



The Investment Plan

BY DONALD L. HAISMAN, CFP®

This is the third in the series of articles outlining what goes into the Haisman Wealth Management Inc. written Investment Plan, that describes your investment strategy. You were most likely provided an Investment Plan or similar plan at the beginning of our professional relationship.



Portfolio Strategy Details

The Haisman Wealth Management Inc. portfolio strategy attempts to evaluate the supply and demand forces of particular asset classes and ranks the asset classes from strongest to weakest based upon relative strength. We feel asset classes can be ranked similar to the way one might rank sports teams. If you think about your favorite sport, they rank teams based upon how well they perform against their opponents. The more games, matches or races won, the higher in ranking the team will go. We believe the same thing can be done in the investment markets. In the financial markets, a “game” is

played each day and it consists of comparing performance of one asset class to another. We compare asset classes to one another to determine which asset classes are the strongest or weakest compared to one another. The ranking process is comprised of the following four steps:

Step 1:

A roster is established for each asset class. For instance, in the international equity space, all areas of the world are represented from Europe, Latin America, Canada, Australia and Asia-Pacific. The process of determining the roster is essential so that no one segment within an asset class has too great of an influence.

Step 2:

A relative strength calculation is compiled for each member of the roster versus every other member of the evaluation set. In essence, a very large arm wrestling tournament is held. After all individual calculations are computed, each member now has its number of relative strength “wins.”

Step 3:

The total number of “wins” for each individual member of the as-

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COMMUNITIES IN DEFAULT

BY STEVEN P. KUSHNER, ESQ.

Many of the communities in which we live were using bond financing to pay for roads, lighting, irrigation and other infrastructure.



Those bonds were to be paid off using monies generated by a Community Development District (“CDD”). Many of those bonds are now in default. If your real estate tax bill includes an item marked “CDD Assessment”, then this issue is of great importance to you.

According to a report just submitted to the Florida State Legislature, 120 of the 576 active CDD’s in Florida have already defaulted on approximately \$3 billion in bonds. In many cases, the Developer of the community is in financial trouble as well. Over 200 were begun after 2006. Construction has come to a near halt, communities have not been completed and defaults have not yet been triggered. It is likely that another 50 or more CDD defaults will occur.

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set class is added together to get a composite score for the entire asset class. The asset classes are then ranked from 1 to 5. The asset classes ranked are as follows:

- Domestic Equities**
- International Equities**
- Commodities**
- Currencies**
- Fixed Income**

Step 4:

The top **two** asset classes are eligible to be deemed as Emphasized, but they must pass one last hurdle. The asset class is compared to Cash. If Cash is stronger, Cash takes its spot as Emphasized. Cash is the only asset class that can occupy both of the Emphasized Asset Class spots.

Thousands of calculations are done to support the relative strength process and determine which asset classes have emerged as the leaders according to this methodology. As the asset classes gradually fluctuate in strength, Emphasized asset classes will also change reflecting current market trends.

Sample Rotation Areas with Asset Classes

Sometimes the Tactical Asset Allocation

Portfolio may look like this.....

Emphasized Asset Classes	
Domestic Equities	35%
International Equities	35%
Secondary Asset Classes	
Currency	15%
Commodities	15%
	<hr/>
	100%

And other times the Tactical Asset Allocation

Portfolio may look like this

Emphasized Asset Classes	
Cash	35%
Cash	35%
Secondary Asset Classes	
Cash	15%
Commodities	15%
	<hr/>
	100%

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COMMUNITIES IN DEFAULT — COMMUNITY DEVELOPMENT DISTRICTS

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If all or nearly all of the property in your community has been developed and sold, then you have little to worry about. But, if there is a substantial number of non-built lots, or other undeveloped property, then there is reason for concern.

Homeowners paying their annual real estate taxes fund CDD obligations for maintenance and repair of roads, drainage facilities and other CDD owned property, as well as administrative expenses. The lack of home sales means the developer will bear the largest burden of the debt once the emergency reserve has been wiped out.

