

INVESTOR'S EDGE[®]

Certain Wealth in Uncertain Times[®]

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A NATION OF RENTERS AS BOOMERS SELL THEIR BIGGEST ASSET?



"And your inheritance is...

You get to take over payments on the family homestead when we go!"

Neither my wife nor I will ever be burdened with the decisions, squabbles, and tax consequences of inherited wealth. We come from good strong peasant stock so we inherited good health rather than money. But many of our Stanford Wealth Management clients want to make sure that "the kids are taken care of" so I am familiar with the sentiment if not the reality. (My reality was both fair, given my folks' means, and level-headed: "We did the best we could for 18 years. Now our work is done. Get an education or get a job. Preferably both." But not all parents felt the same as mine did. To each his own.)

For those thinking today of their kids' inheritance, or indeed of their own future, there is a new dynamic. So many people bought much more house than they would have or could have or maybe even should have because the financing was cheap, the qualifying was easy, and because "real estate always goes up, at least in our (choose one: town, state, city, region, whatever.)"

As a result, I see a likely continuation of turmoil for the residential real estate market for many years. There are a number of reasons for this, one of which I've not seen discussed elsewhere. But this one adds potentially much more gasoline to what may be a burning funeral pyre of household wealth: the percentage of net worth, and inheritable net worth, that is represented by a family's primary residence has skyrocketed. As a result of the appreciation before the recent plunge and the use of that "paper" wealth to buy all sorts of consumables and steadily depreciating durables, rather than adding to savings and investment, home equity may now represent 50% to as high as nearly 100% of many families' total net worth.

This means, in order to pass a portion of their net worth to their children and grandchildren, many,

THE SCORECARD

TOTAL RETURN SINCE 12-31-98 (INCEPTION)	INVESTOR'S EDGE PORTFOLIOS VS BENCHMARKS	RANKING SINCE 01/01/99	IF YOU HAD INVESTED	TODAY YOU'D BE WORTH	2009 RETURN	RANKING SINCE JAN 1, '09
233.0%	IE: GROWTH & VALUE	# 1	\$250,000	\$832,612	4.5%	# 3
8.5%	DOW INDUSTRIALS	# 2	\$250,000	\$271,294	13.5%	# 2
-13.3%	S & P 500	# 3	\$250,000	\$216,843	18.1%	# 1
161.5%	IE: AGGRESSIVE GROWTH	# 1	\$150,000	\$392,243	-2.4%	# 3
37.4%	RUSSELL 2000	# 2	\$150,000	\$206,161	16.2%	# 2
-4.3%	NASDAQ	# 3	\$150,000	\$143,502	33.0%	# 1

Prices, Indexes and Indicators cited in this issue are as of Friday, 30 Oct 2009

Both portfolios initiated 1 Jan 1999, with \$150,000 in "Aggressive Growth" and \$250,000 in "Growth & Value."