



Solutions Centered Wealth Management

February 6, 2012



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THE MARKETS

A very strong U.S. labor market report Friday morning topped off what had been a moderately calm yet positive week for global financial markets. The U.S. private sector added more than one-quarter million jobs, and the nation's unemployment rate fell to 8.3% from 8.5%. Other economic reports were largely positive and broad based, from a slight increase in overall euro zone manufacturing and services activity to reports of manufacturing growth in China, India, and Japan. Other U.S. economic indicators were mixed, and the housing market continued to show weakness. A breakthrough is still pending in talks to complete a much-anticipated Greek bailout, which could be key to stemming the euro zone debt crisis. Eurozone finance ministers are to meet Monday and possibly seal the deal. Several corporate earnings reports showed substantial quarterly losses, while others, including those of giant oil companies, had mixed results.

Returns through 2/3/2012	1 Week	YTD	1-Year	3-Year	5-Year
Dow Jones Industrials	1.62	5.46	9.53	20.14	3.41
NASDAQ Composite	3.16	11.54	5.51	24.21	3.25
Russell 2000	4.05	12.25	5.48	24.11	1.92
S & P 500	2.22	7.11	5.09	19.62	0.68
MSCI EAFE NR USD	2.27	8.63	-8.45	14.54	-3.58

Source: Morningstar.com. * Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three and five-year returns are annualized. The S&P, excluding "1 Week" returns, is a reflection of return to an investor, by reinvesting dividends after the deduction of withholding tax.

No bank failures last week – According to information available on the FDIC website, no bank failures were reported last week. The FDIC website lists 7 bank failures in 2012, 90 in 2011, 157 in 2010, 140 in 2009, 26 in 2008, 3 in 2007, zero in 2006 and 2005.

Weekly U.S. jobless claims fall – Initial jobless claims by U.S. workers fell by 7,000 to 367,000 for the week ended January 28, the U.S. Labor Department reported. The four-week average decreased to 375,750 from 377,750.

U.S. adds 243,000 jobs in January – The U.S. economy added 243,000 jobs in January. Those jobs included a 257,000 gain in the private sector which countered losses in the public sector, the U.S. Department of Labor reported. The unemployment rate fell to 8.3% in January from 8.5% in December. The nonfarm payroll report showed that job growth was roughly twice as high as had been expected. On Wednesday, the January private sector jobs report, released by Automatic Data Processing (ADP), indicated that companies added 170,000 workers to their payrolls. Orders to U.S. factories rose 1.1% in December after rising 2.2% in November, the U.S. Department of Commerce reported.

U.S. economic signals mixed – Three consumer confidence indices posted mixed results. In January U.S. manufacturing grew at its fastest pace in seven months, according to the Institute for Supply Management, a trade group of purchasing managers. Its index rose to 54.1 from 53.1 in December. The Bloomberg Consumer Comfort Index rose to -44.8 in the period ended January 29, up from -46.4 the previous week. However, the Conference Board's index of consumer confidence declined to 61.1 in January from 64.8 in December, far below the 68.0 expected by economists surveyed by Dow Jones Newswires.

U.S. home prices fall further – U.S. home prices showed further weakness in November, based on the Standard & Poor's/Case-Shiller Home Price Indices. Both the 10-city and 20-city indices fell 1.3% from the previous month. The 10-city index dropped 3.6% from November 2010, and the 20-city gauge fell 3.7%.

Facebook announces IPO plan – Facebook filed for a long-anticipated initial public offering that could value the social network at \$75 billion to \$100 billion. The IPO, which is set for some time this spring, could dwarf the \$1.9 billion raised by rival Google in 2004. Facebook hopes to raise up to \$10 billion. It recorded a \$1 billion profit last year on \$3.71 billion in revenues.

AMR outlines job, pension cuts – American Airlines' parent AMR announced a plan to cut 13,000 jobs and terminate pensions in the hope of cutting \$2 billion in costs annually. If the company terminates its four underfunded pension plans, it will be the largest pension default in U.S. history. Meanwhile, rivals Delta Air Lines and US Airways Group and private-equity firm TPG Capital are all reportedly considering takeovers or asset purchases.

U.S., Chinese, Indian manufacturing stays strong – Manufacturing activity improved in the United States, China, and India in January. The U.S. Institute for Supply Management's index of overall activity climbed one point to 54.1 in January from December, and a measure of new orders rose 2.8 points to 57.6, indicating further growth ahead. The ISM U.S. non-manufacturing index also rose, to 56.8 in January from 53.0 the previous month. The Chinese government's official gauge of manufacturing activity rose to 50.5 from 50.3, while a separate index from Markit Economics and HSBC Holdings edged up to 48.8 from 48.7. Markit/HSBC's PMI for India jumped to 57.5 from 54.2 in December.

Euro zone economic activity edges up – A euro zone composite index of manufacturing and services activity rose to 50.4 in January from 48.3 in December, Markit Economics reported. Growth reached a seven-month peak in Germany and a five-month high in France, while Italy and Spain saw growth fall. Germany's Ifo Institute's business climate index rose to 108.3 in January from 107.3 in December.



