** (YTD Contributions: $2,253,565. YTD Lobbying Costs: $1,790,000.)

68% to Democrats | 32% to Republicans

Microsoft is very politically active and is consistently one of the top ten largest corporate political donors each year.

5. **Dreamworks Animation SKG, Inc.** (YTD Contributions: $2,370,150. YTD Lobbying Costs: N/A.)

99% to Democrats | 1% to Republicans

Dreamworks is a big political donor to the Democratic Party. Dreamworks CEO, Jeffrey Katzenberg, donated most of the money coming from the company, making him one of the largest single political donors in America.

4. **AT&T, Inc.** (YTD Contributions: $2,504,219. YTD Lobbying Costs: $7,050,000.)

35% to Democrats | 65% to Republicans

AT&T has consistently been a major political donor. In fact, AT&T was the country's largest political donor in 2006 and again in 2010. And so far in 2012, the company has spent over $7 million on lobbying -- more than any other publicly traded company.

3. **Comcast Corp.** (YTD Contributions: $2,774,151. YTD Lobbying Costs: $4,600,000.)

64% to Democrats | 36% to Republicans

Comcast is a consistent top political donor, contributing more than $9 million total since 2008.

2. **The Goldman Sachs Group, Inc.** (YTD Contributions: $4,769,994. YTD Lobbying Costs: $1,380,000.)

29% to Democrats | 71% to Republicans

Goldman is hands down the top political donor from the financial services industry. They have been in the top 10 list every year since 2000. Goldman was the country's largest political donor in 2004 and again in 2008.

1. **Las Vegas Sands Corp.** (YTD Contributions: $11,738,600. YTD Lobbying Costs: $30,000.)

0% to Democrats | 100% to Republicans

This resort and casino operator ranks number one in America for the most political donations so far in 2012. Nearly 90% of these donations were directed towards the now-defunct Newt Gingrich campaign and came directly from the company's CEO, Sheldon Adelson.

