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Retained Asset Accounts (RAAs)

I don't understand why the media has painted RAAs as a bad thing. When collecting a life insurance claim the beneficiary is always in an emotional state. No one should decide financial matters at such a time. The RAA gives the beneficiary a check book that is prefunded with the entire amount. A check can be written immediately if that is the preference. I must admit that I would choose to do that. Having yet another financial account that bears interest is not worth the extra time to manage it logistically. Keep in mind that I am not the typical investor. Most people have the check delivered by the friendly life insurance agent rather than receiving it in the mail. Guess why? That person will have "just the right product" for moving forward. This is a sales call. Getting a check book instead helps to defer this unnecessary pressure on the beneficiary.

Global Warming

One of the great challenges of the next 100 years will be how to deal with global warming. Higher oceans, warmer air, implications to rain patterns are all presented as downside options. But for some, unintended consequences could provide benefits as well. Northern countries like Canada and Norway will find the warmer temperatures to their liking. In a rather bizarre doubling down effect, oil exploration will occur further north than ever before and provide more cheap oil that leads to even more global warming. Rain patterns will make some areas more temperate. If that occurs in Africa, for example, the Sahara could be reclaimed from the sand. This will have economic ramifications as well. The power derived from agricultural products will change and evolve.

BP Oil Spill

This economic disaster will have unintended consequences for years to come. Having recently read *The World Without Us*, an excellent book detailing how the earth would reclaim human handiwork if we were not around to maintain it, I wonder if the cap placed on this well and others will eventually rust through and create yet another ecological disaster.

Loyalty

To whom do we owe loyalty, and how should it be practiced? Loyalty does not mean being a yes man, blindly agreeing with the boss in every instance. A loyal friend will point out faults, and a loyal employee should note potential issues. Should Fed Governors be "loyal" to the Fed Chair? Even portraying a unified front after a decision is made takes away from the transparency necessary for others to make their own decisions.

Reinsurance and Missed Disaster

We are lucky that AIG did not write reinsurance. The Financial Products Division that exposed the venerable firm to insolvency could easily have been another firm. When a reinsurer gets its rating downgraded it is the same as going insolvent. The gig is up.

Stocks for the Long Run

Over the next 10 years stocks will outperform bonds. The primary driver will be the poor returns on bonds due to increasing interest rates. In the current market beware of commercial mortgages and municipals. Both are living on borrowed time. Unfortunately many asset allocation experts are pushing munis due to the expected increase in tax rates. Be careful! A return of 0 saves taxes but you do not end up maximizing your returns. ☺

Warning: The information provided in this newsletter is the opinion of Max Rudolph and is provided for general information only. It should not be considered investment advice. Information from a variety of sources should be reviewed and considered before decisions are made by the individual investor. My opinions may have already changed, so you don't want to rely on them. Good luck!

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