



For Clients and Friends of Financial Connections

What a difference one quarter makes! The stock market losses in the second quarter were recaptured in the third quarter.

Index	Second Quarter	Third Quarter
S&P 500	-11.4%	11.3%
Dow Jones Wilshire 5000	-11.1%	11.7%
NASDAQ	-12.0%	12.3%
MSCI EAFE (International)	-13.8%	16.5%

Here is a good example of why it is important to keep the long view on your investments and not react to volatility in the short term.

The Great Recession—the deepest recession since the 1930s—was “officially” declared over in June 2009. But from a practical standpoint, Main Street Americans still feel as if we’re in a recession.

Unemployment and underemployment remain high and economic growth continues moderate to slow. Government debt is high but consumers are paying off debt, and the savings rate rose to 6.1% annualized.

Corporate America produced high profitability with more cash on its balance sheet than at any other time in history. However, corporate debt is increasing as companies take the opportunity to issue bonds to willing investors at very low interest rates.

While Europeans continue to have their problems, a combination of austerity and fiscal stimulus moved them to positive albeit slow growth.

Emerging/developing markets continue to be the primary area of growth in the world.

Enclosed are your reports. We would welcome the opportunity to meet with you and discuss what is going on in your life and its impact on your finances. This also helps us update your investment strategy. Please contact us.

Quarterly Newsletter, 10/19/10

We asked you in our client survey if the pocket calendar was useful. Some of you said yes but the majority said no. For those who said yes, we ordered you one.

Financial Connections is starting a new tradition this Thanksgiving. We are reviewing several charities that utilize the highest percentage of contributions toward their cause. This information is available at www.charitynavigator.org

We will offer you choices and make a donation to the charity you select.



CONVERTING YOUR PASSION TO INCOME IN RETIREMENT

Before you leave a full-time career—as we've noted on several occasions—give thought to what you can do with the workday hours now available (more than two thousand annually) in this next phase of your life.

Rob, one of our clients, had the foresight to do just that, to turn a passion of his into a business.

When his parents insisted that he learn to play piano as a child, Rob resisted. After five-years of lessons, still uninspired, he convinced them that they were just wasting their money. So he stopped lessons and grew up to become an electrical engineer educated at MIT. He worked in product development with HP and then with Agilent.

But in his late twenties, Rob had started playing the piano again. He discovered an appreciation, even a passion, for the instrument. As part of his new enthusiasm for the arts, he also joined the San Francisco Gay Men's Chorus.

In his late forties, Rob decided he did not want to be an engineer for the rest of his working career. "HP and Agilent were good to me," Rob said. At age fifty he retired from the corporate world. But to keep his savings intact, he knew, he still needed some income for daily expenses. How could he manage?

An article in the *Chronicle* on different facets of working with pianos—from restoration to tuning—gave Rob the clue; plus there was a Piano Technician's Guild (www.ptg.org) to help.

The Potter Piano Technology School offered training by correspondence classes on tuning pianos and on setting up a tuning business. The guild offers ongoing training, with experts in the field. There was even an intensive seven-day course with hands-on training, offered by Potter in Montana, in the middle of winter! He attended. "It was a great week but I've never been so cold," Rob remembered.

He gave himself six to twelve months to determine if a piano-tuning business was financially viable. He bought two types of pianos to practice his new trade.

Continued on page 4...

FINANCIAL CONNECTIONS GROUP, INC.

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THE BIG DISCONNECT

The opinion polls say Americans are concerned about the growing deficit. The polls also say Americans don't want cuts in benefits. A *Wall Street Journal*/NBC News poll conducted in August found:

- ◆ 61% of voters were "enthusiastic or comfortable" when asked about congressional candidates who support cuts in spending
- ◆ Yet 56% felt comfortable with candidates who voted to extend unemployment benefits

Another poll, by Allstate/*National Journal*, found:

- ◆ 35% want the government to ensure that retirees receive all the benefits promised even if this means tax increases
- ◆ Another 34% want the government to sustain retirement programs even if that means a combination of benefit cuts and tax increases
- ◆ Still another 22% wanted benefits cut

Can these differing positions be reconciled? First, add in the data on revenue:

- ◆ Nearly 50% of households had a member receiving a government benefit in 2010; In 1983, the number was just 30%
- ◆ According to the Tax Policy Center (a nonpartisan research firm), an estimated 45% of households will not pay any federal income tax in 2010; five years ago, 39% paid none
 - ~ of those, slightly more than half don't earn enough to pay taxes
 - ~ the remainder don't pay taxes by using credits and deductions
- ◆ 13% of all American households do not pay payroll taxes

Except in daydreams, we can't have it both ways. If 45% of American households don't pay taxes but 50% of households receive benefits, some reconciliation needs to occur, especially since the baby boomers are just beginning to retire.

Source: *Wall Street Journal*, September 15, "Obstacle to Deficit Cutting: A Nation of Entitlements."

DEPOSITS FOR YOUR TD AMERITRADE ACCOUNT

If you want to deposit a check to your account, let us know so we can send you a deposit envelope that goes directly to TD Ameritrade. Checks should not be sent to our office. If you have any questions, please give us a call.

GO GIANTS!





Converting Your Passion To Income In Retirement

(continued from page 2)

A technician he met through his guild contacts introduced him to Pianos Plus in Castro Valley. Whenever the company sells a piano, the price includes tuning. Now after the piano is delivered to its new owner, Rob tunes it, and the owner often becomes an ongoing client.

"Referrals from friends are a big source of business, especially from other musically inclined members of the chorus," he noted.

Rob has made piano tuning a full-time job. We asked what the downside was to his new business. "I spend a lot of time on the road, driving to homes to tune pianos. But I could not have done this without my partner Jamie's support—and his ability to get medical insurance for me through his employer. Without this benefit, I couldn't afford medical insurance as an individual. I would have had to stay in a corporate job."

And what does Rob enjoy most? "Being a craftsman, working with my hands, and being a catalyst to bring out the vibrancy of sound each piano is capable of."

If you would like more information about Rob's business, please contact him at Mitchell Piano Service (415) 994-1030 www.mitchellpianoservice.com


Jill D. Hollander


Brian Pon

FINANCIAL PLANNERS ASSOCIATION CONFERENCE- October 9-12 in Denver

Jill attended the national conference this year. Besides the usual educational tracks on investments, taxes, estate planning, and so on, there was a new track on healthcare.

Jill spent two hours listening to a physician, turned CERTIFIED FINANCIAL PLANNER™, discuss the health care reform bill in detail. In the next newsletter she will report about what the press isn't reporting.

More immediately, as a result of another session, Jill wants to talk with each client over age sixty to make sure that Financial Connections has up-to-date information about beneficiaries, power of attorney, etc., in the event of a client becoming temporarily or permanently incapacitated. She will be contacting you.

FINANCIAL CONNECTIONS BLOG

Brian and Jill spend a lot of time reading. We often think "wouldn't our clients be interested in a particular issue" but it is between newsletters. If you had told Jill a year ago that she would write a blog as a vehicle to communicate, she would have laughed uproariously. But as the seed was planted and began to germinate, roots took hold and sprouts grew.

You can now read our blog by visiting our web site (www.FinancialConnections.com) and clicking the blog tab. Our blog also shows a link to our Facebook page.

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