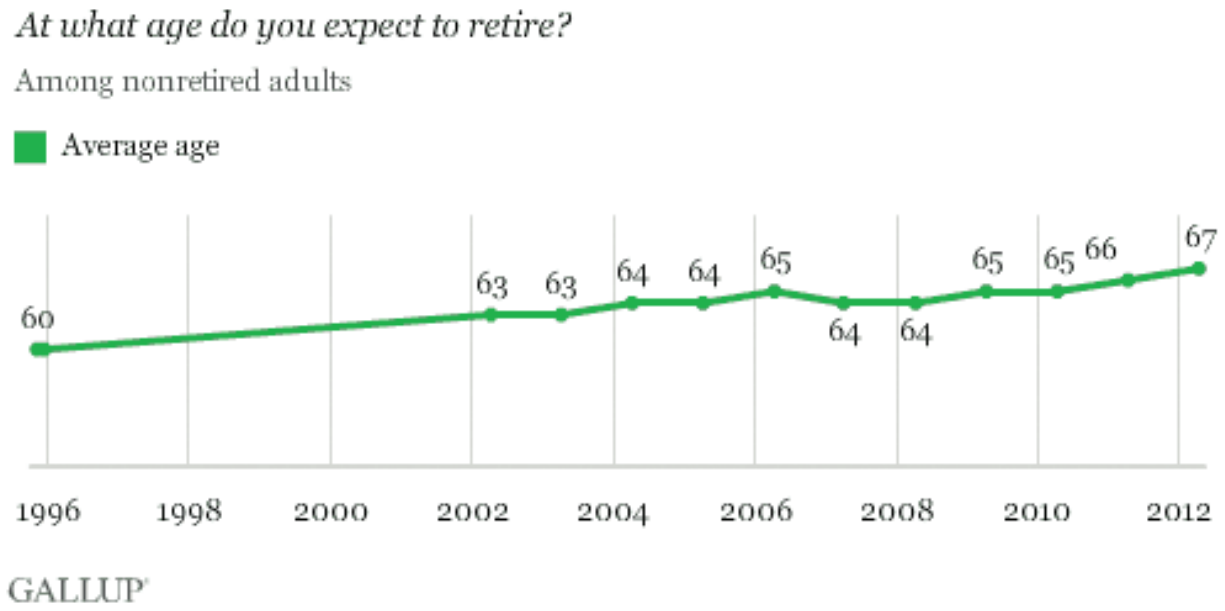
Sources: Open Secrets, Wall Street 24/7

New Expected Retirement Age: 67

by Jerry Robinson

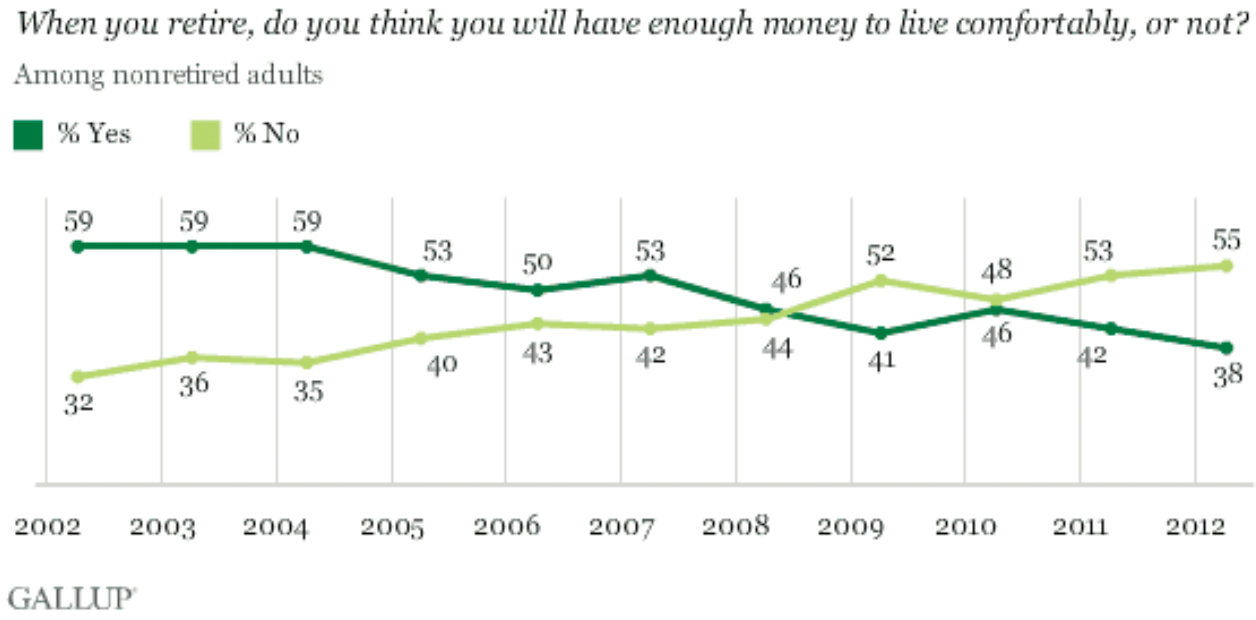
According to a recent Gallup survey, the average expected retirement age in the U.S. has now reached 67.

The times they are a-changing'…The average non-retired American now expects to retire at age 67. That is up from age 63 just one decade ago. In 1996, most Americans expected to retire by age 60.



The results come from Gallup's annual Economy and Personal Finance survey, conducted during mid-April this year.

The same poll also discovered that only 38% of non-retired Americans believe they will have enough money to live a comfortable lifestyle in retirement. That number is down dramatically from 59% when Gallup asked the same question back in 2002.



America's evolving view on retirement reflects the slow erosion of our nation's wealth. Unfortunately, these numbers are not likely to improve anytime soon, as the strain on our national wealth will increase due to the tidal wave of demand for government benefits that will come over the next two decades. The only solution for the average American is to take control of his or her financial life, invest current resources wisely, and to focus on building multiple streams of income.

