



**I**n the face of continuing anxiety about the economy and the market, this recession has hit individuals on all levels of the economic spectrum very hard.

### **Job Market**

After spiking above 500,000 mid-summer, and a 9.6%, 27-year high in August, new applications for unemployment compensation have fallen. Initial claims fell by 16,000 to a seasonally adjusted 453,000. The Labor Department reported that first-time claims for unemployment benefits fell more than predicted, although claims are still at levels that indicate employers are not on the incline in the hiring department.

With many people out of work, the federal government has offered extended benefits up to 99 weeks in the states hardest hit by the recession. The U.S. spent \$160 billion in jobless benefits in the fiscal 2010, nearly quadruple what it spent just two years earlier.

### **Housing**

Demand for homes has plunged since a federal tax break for buyers ended and foreclosures continue. In a recent Case-Shiller Home Price Index report, single-family home prices dipped in July, and are seen stabilizing near the lows without the homebuyer tax credit that ended in April.

Home price growth in 20 major U.S. cities slowed in July, showing that both transactions and prices have been impacted by the expiration of the tax credit. Foreclosure filings were reported on 347,420 U.S. properties in September, an increase of nearly 3% from the previous month and an increase of 1% from September 2009.

### **Consumer Confidence & Spending**

Driven by a weak job market and difficult business conditions, the Consumer Conference Board reported its index of consumer attitudes in September fell to 48.5 points from a revised 53.2 in August, its lowest levels since February.

While confidence remains low, growth is not expected to pick up much due to consumers continual cut back on spending, in addition to high unemployment rates. Consumers, in particular, are saving more, focusing on cutting debt, and are not spending as much as they normally do during an economic recovery. It is reported that Americans have saved 5.9% of their disposable income, the most in a year. Before the recession, they saved 2.1%.

### **Market Overview**

The Dow Jones has jumped 8 percent this month, closing the quarter at 10,788, up 7.7% in September, putting it in line as one of its best September performances since 1939. The S&P 500 Index closed the quarter at 1,141, while the NASDAQ Composite Index, up 12% in September, closed the quarter at 2,369. Oil ended the quarter at \$79.85 per barrel, while gold closed the quarter at \$1,309, as the dollar remained weaker amid a slow economic recovery.

### **What's ahead?**

Confidence remains subdued in the United States as unemployment remains high and economic growth unresponsive. Even with that said, investors have been able to drive stocks higher throughout September because the economic data indicates the country is strong enough to avoid falling back into recession.

Most companies won't expand payrolls until demand for goods and services increase and they see clear evidence the economy is gaining steam. Estimates for the third quarter GDP are only between 1.2% and 2%.

Sources: *MarketWatch*, September 2010; *The Wall Street Journal*, September 2010; *The New York Times*, September 2010.

**As of January 1, 2010, new rules allow investors of any income or tax filing status to convert retirement assets to a Roth IRA. Assets in an IRA, including traditional, SEP, and SIMPLE IRA's are eligible for a Roth IRA conversion. Please contact your tax professional with any questions.**

 **NUMBERS TALK**

Percentage of CPA licensed financial executives who are optimistic about the U.S. economy, up from 25 percent in February...**40**

Percentage of GDP spent in the United States on healthcare. This level is 45 percent more than the second-highest spending nation, France...**16**

Number of careers out of the top 30 fastest growing U.S. jobs projected over the next decade that require a bachelor's degree...**7**

Total worldwide consumer population, in billions...**6.5**

Average baby boomer's median home equity stake...**100,000**

Percentage of people ages 18 to 24 who do not know how to define "financial planning"...**25**

The expected present value of lifetime healthcare costs for a healthy couple turning 65 in 2009—including insurance premiums and nursing home costs...**\$260,000**

Percentage of Americans who do not currently have a plan that identifies how much income they will need in retirement, the amount of income they can expect from savings, or how to beef up income sources to close gaps...**54**

The amount of assets in orphan 401(k)s (those workers have left with a previous employer) in 2009...**\$1 Trillion**

Number of baby boomers becoming eligible for Medicare and Social Security each day for the next two decades...**10,000**

Percentage that healthcare coverage costs are projected to increase in 2010 for PPOs...**11.1**

Percentage that healthcare coverage costs are projected to increase in 2010 for HMOs...**10.3**

Average tax rate paid by the 400 highest earning households in the U.S. in 2007, the last year of an economic expansion...**16.6**

Percentage increase in college students taking a leave of absence from school as a personal money management decision in response to the recession...**106**

Percentage of families with a financial planner who report having a positive savings-to-debt ratio...**55**

Percentage of Americans who were jobless in 2009 but back to work by March 2010, who took a pay cut at their new jobs...**55**

Approximate portion of primary caregivers who are fathers, for preschoolers whose mothers work...**1/4**

Average daily amount spent by upper income consumers—those earning \$90,000 or more...**\$119**

*If you would like to discuss any of the topics contained in this issue of "FINANCIAL FOCUS," contact Pegasus Asset Management, Inc. at 845-369-9422, or via e-mail:*

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