



MICHIGAN
 Also serving Arizona, California & Nevada
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 800.224.1040

FLORIDA
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ARIZONA
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 Phone 520.529-9788
 800.244.1040

www.cambridgeconnection.com

**Greetings from the entire
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 - Please enjoy our first
 newsletter of 2008**



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 Anita Rajpal, Associate Paraplanner – Pamela’s Team
 Chad Silver, Associate Paraplanner – Bert’s Team
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Client Notice Cambridge Connection, Inc. is a registered investment advisor with the Securities & Exchange Commission (SEC). The SEC requires us to inform you that our ADV Part II is available from the Michigan office upon request.

Cambridge Special on E-Waste
 By Carol Johnson

Have you tried to donate computer or electronic equipment, only to be told the charity doesn't want it because it too old, they can't fix them, and they don't sell in their thrift stores?



Greensight works with national retailers offering trade-in & recycling programs. Check out www.greensight.com for more technical information, or go straight to the Costco or TigerDirect links listed below to check out the programs.

Greensight's goal is to facilitate the trade-in and recycling of used consumer electronics that may still contain value or have exceeded their useful life. It's nice to find out about a "green" company that offers a safe recycling path for older or defective products.

Any items that may store data are "sanitized" (like laptops, desktops & hard drives). Some items are disassembled for spare parts, and the unusable items are sorted by type and recycled according to EPA "E-Waste" protocol. Working together, we can all keep lead, mercury, and other toxins out of our landfills

If you live near Boca Raton, FL, they will pick up your E-Waste. Otherwise, the websites listed below will direct you on their free shipping program. And by-the-way, if you have a business, this program will work for your outdated equipment also.

<http://www.greensight.com/TigerDirectTrades/Common/equiptypes.aspx?SiteXfrMsg=0>

<http://www.greensight.com/CostcoTrades/Common/equiptypes.aspx?SiteXfrMsg=1>

if hyperlink does not work, please cut and paste into your browser



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Winter 2007/2008

VACANT HOMES—AVOIDING FINANCIAL DEVASTATION

by Bert Whitehead, JD, MBA, Franklin, MI

My new clients were in their forties and prosperous, together earning over \$250,000, and they had just moved to a new city with their two children. Both had landed more lucrative and satisfying jobs, and they bought a new home for around \$1 million. They had accumulated about \$750,000 in their investment portfolio over the 15 years they had been married. Their future was bright, with only one large shadow: more than three months after they moved out, their former home, appraised at \$750,000 just two years ago when they had refinanced, had not sold. Indeed, they had not received a single offer.



Many homeowners today face this dilemma. It has such potential for personal financial disaster that missing this problem could be likened to denying the proverbial elephant in the living room.

The problem is twofold: most clients vastly underestimate the costs of holding on to vacant real estate, and without professional guidance, clients may base their sales strategy on emotional misunderstandings about the real estate market.

My clients had broken the number-one rule for homeowners: "Don't buy a new home until you have

sold the old one!" And when they came to me, they were panicked. Their monthly double house payments of \$8,500 included not only their new house mortgage payments of \$4,000 plus payments on a vacation home (which normally would have been affordable), but also \$2,500 per month on their former house, which included the money they had borrowed to buy the new one.

They were confident they could cover this extra \$2,500 for a few months. But they didn't figure in the \$12,000 annual property taxes, the home insurance (which had risen on the

now-vacant property to \$3,500 a year), plus another \$600 monthly for utilities and landscaping maintenance ("You can't sell a house with tall grass or an unplowed driveway," admonished their real estate agent). Add up all these items, and my clients were shelling out over \$50,000 a year in carrying costs.

On top of that, they had to face the sobering reality that property values in their old neighborhood were dropping 5 to 10 percent a year, amounting to another \$40,000 or more in annual carrying costs.

They had reasoned they weren't going to sell for \$100,000 less than the appraisal. Moreover, with the swimming pool and the upscale remodeled kitchen they had added to improve the property, they had \$650,000 invested and were adamant that they needed to "get out what we have in it." Not to mention that they were now financially stressed and certainly would find it burdensome to write a check at the closing: being, as it were, upside-down on their home meant their mortgage was more than the house would sell for.

