

# THE ADVISOR

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## Waiting for the Other Shoe

By Russell Stone

Since our last issue, the markets have continued to rally with the Dow moving beyond 9,000. With Washington, and many in the media, declaring that the worst of the recession is behind us, what should we make of Wall Street's current upward momentum?

If history has anything to say to us, it's telling us that the other shoe will fall. And though I'm not certain exactly when, my educated guess would probably be sooner than later. Compression rallies are a common feature of economic downturns. In fact, these rallies were prevalent during the worst moments of the Great Depression.

In the first three years of the Great Depression, the market dropped 89%. Scattered throughout that spectacular drop were six compression rallies averaging a 30% recovery.

The pattern was repeated during the 1966-1982 bear market, which featured five compression rallies with an average recovery of just more than 50%.

### How much is enough?

Compression rallies have a way of sucking people back in to the market—or keeping them from getting out in the first place. Let's see where we might be in this rally cycle. The Dow bottomed out at roughly 6,600 in March. If we look at the rallies during the last big bear market and use a 50% recovery as our

yardstick, we can anticipate the rally to top out around 10,000.

What you need to ask yourself at this point is, "How far do I want to push this?" You're up 40% from the bottom. Do you really want to give that back while holding out for another 10%, or do you want to take the majority of the money off the table—if you haven't done so already? Because I do believe we're going to retest the previous low—or even find a new bottom.

### Fundamental issues

I'm convinced there are still substantial reasons to be concerned about the strength of the economy. If the unemployment rate continues to climb we could end up in a depression. Since that time, the government has said they expect unemployment rates to exceed 10.5% by the end of the year.

*Continued on page 2*



## Debunking the Brain Drain

The young brain may be quicker, but the older brain is deeper. In fact, the mature brain can outperform its younger counterpart in many areas, according to researchers. Simply put, life experiences give older brains the upper hand in certain situations.

For example, studies have shown that older adults are better at solving problems, more flexible in their strategies, and better able to keep their cool during a crisis than younger people are. They can also pull themselves out of a bad mood more quickly.

But it's not just that you get smarter in some ways as you age. The fact is, with the exception of glitches in short-term memory and a general slowdown in thinking speed, you don't lose much brainpower with normal aging.

In fact, a Rush University study of 1,000 priests, nuns, and brothers has shown that the brainpower of older people changes little from year to year unless they develop a dementing illness. Researchers at Washington University in St. Louis found the same thing by testing people annually until the age of 90.

### So what's the deal?

If that's true, then why do so many of us who are west of 50 feel like we're losing more than just our car keys? Turns out American culture may have to shoulder some of the blame. Our obsession with youth, oddly enough, may be taking a toll on our society's more mature members.

Many factors can impair thinking and memory, but one of the least obvious—and most prevalent—is ageism. Researchers are discovering the more you buy into the notion that getting older means a rapid slide into senility, the more likely it will occur. And ours is a culture actively promoting that notion.

Yale University psychologist Becca Levy, Ph.D., has found that older people shown negative words about aging, such as senile, before taking memory tests did significantly worse on the tests than those shown positive words about aging, such as wisdom. Conversely, people who saw positive words improved their scores. Levy has also shown that older people perform better on memory tests in cultures with a more positive view of aging than ours.

### It's not all in our head

This is not to say loss of memory isn't a problem that should be taken seriously. There are, in fact, a number of factors that can cause concentration issues and loss of memory apart from Alzheimer's (see Memory Loss Mimics on page 4).

The best advice may be to take positive steps to keep your head in the game. Maintain a positive view of your mental capabilities and your future. Stay engaged and active. Give your brain regular workouts. And make lifestyle choices, such as proper nutrition and regular exercise, that offer the best chance of maintaining your edge. ~

## Waiting for the Other Shoe *Continued from page 1*

Because the government only counts those who have been unemployed for 12 months or less in their statistics, those who have been out of work for more than a year don't show up. So the true unemployment rate is likely closer to 20%. And none of this takes into account the underemployed.

The possibility of hyperinflation is also getting some play. The government issued some bonds at the end of July, and they had a tough time selling them all. If that trend continues, they are going to have to either raise interest rates to entice bond buyers or cut government spending.

The U.S. Government's difficulty to raise

capital cost effectively comes at a time when the government is subsidizing new housing and buying old clunkers—a couple creative ways to stimulate the economy. These ultra-creative approaches are being used because the traditional economic stimuli have lost their effectiveness.

All this coincides with the plan to overhaul the medical system, which obviously won't come cheap. So, if they can't borrow money, the government is going to have to take some of these stimulus programs off the table.

That could trigger the next drop on Wall Street, because the market doesn't

look at the current level of government stimulus programs as much as the direction of change. As long as the government is stacking on spending programs, the markets are happy. But when they see the government taking some of those away, it will probably extrapolate the effect and begin a pullback.

During the Great Depression, every time there was a compression rally the government would announce the crisis was over. Sound familiar? That approach ultimately cost President Hoover a chance at re-election. Don't let similar advice today cost you a chunk of your investments. ~

*\*Past performance does not predict future results.*

## Travels With Fido

Pets are more a part of the family than at any time in recent memory, and that bond is often extending to family vacations. It's a trend that hasn't gone unnoticed by innkeepers, as the number of hotels offering pet-friendly accommodations continues to rise. If you are considering taking your pet on the road with you, here are a few suggestions from the American Society for the Prevention of Cruelty to Animals to make it a more pleasant trip for everyone involved.

