

THE RAND REPORT #168

L. Terry Rand

RAND FINANCIAL ADVISORS, L.L.C.

800 Harbour Drive, Naples, Florida, 34103

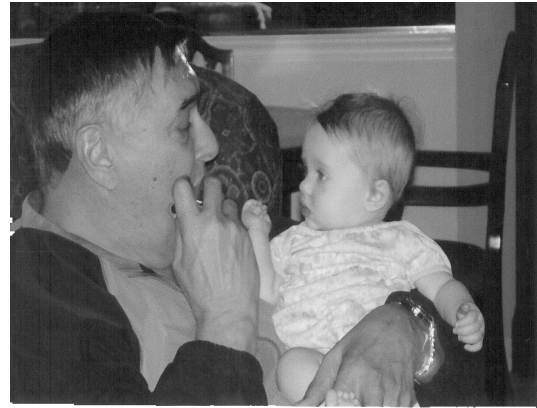
Phone 239-261-0335

Rand website: www.randfinancialadvisors.com

As a supplement to this Report I have included a copy of the recent front page Wall Street Journal (10-19-06) article featuring “yours truly” and harmonicas for good health. (See the photo to the right, that most attentive baby so fascinated by my harmonica is my Granddaughter, Stephanie, age 8 months). Sharon Begley, the science editor had visited me in Naples to interview me and attend one of my harmonica sessions for good health. I was not expecting a feature front-page article, nor my photo so prominently displayed. ***The reactions have been sensational.*** I have received many calls and E-mails from all over the world. I had done research on harmonicas for respiratory problems for years. ***I even have Doctor clients that I have convinced to prescribe harmonicas as opposed to blowing a ping-pong ball up a plastic tube.***

This harmonica project is not related to investing, but as an active member of the ***Society for the Preservation and Advancement of Harmonicas, (SPAH)***, I have joined many harmonica playing friends in major programs for distributing harmonicas to third world countries, harmonicas for grade school children for practicing concentration, and more so for older people to expand lung usage. You don't have to read music and I provided simple instructions, and exercises. Harmonicas are a form of “Yoga” for the lungs and brain. Putting more oxygen to the brain and forcing tongue concentration helps prevent Alzheimer's as well as preventing a multitude of respiratory related health problems. One of my best friends E-mailed me immediately and volunteered to be my agent. He gave me this advice: ***“Have plastic surgery and don't give up your daytime job.”*** The funniest call I had was from an elderly lady who wanted to know if I wanted to be buried next to Johnny Appleseed. She lived near his grave and advised me of the available space. The problem I am having with this research project is following up on results of harmonica usage by my friends and clients. If any of you have anything to report to me regarding your harmonicas, please respond. Thank you. If you would like to try my harmonica technique, which doesn't require you to read music, call me toll free and I will send you a free harmonica. If you try to play, I guarantee results.

I will get to some amazing economic facts, but first I want to illustrate a very obvious media bias. Near the end of Bill Clinton's term, the Chicago Tribune reported on the Dow Jones Industrial Average as breaking new ground with this exciting headline, “Bull market Spreading the Wealth in America.” When the DJIA broke that record last week during the Bush Administration, the Chicago Tribune headline read, “As Dow Surges, Many Left behind.” Yet there are many more investors today, more people making more money, more successful retirement plans and the biggest increase in Federal revenues in American history. (Federal tax revenues are up over 20% during the Bush Administration as a result of tax cuts) ***Were those headlines subtle enough?*** Corporate America, sometimes known as the “private sector,” is made up of corporations that provide most jobs in this country. Corporations are seldom favored by Democrats, who tend to



Terry Rand captivates a new audience

overtax corporations, certainly more so than any other industrialized country. And, American industry is treated by the news media as if Enron were typical. Too bad the facts are not known or publicized. American industry is what makes us great! The S&P 500 is an index comprised of a cross section of American industry. The earnings per share for the S&P500 for the last quarter exceeds a 10% increase. That is the 18th consecutive quarter of double-digit corporate earnings, an all time ongoing economic record. (1). In 2005, the US economy grew 3.5% the fastest rate of any industrialized nation. Beginning in 2006, the rate grew to 5.6%. Employment has grown for 31 straight months with 5.1 million new jobs created. In addition over 3 million new small businesses started. Unemployment is the lowest over four decades. Inflation is low and the stock market has been a steady climber over the long term reaching new highs. Construction spending is at an all time high and real after tax income per capita is up 9% since Bush took office. (2) As Larry Kudlow, one of our best economists says, ***“this is the greatest story never told.”*** ***Do you really think the investing public doesn't recognize what is happening here? It doesn't make any sense that the news media should mount an effort to denigrate the economy.*** The Democrats want a new direction. What direction could that be? The worst economy the US experienced in the past 50 years was under Democrats and President Carter. Interest rates reaching over 15%, unemployment at 7.8%, and inflation at a whopping 12% ***it is a fact, President Reagan saved us. The Bush recycling of capital was the third largest behind Reagan and Kennedy.*** It amazes me how the elitist liberals still think the rich get richer and the poor get poorer. Can you imagine how many high paying jobs were created by the record number of 400 billionaires in the US? (4) Our society is now 80% service jobs as the manufacturing sector decreases and is replaced by higher paying jobs. This is natural and good. And pay rates are increasing as higher paying jobs are created. (The new jobs also pay more in taxes) ***These are facts and this is great news!*** It is inexplicable why the US economy has to be falsely reported for political gain by the losing party. It makes no sense. In my opinion, the news media has taken over our country. They have an agenda to change our culture. At the expense of our great economy? ***I guess so! We will become more permissive and socialistic because that is what makes elitists what they are and what makes us traditionalists so stupid.*** I resent knowing the truth and being classified as stupid. Liberals simply want their elected officials to manage our lives so we are politically correct, so we have a more