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FINANCIAL STRATEGIES FOR EVERYDAY LIVING

PODCAST HELPS YOUNG ADULTS FOCUS ON FINANCIAL INDEPENDENCE

Podcasts are a great way to reach young adults and teach them about finances. This subject is critical in an age where demographic forces—longevity, lack of defined benefit pensions, new consumer risks, and career instability—all have profound financial implications.

One such podcast, produced by Colgate University in Hamilton, New York, describes how young people can get their financial futures on track. It features Charles “Chip” Simon, a NAPFA-registered, fee-only financial planner with offices in Fishkill, New York. He is a Certified Financial Planner™ practitioner and president of the board of



directors of the Alliance of Cambridge Advisors, Inc.

The podcast offers a clear, no-nonsense overview of some of the obstacles young people face today as they prepare for careers and a lifetime of financial self-reliance. Among the subjects Simon discusses are spending, saving, debt, credit cards, taxes, and investing—all specifically geared to help those just starting out to make positive changes in the way they think about their finances.

This free podcast appears on the Colgate University website at <http://www.colgate.edu/podcasts>. Look for Episode 11 by Chip Simon. ■ ■ ■

Continued from page 1, Vacant Homes

These emotionally based rationales are typical when dealing with a family’s home, more so than any other investment. I explained that if they wanted to sell their house, then how much they originally invested, or how much it used to be worth, or how much they owe on their mortgage all have nothing to do with the fair market value they could sell it for now. The real estate market generally runs in long cycles, and the depressed housing market in their prior city would likely last another two to three years before it could be expected to turn around. So the value of their home could potentially drop another \$150,000 before it started going back up, and waiting for this to happen was going to cost them well over \$100,000 in carrying costs, even if they could manage to rent it out for part of the period.

The sobering truth is that they could not continue listing their house at \$725,000, even though the price was in line with neighborhood listings. In the current market, they are not competing against people who *want* to sell; they must compete with people who *have* to sell. That means setting the sale price at \$650,000, or below whatever the lowest comparable home is listed for per square foot in their former neighborhood.

Some people resist this economic inevitability. For example, I explained, they might cut their price to \$710,000, then in six months to \$675,000,

and two years later, when they finally reduce it to \$650,000, it will be too late. The market will have dropped below that. In the end they would have to sell for \$550,000 and pay more than \$100,000 in carrying costs during the two-year interim.

So to avoid bringing \$25,000 to the closing now by selling their house for \$650,000, they could easily end up having to bring nearly \$100,000 a couple of years down the road. After paying for unforeseen expenses, such as vandalism damage, their nondeductible losses might be well over \$250,000. This loss would set them back five years financially.

Even for affluent families, this large a financial loss can decimate their net worth, and few will ever lose as much in typical securities in so short a time while being forced to pay such burdensome carrying costs.

When working with clients’ investments, I start by reviewing their real estate and mortgages. A too-extravagant home is always a sign that clients are living beyond their means. Often they don’t realize their mortgages aren’t properly structured to provide the lowest cost. And if clients have a vacant house for sale in a dropping market, we must help them come to grips with their carrying costs and devise a strategy that will assure the house is sold as soon as possible at market price. The old saying surgeons use applies here: “Your first cut bleeds least, so make sure you cut deep enough!” ■ ■ ■



BE WARY OF SECURITIES SCAMS

by Sophie Kaluziak, CPA, CFP®, Oak Park, IL

A new church member has just given a presentation about investing in what he calls "church building" bonds. The speaker was very persuasive, claiming the bonds are as safe as CDs in a bank and promise a much higher rate of return: 10% versus 4% from the bank.

You've had several positive interactions with the gentleman during choir practice, so you are seriously considering investing some of your money with him.

Does this scenario sound familiar? The Illinois Securities Department identifies "affinity fraud" (when a con artist is a member of a group, or pretends to be, to gain a person's trust) as one of the top-10 securities scams. Just because a person who is a member of your church or civic organization advocates a particular investment doesn't mean it's right for you. Instead of a legitimate church building bond or other investment, it may turn out to be a Ponzi scheme, in which initial high returns are paid using investor funds, attracting more investors, until the con artist makes off with most of the money.



