SNAVELY LAW FIRM NEWSLETTER

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WHERE DO I PUT MY MONEY NOW?

I'm asked this question by everyone these days. It doesn't matter if the question comes from the newly endowed gas lease/royalty tycoon or the recent widow wondering how to make ends meet with interest rates so low. They all ask, hoping that someone somewhere will throw their way secret morsels of investment wisdom. Well, I am not the smartest investment person in the world, but I'm not the dumbest either. All I can share are my observations gleaned from study, research and experience. The reader must make up his own mind, but I will tell you what I am personally doing, and what I plan to do in the future.

From listening to others it is clear to me that the two main areas of concern today are (1) protecting wealth and (2) generating income. Arguably, protecting wealth is more significant because you can't earn income on an asset if you no longer possess it. J. Paul Getty said, "I'm more concerned with the return **of** my money than the return **on** my money." So, let's look first at some safe havens for money.

Recently I addressed this topic when speaking to a Christian group on the topic of investing. Given the unprecedented times for America and the world we looked at what the Bible says about investing and wealth in general. The Book of Ecclesiastes tell us that there is nothing new under the sun, and the question of where to put your money is centuries old. Ecclesiastes gives specific guidance in chapter 11 verse 2, "Give portions to seven, yes to eight, for you do not know what disaster may come upon the land."

The point is we should diversify, i.e. spread our wealth among seven or eight investments. What investments are mentioned in the Bible? Throughout the Old Testament and New Testament we see gold, silver, precious stones, land and livestock as sources of wealth. Historically, these tangible assets maintain a store of value over time. Although the value of any commodity fluctuates, their values never go to zero so they should be considered by anyone who wants to preserve wealth.

Unfortunately the assets mentioned above are usually not what we use to pay our bills and form a budget. These assets are great on our personal balance sheet, but we also need a good income statement. We need to generate income in a safe way and preserve the principal used to generate that income so it can keep generating the income we need.

Americans have been accustomed to receiving income from stock dividends and interest on bonds, certificates of deposit and savings accounts. These investments have lost their luster over the last ten years. Stock values can become worthless (e.g., Agway, Enron, Worldcom, Adelphia, Blockbuster Video, etc.) and dividends fluctuate with the cash-flow of the company. Government bonds fluctuate in value. The government issues more debt so it can service its existing debt. For the first time in American history our debt instruments have been downgraded by the rating agency, Standard and Poors. Bond rates and certificates of deposit rates are at historical lows and may remain there for years (compare rates in Japan from 1989 to the present).

Here's what I am doing. I have some of the tangible assets, and these I just hang onto and not worry if they go up or down in value. My savings, however, includes an old-fashioned investment earning more than 5% each year, and this investment has historically been earning more than 5% each year, every year for the last 80 years! The principal is safe and it grows tax-free regardless if it's in a retirement or regular account. It's a whole-life insurance policy.

A couple years ago I discussed a Forbes article that advocated whole life insurance from a mutual insurance company as a good investment. Since then, mutual whole life has become an even better investment, consistently growing at more than 5% while interest rates continue to fall. I have been pleasantly surprised at how my investment in whole life has performed. Not only does this investment protect my capital, it also pays more money to my family if I should die prematurely.

Unfortunately, there aren't too many mutual insurance companies around. The majority of insurance companies "demutualized" and became stock companies, owned by shareholders. The biggest and most reputable mutual companies are New York Life, Northwestern Mutual, Mass Mutual and Guardian Life. Even though I don't sell investments and insurance, I was so impressed with New York Life and its 160 year track record that in 2005 I chose to become associated with them. I like the idea of a financial company possessing $14 billion of its own money; this is what it would have left over after paying back all investments, annuities and insurance proceeds; that's pretty healthy in my book.

Need another reason to consider mutual insurance? Here's a quote from the February 10, 2009 Forbes article: ***Even Banks and Corporations Buy Mutual Policies:*** *One of the lesser-known aspects of mutual insurance is that major corporations and banks buy policies on the lives of their employees and use the cash value to fund employee* *benefits and as a safe harbor for working capital. By some estimates Fortune 500 companies and large banks have policies covering some 5 million employees.* ***Instead of doing what banks say -- put your money in our CDs at low rates so we can turn around and lend your money out at a profit to us -- do what banks do.*** (emphasis added)

I am not saying we should flee banks. I do think we should diversify. I also think we should not settle for 1% returns. We also need to have emergency money, up to six months worth, somewhere other than the bank (you can figure out where).

Here's what I plan on doing, hopefully soon, and I would definitely consider this if I came into significant gas royalty money. Those same mutual insurance companies have investments called "fixed annuities" that pay interest and preserve capital like CDs. The difference is that the annuities pay out at higher interest rates and the income is not taxable unless you use it. Also, the owner can withdraw 10% or more each year without a penalty. These investments are longer term, however, and owners cannot withdraw the entire amount penalty-free until 6 to 9 years pass. So fixed annuities work best when you do not need 100% of your cash at a moment's notice.

I hope you have found this information helpful. Remember, these ramblings reflect my thoughts, observations and actions and are not intended to tell you what to do. You must do your own research and be comfortable with your own plan in these uncertain times.

THE BIGGEST THREAT TO OUR ASSETS TODAY IS STILL THE SKILLED NURSING HOME.

Whether you buy long-term care insurance, set up a Medicaid Trust or have a gifting plan in place, make sure you do something. Let your friends and loved ones know that this problem needs to be addressed with good planning.

SAY HI TO THE NEW PEOPLE

The office is growing. In addition to two new support personnel, Karen Payne and Kim Kobza, who started working in the office earlier this year, Attorney Aaron Mullen joined me last year. Aaron, a former public school teacher, grew up on a farm in western New York. He does real estate work, having been trained by John and Kathryn Bloise, and is fast becoming proficient in oil and gas issues. While in law school Aaron worked for the American Center of Law and Justice and wrote for the law review - so he is definitely a bright guy.

NOTE THE NAME CHANGE

We are now officially The Snavely Law Firm (since I agreed to let John Bloise have his name back). John remains active with the Steuben County Land Coalition and other legal matters and will always be part of this office. Removing his name is simply a way to avoid confusing this office's work with his work (in his semi-retired status).

BACK INTO REAL ESTATE

When my partner, John Bloise, retired in 2005, I lamented the loss of the real estate department. Fortunately, when I hired Aaron last summer, John and Kathryn Bloise offered to help develop his real estate acumen. Aaron has also been helping landowners sort through many issues surrounding their oil, gas and minerals rights.

Regarding oil and gas, if you own property that is in the Woodhull Natural Gas Storage field and have not yet contacted us about the following matter, you should do so. Dominion, which operates the storage field, recently filed and application with the Federal Energy Regulatory Commission ("FERC") in order to expand its storage field. We believe property owners are going to be adversely affected by this action regardless of whether their property is (1) in the expansion area, (2) inside the current storage area, or (3) both.

Accordingly, we are representing property owners to try to help them recover the compensation we believe they deserve. Feel free to call the office for a free consultation on the matter.

DIRECTIONS

From North, East and West of Corning/Painted Post area:

Take exit 44 off of Route 86
(old Route 17)

Follow signs for 15 South

Take Exit 3 (417, Gang Mills)

At the traffic light, turn right
(417 East)

We are on the right hand side about 0.7 mile, in a plaza of shops.

From South of Corning/Painted Post area:

Take 15 North

Take Exit 3 (417, Gang Mills)

At the traffic light, turn left
(417 East)

We are on the right hand side about 0.7 mile, in a plaza of shops.