permissive society, yet a bigger government. ***Are we to believe that as the Democrats regain power they will eliminate the tax reductions and reduce capital flows? Why?*** In my opinion, the Democrats offer nothing but criticism and obstruction and endless second-guessing. It is as if you were a player sitting on the bench of a winning team hoping the “starters” will screw up so you can get a chance to play. Do you root for the opposition, or hope your teammate will make the most mistakes? These things infuriate an old basketball player like me. I didn’t get to choose my teammates, but I never heard of any one of them hoping for defeat so they could play. My teammates played harder hoping to improve so they could get to play. The “bench” pushed the “starters” to excel. I am not challenging anyone’s right to free speech, but when dissention is so malicious and false it makes one wonder about abuses of freedom. In conclusion, no matter how I report economics or the stock market, the final results are distorted by the majority of the news media. Thank goodness for the Wall Street Journal. The WSJ would be liable for reporting false information. Investors are entitled to full disclosure of information, but too many people hear the news as “bumper sticker mantras” repeated so often that that is all that is remembered. ***“We all want a better world. But we must not let ourselves be swept up in making a bad investment simply because we have been scared by sensationalist headlines.”*** (3) Negativism, alarmism and sensationalism are the requirements. If they don’t exist, the media spins it to get your attention and fools you to vote their agenda. That is my opinion. **Investor beware!**

A New Direction for the USA?

Here is my dilemma and possibly your biggest issue. The stock market is at an all time high as is the performance for America’s 401K’s, the baby Boomers retirement future. Unemployment is at a 25 year low as are people’s taxes. As a result of a timely tax cut, Federal revenues are at an all time high while the Federal deficit is lower by 50% as was predicted. Oil prices are dropping although that is an OPEC call, not ours. But more important home values are up over 200% over the past 3.5 years and home ownership at an all time high including ownership by minorities. Inflation is also at a 20 year low and has been held in check. We haven’t been attacked at home since 9-11, 90% of Al Qaeda’s top leaders have been killed and Osama is either dead or living in a dark cave with someone hand pumping his dialysis machine. We are fighting terrorists in Iraq instead of in New York and Washington DC. Several major terrorists attacks aimed at the USA have been thwarted by a combination of US and British intelligence. ***Do we really want a new direction? Is it not obvious that the new direction must be contrary to the success of the current direction?*** Also keep in mind that during the previous Clinton administration we had the high tech stock market crash, an epidemic of corporate scandals through the 90’s, which sucked trillions of dollars and 7.8 million jobs from the US economy. Clinton also witnessed over 10 terrorists attacks against the USA including the first attack on the World Trade Center. The Clinton Administration also had the most proven scandals of any previous administration, taxed social security, which has been repealed, and reformed US moral standards backwards. Somehow, and in my opinion, the Democrats are the most creative political party. They have always been more effective at politics than Republicans. It is amazing that all of these facts have been

“spun” and turned against the Bush Administration. Allegations of corruption are raised at election time that provides a base for the sleaziest election in American history. There is no proof or any convictions of any scandals, just accusations. (There are some minor exceptions) I think Congress has its own ethical standards. ***Politics by its very nature is a game of false accusations and a code of corruption that is used by both parties between elections. Perhaps there is a constant conflict of interests whereby each politician plays to their constituency rather than for the good of the majority.*** The problem is that I think elections are getting dirtier every election. It is extremely important for investors to recognize these trends because every year that passes by the stock market it becomes more controlled by partisan news media that supports the minority views and certainly not corporations. Secular permissiveness affects your investments in a rather backwards way. It is past being subtle, rather an obvious attempt to sway new voters who are not yet investors. We must avoid socialistic trends and remain a free economy. **I don’t have a perfect solution, but I’m working on it.** That’s what the Rand report does. I believe we can adjust our investments and I will make such recommendations to my clients. The news media also undermines investment products. One of the best investments today are variable annuities. They are available without liquidation penalties, with no commissions withheld, they are tax deferred and the fees are comparable and competitive, yet there is a strong bias that does not provide full disclosure. There are false criticisms that generalize that all tax-deferred investments are costly and illiquid. Variable annuities essentially insure estates invested in securities offered by insurance companies. They are an extremely popular investment when full disclosure is provided.

In this analysis I have not mentioned the effects of the Iraqi war. I believe the original question raised in the polls was, “Do you approve the way the war is going?” and the obvious answer was “no” by a big majority of polled people. What has happened is that the original question has been “spun” to mean, “Do you oppose the war?” The propaganda momentum then concludes that we should pull out and allow the ungrateful Iraqis to kill each other and leave us alone. In my opinion, the war is really against Islamic terrorists supported by Iran who are Shiite. If the US pulls out of the real war, Iran will eventually control all Mid-East oil especially the Sunni Saudis, and those revenues will be used to promote Islam in a worldwide culture war. **So propaganda works!** According to the majority of recent polls about influence, 77% of the news media is liberally biased and opposes the war. (5). America is fundamentally religious, Europe is not! 85% of Americans express some religious faith. ***“Secularism is an exotic taste, except for the political left.”*** (6). So here we are, the election is over and the Democrats have gained power. How will this move affect your investments? I will direct the Rand Reports to that issue. Meanwhile, I predict the Democrats will use the next two years to demolish the Bush administration. They have obstructed the Bush policies for six years, but now will do more smearing of individuals. Investor beware!

Footnotes: (1) S&P, Barron’s. (2) Investors Business Daily, May 2006. (3) WSJ, “The dodgy numbers behind the latest global warming scare.” 11-2-06 (4) Forbes, “The Richest People in America,” Special Edition, 2006. (5). The George Mason University Study. (6). “The True Ideological Battle.” WSJ 11-07-06.