According to an earlier Gallup survey (April 29, 2010), the following were the 10 largest sources of income for Americans currently in retirement.

1. Social Security

2. Retirement Accounts

3. Pensions

4. Savings Accounts and CDs

5. Stocks and Mutual Funds

6. Home Equity

7. Part-time Work

8. Inheritance

9. Annuities or Insurance

10. Rents and Royalties

The maximum Social Security benefit for an individual retiring at the full retirement age is $2,513 per month. However, the average monthly benefit for a retired worker as of 2012 is only $1,230. And Social Security, according to the Gallup poll, is the largest source of income for retirees. If you do not want to be part of this statistic, begin thinking of ways to create multiple streams of income. Whether you are currently working or have already ventured into your golden years, multiple streams of income is the solution to the retirement crisis in America. Visit FTMDaily.com in the month of August to stay updated on the release of our upcoming book, "The Perpetual Money Machine: 22 Streams of Income You Can Create Both Now and In Retirement." As a loyal FTM Insider, you will receive the ebook completely free as soon as it is released!

LEVEL 4

The Rules of the Game Are Getting Ready to Change… Again!

by Jerry Robinson

What's Taxed	What's Not Taxed
Dividends	Retirement Account Payouts
Capital Gains	Social Security Benefits
Rents	Pension Payments
Royalties	Life Insurance Proceeds and Loans
Interest	Municipal Bond Interest
Some Annuity Income	Veterans' Benefits

Now that the Supreme Court has ruled in favor of Obamacare making it a reality, there's something else that you should know… about your taxes. Yes, the stooges in Washington always seem to slip in little extra gifts for themselves somewhere in the middle of all of the legal jargon in these incomprehensible bills. This time, it is coming in the form of a 3.8% surtax on investment income. Starting on January 1, 2013, American joint taxpayers with an adjusted gross income of more than $250,000 ($200,000 for single filers) will see their tax rates on dividends and long-term capital gains jump from the current 15% to 18.8%. However, if the Congress allows the Bush tax cuts to expire at the end of the year, then the top rate on capital gains will rise to 23.8% while the top rate on dividends will soar to 43.4%. President Obama has already suggested that he is seeking a one year extension of the Bush tax cuts beginning in January 2013, but only for those earning less than $250,000.

So, based on our understanding of the tax hike, here's what you should know.

- Many tax advisors are encouraging entrepreneurs seeking to sell their businesses to complete their sales by the end of 2012 to avoid the higher tax rate that will apply on January 1.
- Income from municipal bonds will not be subject to the 3.8% surtax (and the other benefit is that income from muni bonds does not raise your adjusted gross income.)
- If you have been considering making a switch Roth IRA, doing so before the end of the year could be a good move.

You should always consult a financial advisor or tax professional before making any financial decisions.

LEVEL 4

China: The Emerging Energy Giant

by Jerry Robinson

Despite its increasing global demand, oil has not always been the world's most important energy source, as it is today. In his book *American Theocracy*, author Kevin Phillips provides an illuminating look at the evolution of energy supplies over the last several centuries. Phillips writes about the world's various energy leaders of recent memory and begins in the 17th century with Holland. Thanks to Dutch ingenuity, they were able to harness enormous amounts of energy supplies from three basic sources: wood, water, and wind. As the global leader of energy, Amsterdam soon became the center of commerce and finance and boasted the largest share of world trade. And their navy fleets dominated the sea lanes from Holland to Asia.

By the mid-18th century, Great Britain began rising in energy dominance, thanks to the discovery of coal-fired energy. As Britain began to harness the power of refined coal, it soon led to the creation of steam power (which would later give rise to the internal combustion engine). These early discoveries, including the development of iron-making, gave rise to what historians refer to as the Industrial Revolution. During this same time, Holland's energy influence began to wane as the new center of global power began to shift toward Great Britain. Put simply, the Dutch windmills could not compete with the efficiency of British coal-fired energy.