CDD defaults may ultimately wreak havoc on an already devastated real estate market. Developers seriously wounded by the current recession may “walk away” or be forced into bankruptcy. The resulting shortfall will result in less maintenance and repair of CDD property located in the community.

The bond holders, usually mutual funds, will need to consider foreclosing their liens. CDD foreclosure lawsuits have already commenced in Lee and Collier Counties. The community may change radically if the bond holders, or different developers, gain control of and title to CDD owned assets and undeveloped property. Future

homes built in the community may be dramatically different from the type, size, design, quality and price of the homes purchased by you and your neighbors.

Perhaps the most damage, however, will be suffered by banks that made development loans for these communities. Originally, funding those developments seemed safer since the lender did not need to

*“CDD defaults may ultimately
wreak havoc on an already
devastated real estate
market.”*

fund infrastructure costs provided for by the tax exempt bonds. But the bank’s mortgage lien is subordinate to the lien of those bonds, and foreclosing the CDD bond lien will wipe out the mortgage, leaving the bank without security for its unpaid loan. Florida banks known to have the most capital at risk are Great Florida Bank (Miami Lakes), Peninsula Bank, AmTrust Bank, and Orion Bank. It should come as no surprise that some of them have been taken over by the FDIC.

Sometimes, a mortgage lender will make payments to the bond holders, in order to avoid having their mortgage wiped out. There are also instances, locally and in other parts of the State, where bond holders, mortgages holders, developers and

CDD administrators restructure the financing. But some lenders and bond holders have refused to make concessions.

Since substantial CDD bond holders include powerhouses (such as Vanguard, the Oppenheimer Funds, Goldman Sachs, and Nuveen, and mortgage lenders include Bank of America, Wachovia, BB&T) it would seem that negotiated solutions could be reached. But given the huge dollars at risk, and the recently increased accountability required by shareholders and government agencies, the explosion of CDD defaults remains a serious concern for all unfinished CDD communities.

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FINANCIAL PLANNING SEMINARS

Come join Haisman Wealth Management and Forrester, Hart, Belisle and Whitaker, PL for a complimentary financial and tax planning presentation. Our clients have expressed an interest in learning how we are managing their money after the 2008 meltdown and extending retirement income for life. Don Haisman will be speaking on these two important subjects. Eric Belisle of Forrester, Hart, Belisle and

Whitaker PL will be presenting the highlights of the tax law changes for individuals and businesses as it relates to the 2010 health care and financial regulations act.

Invite a friend and you will be entered in a drawing for a gift certificate to Bistro41 or University Grill .

The seminars will be held November 1st. A complimentary lunch will be served at 11:30. We look

forward to seeing you there.

Holiday Inn Fort Myers/ Airport & Town Center, 9931 Interstate Commerce Dr., Fort Myers, FL. 9:30AM, 1:00PM & 6:30PM.



Look for your invitation in the mail or call us to RSVP 239-939-3235.

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Typical Asset Class Subclasses

Domestic Equities	International Equities	Commodities	Currencies
Basic Materials	Latin America	Gold	US Dollar
Energy	Europe	Silver	Euro
Healthcare	Japan	Agriculture	Canadian Dollar
Technology	Canada	Oil	Australian Dollar
Utilities	Australia	Base Metals	Swiss Franc

Typical Asset Class Investment Categories

Fixed Income: Various credit and durations, sovereign debt, agency, Inflation protected, corporate, US and foreign, inverse, emerging market

Equity: foreign and domestic, growth, value, large, medium and small Capitalization, inverse, emerging market

Charts are for illustrative purposes only, do not represent any actual portfolio or investment and are not a solicitation or offer to buy a security. Additional information is available upon request.

Material in this newsletter is written or produced by Haisman Wealth Management, Inc., other local professionals and the Financial Planning Association, the membership organization for the financial planning community.

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