### Preparing for the journey

You'll want to keep your pets safe and secure in a well-ventilated crate or carrier. The best place for the carrier is in the back seat, and be sure to always secure the crate so it won't slide or shift in the event of a quick stop. If you choose to let your pet travel outside of the carrier for part of the journey, use a harness attached to a seat buckle to prevent injury to your pet (or you) in the event of a sudden stop or accident.

There are a variety of wire mesh, hard plastic, and soft-sided carriers available. Whatever you choose, make sure it's large enough for your pet to stand, sit, lie down, and turn around in. And it's a good idea to let them get used to the carrier by spending some time in it in the comfort of your home before your trip.

Get your pet geared up for a long trip by taking him on a series of short drives

first, gradually lengthening time spent in the car.

### What to pack

In addition to travel papers, food, bowl, leash, a waste scoop, plastic bags, grooming supplies, medications, and a pet first-aid kit, pack a favorite toy or pillow to give your pet a sense of familiarity.

Make sure your pet has a microchip for identification and wears a collar (flat, not choke, for canines) with a tag imprinted with your home address, as well as a temporary travel tag with your cell phone, destination phone number, and any other relevant contact information. It's also a good idea to bring a picture of your pet to show to others in the event you do become separated.

Traveling across state lines? Bring along your pet's rabies vaccination record, as some states require this proof at certain interstate crossings. While this generally isn't a problem, it's always smart to be on the safe side.

### No ice cream, okay?

Your pet's travel-feeding schedule should start with a light meal three to four hours prior to departure. Don't feed your furry friend in a moving vehicle—even if it is a long drive.

When it comes to H<sub>2</sub>O, the

ASPCA recommends BYO. Opt for bottled water or tap water stored in plastic jugs. Drinking water from an area he's not used to could upset your pet's stomach.

### In and out

Don't allow your pet to ride with his head outside the window. This can subject him to inner ear damage and lung infections, and he could be injured by flying objects.

Finally, never leave your animal alone in a parked vehicle. On a hot day, even with the windows open, a parked automobile can become an oven in no time, and heatstroke can develop. In cold weather, a car can act as a freezer, holding in the cold and causing the animal to freeze to death. ~



## No Pain, All Brain

One of the newest ways to work out doesn't require you to lift, flex, or stretch. Based on the growing evidence that mental stimulation may enable us to better resist Alzheimer's and other mental conditions, "brain gyms" are springing up around the country.

These workout centers for the brain are designed to appeal to the baby boomer generation, many of whom have regularly attended fitness clubs for most of their adult lives. Many of the gyms are based in computer labs, where users play attention-improving

games and do timed word teasers to boost processing speed.

Monthly fees can start at \$50. The jury is still out on whether these clubs, and the exercises they promote, will have long-term benefits for participants. Many members swear they can see the effects. But those who want to test the mental workout waters before diving in can brain-train at home for less than \$10 monthly with online programs from Lumos Labs ([www.lumosity.com](http://www.lumosity.com)) and HAPPYneuron ([www.happy-neuron.com](http://www.happy-neuron.com)), or play for free at [braingames1.aarp.org](http://braingames1.aarp.org). ~

## Memory Loss Mimics

Just because you, or someone close to you, is dealing with confusion or memory lapses doesn't always mean they have Alzheimer's disease. Certain drugs and other treatable illnesses can cause problems that mimic the effects of dementia. Here are some of the most common causes:

### Antihistamines

These drugs block acetylcholine, a brain chemical crucial to memory, learning, and concentration. Antihistamines are found in allergy and cold remedies and in sleeping pills with diphenhydramine and chlorpheniramine.

### Depression

Studies have found when this under-diagnosed condition is treated, cognitive function often improves.

### Hypothyroidism

About one tenth of older Americans have low thyroid function,

and this easily treated condition can cause memory problems.

### Muscle relaxants and antispasmodic drugs

Like antihistamines, these drugs block the neurotransmitter acetylcholine. In some people, they can hamper memory, learning, and concentration.

### Normal-pressure hydrocephalus (NPH)

When the clear fluid that bathes the brain and spinal cord builds up in the brain, it can cause cognitive impairment, difficulty walking, and poor bladder control. A shunt that drains excess fluid sometimes reverses these symptoms.

### Sleep apnea

When a person repeatedly stops breathing for 10 seconds or longer during sleep, it wreaks havoc with daytime alertness. Treatment—either weight loss or the use of a breathing mask at night—can improve mental functioning.

### Tranquilizers

Prescribed for anxiety or insomnia, certain types of these drugs can cause

confusion and drowsiness. Their effects can last for up to three days in older people.

### Traumatic brain injury

Even a mild head injury can cause symptoms that mimic dementia for a few days or weeks. And if an injury causes blood to accumulate between the inside of the skull and the brain, memory loss may worsen.

### Vitamin B12 deficiency

Up to 15% of people over 65 can no longer absorb this vitamin from food. A severe lack can cause personality changes, confusion, loss of balance, and tingling and numbness in the feet and hands. Replenishing B12 can reverse these symptoms. ~