Here are the other securities scams that made the top-10 list for 2007:

- **Foreign exchange (Forex) trading.** These contracts may involve the right to buy or sell a certain amount of a foreign currency at a fixed price in U.S. dollars. Profits and losses come as the exchange rate rises and falls on the open market. Unscrupulous salespeople lure investors with tales of high rates of return and the right to control a large amount of foreign currency at only a fraction of the total cost. Often the investor's money is never actually invested but simply stolen by the con artists.
- **Internet fraud.** Scammers use the Internet to lure investors into so-called pump-and-dump stock schemes. The scammer uses e-mail, chat room messages, or telemarketers to tout a stock, making unsupported claims it is about to "take off." Investors bid up the price of the stock

until the scammer eventually sells the shares at an unsustainable, artificially high price.

- **Investment seminars.** Promoters of unsuitable investments often target seniors by offering seminars, most promising a free meal. The investments they offer claim "higher returns and little or no risk," when the reality all too often is high risk and little or no returns.
- **Oil and gas scams.** Rising oil and natural gas prices have made these schemes a popular choice for swindlers.
- **Promissory note schemes.** Con artists offer promissory notes claiming high interest rates and little or no risk. They often say the money will be invested in business or real estate. In reality, con artists simply keep the money for themselves.
- **Private securities offerings.** Under the Securities Act of 1933, private security offerings do not have to go through the full registration process. Sometimes such investments are legitimate. But scammers use this same approach to promote offerings that are often risky and at times fraudulent.
- **Real estate investment contracts.** Investment in real estate is often viewed as a sure bet. But an investment professional lost his securities license for tempting

Continued on page 4, Be Wary of Securities Scams



WILD BLACK RASPBERRIES: INVESTMENTS IN TRUE JOY

by Kathleen Rehl, PhD, CFP®, Land O'Lakes, FL

Crimson berry juice stained my fingers as I happily picked and ate at least a quart of delicious wild black raspberries. On a July day, standing on the outskirts of a dense Wisconsin woods, I was suddenly transported back almost 50 years to when I was a young girl picking berries on the family farm.

This summer I traveled back to my roots up North because I wanted to walk the land where my values developed—where my beliefs, ideals, and faith were nurtured. The trip included visiting several high school girlfriends, one of whom I had not seen for 43 years! But we picked up as if we'd spoken only yesterday, and we've all vowed to stay in touch.



I also enjoyed time with extended family members. Although I spent a significant amount of money for my travel and related expenses, my trip was an investment, as it were,

that blessed me greatly and brought me a lot of joy. I will savor these memories for many months to come.

I encourage you to consider making investments like these, in experiences you can savor. It's what I call "buying experiences and investing in memories." Using some of your money this

way can pay rich dividends indeed.

Where would your own wild black raspberries take you? ■ ■ ■

Continued from page 3, Be Wary of Securities Scams

investors into a speculative investment that he said was "guaranteed safe."

- **Unlicensed individuals and unregistered products.** Anyone selling securities or providing investment advice without a valid license should trigger a red alert for investors. These unscrupulous alleged professionals also bypass registration requirements to sell viatical settlements, contracts for leasing pay telephones or ATMs, and other investments promising "limited or no risk" and high returns.

- **Unsuitable investments.** A suitable investment for one person is often the wrong investment for another. Legitimate securities professionals know their clients' financial circumstances and don't recommend inappropriate investments. For example, salespeople posing as investment

professionals promote variable and equity-indexed annuities in seminars targeted at seniors, even though these investments are often unsuitable because

of the long-term investment horizon needed and the limited access to invested funds. What do most of these schemes have in common? They promise high returns and low risk. Many also

require you to act immediately or keep the investment a secret from others. But the timeless adage still holds: if it sounds too good to be true, it probably is. Before committing any money to any investment, be safe and make sure the salesperson and/or product is registered with your state Securities Department.

Adapted from information provided by the Illinois Securities Department, Secretary of State Jesse White. Used with permission. ■ ■ ■

*"The timeless adage still holds:
if it sounds too good to be true,
it probably is."*