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Spain's economy shrinks, unemployment jumps, bond yields fall – Spain's gross domestic product fell 0.3% in the fourth quarter from the third, the first decline in its GDP since climbing out of recession two years ago. The country's jobless claims rose 4% in January from December, and only 7.3% of new contracts signed in January were for permanent work, indicating that further job losses are likely. However, the Spanish government's bond sales on Thursday met with enthusiastic buyers. Average yields on bonds maturing in July 2015 and October 2016 dropped by about a half percentage point, to 2.861% and 3.455%, respectively; and yields on January 2017 bonds dropped close to two percentage points, to 3.565%.

Germany unemployment at two-decade low; up elsewhere in euro zone –German unemployment fell more than expected in January, to the two-decade low of 6.7%, from 6.8% in December, according to Germany's Federal Labor Agency. December unemployment rates elsewhere in the euro zone, released by Eurostat, were higher: 22.9% in Spain, 13.6% in Portugal, 8.9% in Italy, 14.5% in Ireland, and 9.9% in France. The euro zone's overall unemployment rate stood at 10.4% in December, a 14-year high.

Japan's output rises 4% in December – Japanese industrial production rose 4% in December, according to the country's Ministry of Economy, Trade, and Industry, benefiting from a recovery from the flooding in Thailand. Japan's output of cars, mobile phones, and semiconductor manufacturing equipment all made gains.

The week ahead

- Germany posts January industrial production figures Tuesday, February 7.
- UBS, Coca Cola, and Disney announce earnings Tuesday, February 7.
- Weekly jobless claims released by U.S. Labor Department Thursday, February 9.
- U.K. releases January industrial production data Thursday, February 9.
- University of Michigan announces consumer sentiment report Friday, February 10.
- France and Italy issue January industrial production data Friday, February 10.

WEEKLY FOCUS

Bad things happen to good people. That's why we carry insurance on our cars and homes. But what if the limits on those policies are not high enough to cover the incident that just occurred? Perhaps an umbrella insurance policy would help. Umbrella insurance coverage is a broad policy that kicks in when your other insurance limits are met. It can protect your life savings from all kinds of claims – including some your auto or homeowner policy don't.

An umbrella policy can be a comforting addition to your existing coverage, offering \$1,000,000 or more in additional liability to your existing car and home policies, as well as protection from things your existing policies won't cover. The cost isn't tremendously expensive: For the minimum \$1,000,000, a good rule of thumb is about \$1 a day. Coverage might make sense if you are concerned about:

- Slip and fall accidents on your property
- Damage caused by your dog (not covered by many homeowners policies)
- Slander, libel, and defamation lawsuits
- Judgments that exceed the limits of your auto or home policies

Policies vary by company and state, so always get specifics in writing and make sure you understand every aspect of your coverage. While the umbrella policy itself is fairly low priced, you might have to spend more on your existing coverage before you qualify. If you want to get an umbrella from some companies, you'll have to have a car policy with a minimum of \$300,000/person for bodily injury and \$100,000 for property damage, plus a homeowner's policy with at least \$300,000 of liability, plus significant liability coverage on your boat if you have one. Many insurance companies also require that you purchase all your coverage from them: In other words, you can't have your car policy with company A, home policy with company B, and an umbrella from company C.

Who should carry an umbrella policy. Practically everyone should have umbrella. After all, it's not that expensive, and even if you're not wealthy, it's still possible for someone to get a big judgment against you, then force you to pay it off. Still, the lower your net worth, the less you need this type of coverage, especially if even a \$1 a day is more than you can afford. But there are many people who should definitely consider it:

- **You're rich:** Obviously, the greater your net worth, the more protection you need.
- **You're ostentatious:** If you're driving a Bentley convertible, don't be shocked when the guy in the Ford Focus you rammed gets whiplash and sues.
- **You do risky stuff and encourage others to do the same:** You have the neighborhood kids over to jump on your trampoline, use your diving board, and go for a spin on your ATVs.

Ways to save on insurance. No matter what kind of insurance you pay for, pay as little as possible. Here are some suggestions.

- **Raise your deductibles.** It sounds counter-intuitive to offer to pay more in case of an accident – how does that save anything? But it's pretty simple: High deductibles mean lower premiums. If you can afford to pay for the first \$1,000 of loss, see how much you'll save with a \$1,000 deductible on your car and home policies: It could be 15 percent or more.
- **Don't rely on your agent.** Trust, but verify: Insurance agents can provide valuable information and help you understand the policy, but they're also trying to make money by maximizing your coverage.
- **Understand your policy.** Insurance is confusing, but you can't know where you can save if you don't comprehend what you have. If you don't understand, ask. Then make notes about what (and who) is included and excluded, what limits you have, what the law requires, and what you're paying.
- **Never stop shopping.** Insurers depend on your loyalty and laziness when they regularly raise rates. Every couple of years, see if you can do better. And while you're at it, make sure your coverage is adequate. Your net worth is (hopefully) improving: Make sure your coverage is keeping up.
- **Always ask for discounts.** Don't assume your insurer is always giving you the best rate you can get. Memberships (AAA or AARP, for example), a clean record, safety devices, and many other things can get you a lower rate: **Ask.**

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53331-02062012

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