As the British continued their massive investment in coal, a second industrial revolution began occurring near the end of the 19th century. During this new era, the focus moved from the steam engine, iron, and coal to the internal combustion engine, steel, and petroleum-based energy. Leading the charge of this new energy source was none other than the United States.

As the global hegemonic power of the 19th century, Britain entered the 20th century with all of the wounds of an empire in decline: an overextended military, a failing currency, and an aging national infrastructure. Their massive investment in coal-based energy meant that converting to a new energy source would mean starting over. The British remained one step behind the United States moving into the 20th century and would eventually give in to total American dominance halfway through the 20th century.

The impact that this second phase of the Industrial Revolution had upon the world is indescribable. The introduction of petroleum as a viable energy source transformed industry and commerce the world over. It revolutionized the way wars were fought. And the influence that it would have upon the American economy and culture is too widespread to detail in this brief article. America's energy leadership during this newfound era meant that our nation stood to gain the great prosperity that would come from harnessing oil. Today, the energy produced by oil has made life extremely comfortable. Thanks to the many innovations it has made possible, the average middle class family in America lives a life that would have been the envy of monarchs in centuries past.

However, the world has long known that oil is a non-renewable energy source that would eventually need to be replaced. Given that two-thirds of the world's oil supplies lie under the sands of the tumultuous Middle East region, an alternative energy source that could rival the efficiency of oil has long been desired. As we near the twilight of the oil age, I believe that natural gas will become the world's next primary energy source. While natural gas is a cleaner form of energy than crude oil, I believe that its sheer abundance will explain its dominance in the coming decades.

Over the last several years, most Americans have become familiar with the shale gas revolution occurring in our nation. Thanks to technological advances, the EROEI (energy return on energy invested) of natural gas extraction from shale rock under the earth has become extremely attractive to the major oil companies. The recent explosion in shale gas production has resulted in a historic oversupply, causing prices to decline dramatically. In economics, when the supply of a resource outpaces demand, the price of the resource will fall. As prices fall, the suppliers will lose their incentive to produce more. As they tighten production, the demand curve rises to meet the supply curve, causing prices to rise. The reason for the recent oversupply of natural gas is obvious, and has already been stated: technological advances that improved extraction capabilities, resulting in higher profit margins. However, what is more interesting is the demand. Because the global economic infrastructure is built around crude oil, new applications for natural gas use will need to be developed. This is occurring right now. However, completing the shift from crude oil to natural gas will take years. And while not everything will shift, our energy-dependent world is faced with scarcity and will continue seeking cheaper solutions to drive innovation. Natural gas provides such an answer as global oil supplies tighten and become increasingly sensitive, geopolitically speaking.

With this in mind, consider the world's second largest economy: China.

China boasts nearly 1,300 trillion cubic feet of recoverable shale gas, the largest known reserves in the world. Compare that to the current U.S. natural gas reserves of 827 trillion cubic feet. And according to a study by the U.S. Energy Information Administration (EIA), China's technically recoverable gas reserves are 50% higher than the United States. China, however, does not yet have the advanced technology to unleash its own shale gas revolution. But that day is nearing. Chinese energy companies have been aggressively buying small stakes in American natural gas outfits. With a population of 1.3 billion and growing, and a voracious demand for energy resources, China has every incentive to begin exploiting its domestic gas reserves. According to a recent report by the International Energy Agency (IEA), China's demand for natural gas is expected to expand 13 percent a year through 2017. Meanwhile, U.S. consumption is forecast to grow 13 percent by 2017. The report predicts that China will be the world's third largest gas user by 2013.

Earlier this year, China gave the green light to domestic energy companies to begin developing natural gas. Foreign companies, however, are not allowed access to Chinese natural gas fields, but can partner with Chinese companies. This is a brilliant move on China's part, as it has allowed Chinese energy companies to exploit Western technology and expertise. Another benefit for Chinese companies is that they do not face the same heavy environmental regulations imposed upon U.S. companies. As such, shale gas extraction in China is likely to face far fewer regulatory obstacles.

