



“Your road to greater financial peace of mind”

Groceries Are Getting Expensive

April 2011

Why are my groceries getting so expensive? Could it be that I have a little baby at home who thinks he is starving? Even though it seems like he just ate. Maybe it's my 8 year old son who gets more food on the floor than in his stomach. Or could it be something bigger? With such a high unemployment rate, surely Americans aren't eating out more. What is becoming more clear is that we are a world economy and events that occur half way around the world affects us here at home. Currently there is plenty of grain on the market, but crop losses in Russia, Australia, Canada, Ukraine, and other countries cause fear that food supplies are running out. Adding to that is a rising share of corn is used to make biofuels. The middle class growth in emerging countries is causing large amounts of people to eat more meat, poultry, and dairy products. These people have begun to experience life where they can eat not only



more food, but are now demanding higher quality food. This puts a strain on global supplies and will keep prices high for at least another year until farmers can grow more to keep up with demand. At the rate of consumption in my house, I may have to learn to grow some crops to keep up with the ever increasing demand at home.

Take care and have a wonderful spring.

Randy Schmidt

Fruit Salsa and Cinnamon Chips

- 2 kiwis, peeled and sliced
- 2 Golden Delicious apples, peeled, cored, and sliced
- 8 ounces raspberries
- 1 lb. strawberries
- 2 tbsp. sugar
- 1 tbsp. brown sugar
- 3 tbsp. fruit preserves, and flavor
- 10 – 10" flour tortillas
- Butter flavored cooking spray
- 2 cups cinnamon sugar



Combine apples, kiwi, raspberries, strawberries, white sugar, brown sugar, and fruit preserves in a large bowl. Cover and refrigerate.

Preheat oven to 350 degrees F. Spray one side of tortillas with cooking spray. Cut into wedges and line on cookie sheet in a single layer. Sprinkle with cinnamon sugar. Spray with cooking spray a second time. Bake for 8-10 minutes. Let cool and serve with chilled fruit mixture.

Important Dates:

- APRIL 20: METLIFE
SHAREHOLDER LUNCH
- APRIL 24: EASTER
- MAY 8: MOTHERS DAY
- MAY 30: MEMORIAL DAY
- JUNE 19: FATHERS DAY

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The Crisis In Japan & U.S. Stocks

Can our stock market ride out the turmoil? When U.S. stocks plunged in 2008-2009, analysts hoped overseas markets could “decouple” from the effects of America’s downturn. Now we wonder if our stock market can maintain its YTD gains with the impact of the crisis in Japan.

The scenario Wall Street fears. The nuclear risk in northern Japan becomes a Chernobyl-like disaster, prompting a terrible plunge in global equities markets. The selloff eventually moderates, but Wall Street turns bearish for weeks or months. The Dow experiences a correction (or something close). Our portfolios take a hit, and so does consumer confidence. Our economic recovery – seemingly assured if not established – is imperiled.

Why that scenario may not happen. If risks diminish at Japan’s nuclear power plants, the effect on U.S. equities may end up being less severe. Japan’s economy is the third largest in the world, but that economy is export-driven. For the record - according to data from IHS Global Insight - Japan bought just 4.7% of our total exports last year with those exports representing 0.4% of our GDP.¹



The Miyagi and Fukushima Prefectures (i.e., the areas including Sendai and the Fukushima nuclear power plant) account for about 6% of Japan’s GDP. Many economists see the nation’s 2011 GDP falling by roughly half a percentage point, assuming the radiation threat to Japan’s population moderates. Even if Japan’s GDP drops to zero this year, the impact on global growth would be small: an economist at Bank of America Merrill Lynch told the *Wall Street Journal* that global GDP would likely fall only about 0.1% as a consequence.^{1,2}

It does not seem as if global demand will be greatly impacted by this crisis. What about supply? At present, roughly half of the “Japanese” autos we buy are manufactured in the U.S. or Canada. However, these plants get many of their parts from a variety of suppliers within Japan. Toyota may end up being the hardest-hit automaker: a spokesperson says it is losing about \$72 million per day from the crisis.³

An economic slowdown in Japan could actually promote growth in other export-driven Asian economies, and it could also influence the world’s central banks and make them think twice about raising benchmark interest rates.