Will we see China emerge as the next energy giant, just as Holland, Britain, and the United States have done over the past three centuries? The data seems to point that direction, as China is only at the tip of the iceberg of natural gas production. If China does indeed emerge as the world's energy leader, it will only be a matter of time before the nation also rises to the status of global commerce dominator. We will be keeping an eye on the global energy situation (as always) and will be providing ways that you can protect yourself and even profit from a shift in global dominance.

LEVEL 5

An Introduction to Niche Marketing

by Jerry Robinson

Choose Your Niche Market

Many of our readers have expressed an interest in building an online business.

While many of you may be starting a website for the first time, others of you may simply want to brush up on your online marketing skills, or improve your existing website. Regardless, I commend you for taking action. Many people spend a lot of time "talking" and "thinking" about success. You, however, understand that success does not come to those who think and talk, but to those who take action and "do" something.

"Trust Only Movement. Life Happens At The Level Of Events, Not Of Words. Trust Movement." (Alfred Adler)

First, your goal is to define your niche market. According to the Webster's New Millennium Dictionary of English, a niche market is defined as "a specialized and profitable part of a commercial market; a narrowly targeted market."

What is a Niche Market?

To make this lesson easier, allow me to explain the difference between a **commercial market** and a **niche**. A commercial market is a broad community of consumers that share a common interest in some activity or subject. A market could be anything: Golf, Football, the Stock Market, Fashion, etc.

In essence, a commercial market is broad.

A niche, however, exists as a subset within a particular market. So a niche market is a segment of the overall market composed of consumers that share similar buying behaviors and/or lifestyle characteristics.

So if we are considering **fashion** as our "market", then a niche market could be **designer sunglasses** or **Italian handmade purses**. Therefore, a niche market is a specific market (ex. golf clubs) within a broader market (ex. golf).

Then there's the Micro Niche…

Finally, there are **micro niches**. Put simply, a micro niche is a "niche market within a niche market." For example, if "golf clubs" are a niche within the broader commercial market of "golf", then "women's golf club carrying bags" would be an example of a micro niche of the "golf club" niche.

A niche within a niche… Hopefully that makes sense.

Why You MUST Understand Niches and Micro Niches

When I first began building an online income back in the late 1990's, making money online was a fairly straightforward process. Today, however, making money online has become much more challenging due to the enormous rise in global competition. According to a March 2012 survey conducted by Netcraft, **there are currently 644 million active websites on the world wide web**. That is a lot of websites. However, the large majority of these websites are not earning a dime because they have not learned the importance of targeting specific niches or micro niches. It is for this reason that you can still compete in this large global online marketplace. Today, there are still tens of thousands of untapped niche markets that are waiting to be explored by someone (like you). These niche markets, which most businesses have simply overlooked, have left plenty of low-hanging fruit for those with an enterprising mind. So while the competition is tough, it is definitely not too late to develop a profitable online website.

"You will need some success early on to stay motivated on your journey. Therefore, it is absolutely vital for you to focus all of your early efforts on the low hanging fruit that comes from focusing on a specific niche market." (Jerry Robinson)

Brainstorm your Niche…

Choosing your specific niche market is arguably one of the most important steps, as it can literally determine your future success or failure. Choose the right niche and you will enjoy excellent profits, and even some fun along the way. Choose the wrong niche market and your business will be doomed to failure from the start with frustration hounding you every step of the way.

So how exactly should you go about choosing your niche market?

Often times, finding a good niche market can be easy if you look from within your personal experience. This is where you'll find your passion. So begin by making a list of topics that you are personally passionate about.

In addition to your passions, think about your interests, your knowledge base, and your pastimes.

- ***What are you interested in?***
- ***What is the one topic that gets your blood boiling or makes you extremely passionate?***
- ***Do you have any specialized knowledge?***
- ***What are you good at?***
- ***What leisure activities do you enjoy?***

As you answer these questions, you may discover that a few common themes emerge.

Examine these themes and ask yourself if any of them inhabit existing commercial markets? For example, if you are an avid hunter, consider exploring the topic of hunting for a profitable niche market. Dig deep within your interests and passions and look for specific niches that you may be able to target. At this stage, do not focus on how this topic will make money. *(In fact, you would be surprised at some of the unconventional and interesting ways that some people make money online.)* Instead, take time to really explore your interests and passions. Remember, one of the primary keys to succeeding with an online business is consistency. And if you actually enjoy your niche, and even better yet, you are passionate about it in some way, this will help you stick with your website for the long-term which will increase your chances of success.

However, I am sure that you are curious where the big money is made online. After all, if your interests and passions just so happen to align with an extremely profitable niche market, then why not choose it. It should be no surprise that some of the most profitable commercial markets today include: health, technology, business, and finance. Discovering untapped, highly searched, low competition niches in these areas is becoming much more difficult due to market saturation. Nevertheless, it is still possible. It will just require a bit more creativity and ingenuity.

However, let me warn you up front: Don't focus strictly upon money. Too often, I have seen excited entrepreneurs plunge headlong into an online idea simply because it appeared extremely profitable without knowing much about the market or the online audience. Unfortunately, this approach usually ends in failure. To make matters worse, their lack of passion for their chosen niche market is usually obvious to their prospects. When you think about it, every niche market has their own set of buzzwords and their own language. When you seek to enter into a particular market without understanding the insider language, you risk sounding like an outsider. You will stick out like a sore thumb. Don't risk your online reputation for a quick buck. Commit yourself to integrity. And let me repeat my earlier warning: **NEVER** allow potential profits to be the only factor that you consider when choosing a niche market to target. It rarely turns out well.

Another common mistake many aspiring online entrepreneurs make is to choose a particular niche market without first doing their due diligence to determine the viability, marketability, and profitability of their idea. This is usually due to a general lack of business sense. In the final analysis, the reason that most people fail in their online businesses is because they simply don't understand how the internet actually works. For some reason, many people still believe that all that is required to succeed online is

to slap up a quick website and write a few articles and, VOILA! The money will come. Nothing could be further from the truth. The world wide web is littered with millions of websites that started off just that way in the hope of quick riches. There is no hurry here. You don't need to "Act Now" or take advantage of any "Limited Offers." Instead, as an aspiring online entrepreneur, you have just signed up for a marathon. If you think that you are going to sprint your way through this 26.2 mile race, you are going to end up on the side of the road with the rest of those who didn't realize that making money online was a slow and steady process.

So take your time and focus on a few key topics of interest.

Now, NARROW it Down…

The more narrow your niche, the more targeted your market will be. While focusing on a narrow niche market may sound like you are limiting your profit potential, it is actually quite the opposite. The quicker you discover that you cannot be all things to all people, the quicker you will realize success online. By forcing yourself into a narrow niche, you will actually be targeting your ultimate market.

Think about it this way: The more narrow your niche market, the harder it will be for you to miss your target.

*Note: While your goal is to hone in on an a specific, yet profitable, niche market, your niche can get too small. For example, if your interest is in **fishing** and your niche market is **specialty fishing tackle for people who also like to play the accordion**, then you have narrowed it down to far!*

RESOURCES

Jerry's Niche Brainstorming Sheet (This is a **free** downloadable resource that will help you define your specific niche market.) http://ftmdaily.com/wp-content/uploads/2012/06/Step-1-Choose-Your-Niche.pdf

Your Action Step: Download our free *Niche Brainstorming Sheet* and write down several markets that are of interest to you. Next, write down some specific niches within each of these markets that interest you. Finally, drill down even further within these niches in search of micro niches.

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FTM Quarterly is published four times per year in January, April, July, and October.

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