What happened worldwide Tuesday? The news out of the gate on Tuesday, March 15 was not good: the Dow dropped 297 points at the open, recovering to a loss of 137.74 for the day. The Dow and S&P 500 respectively closed at 11,855.42 and 1281.87; those were both 6-week lows. Around the globe, the Hang Seng was down 2.9% and the Shanghai Composite down 1.4%; Germany’s DAX dropped 3.4%. These losses pale in comparison to the Nikkei 225, which dropped 10.6% on Tuesday and 16.1% across March 14-15 for its worst two days in 24 years.^{4,5}



Keep in mind, stocks can recover. Throughout history, stocks have rebounded after crises.* The Nikkei 225 fell close to 25% after the 1995 Kobe earthquake, yet it actually gained back what it had lost and finished slightly positive on the year. The Dow plunged 684 points when U.S. markets reopened after 9/11 and lost 14.26% in a week, yet it was up 21.7% off its 2001 low by the end of the year.^{1,6,7}

No equilibrium ahead – at least not for the short term. The major U.S. economic releases of this week (producer prices, consumer prices) are not likely to capture much attention from investors. We have a state of emergency not only in Japan but also in Libya and Bahrain. During the first quarter, some Wall Street analysts talked about a pullback on concerns stocks were overvalued. We now have a pullback, but for reasons no one saw coming. Hopefully, the crisis will not escalate to a level where it could reverse the course of global stock markets.

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* **Past Performance does not guarantee future results.**

Citations.

- 1 - online.wsj.com/article/SB10001424052748704662604576202793527739336.html [3/15/11]
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Kelly's Comments

Could a Roth IRA be right for you?

The fact that the Roth IRA could provide for tax-free withdrawals at retirement makes it a good nest egg option for young professionals at the start of their wage-earning years. Presumably, as we gain experience, we command higher salaries and gradually move up higher on the tax scale. With a Roth IRA, since taxes are paid at the front end (when you're in a lower tax bracket and the balance is at its lowest), you could assume a smaller tax liability. As the account grows, earnings accumulate tax-free.

Qualified Withdrawals While it's best not to disturb your nest egg, under certain circumstances the IRS will allow premature distributions without tax or penalty, after you've held the account for five tax-years.



First Home Exemption - you can use up to \$10,000 (a lifetime limit) toward the purchase of a first home for you, your spouse, children, grandchildren or parents. You must use the funds to close the deal within 120 days after you receive the distribution.

Higher-Education Expenses - funds can be used toward qualified education expenses for you, your spouse, or offspring to attend an accredited college or university; qualified costs include tuition, fees, books, supplies, and room and board if the student is enrolled at least half-time.



If you want to know more about Roth IRA's, please give our office a call.

Elizabeth's Expressions

Life as we know it for me is still crazy, but I love it. Just finished up my winter semester at Baker College and had the opportunity to learn about service management in today's society, I can't believe how quickly times change. I am getting ready to start the spring semester with operations management and macroeconomics, any volunteers to help. My son just wrapped up a basketball league at the Courthouse and he hopes to continue playing AYBT this summer, which is a traveling basketball league. For my daughter she is going to be playing JV softball, taking drivers training, and continuing with band. As for my husband working on a farm, the long hours will begin in the near future. But in the midst of all the hustle and bustle we still make time to sit down as a family every night for supper and enjoy each other's company. As a wise client told me, we need to be reminded occasionally to love our family!



Until next time have a Happy Easter and enjoy the days to come!

Becky's Observations

I enjoy watching the seasons come and go. I am so thankful for the snow to disappear and spring and summer to come upon us. It would be safe to say that the spring and summer are my favorite seasons. There is nothing better than just going to a park and running around with the kids. Even though I don't have kids of my own my family and friends are always willing to share their kids with me. I will be spending a lot of weekends watching the kids play sports and going to as many White Caps games as possible.



Important Notice!

Effective June 1, 2011,

- Pershing Fees
- **\$1.00 per paper statement and trade confirmation mailed**
- To avoid this fee please visit www.mydocumentsuite.com and click register now.

**If you have any questions or need assistance
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