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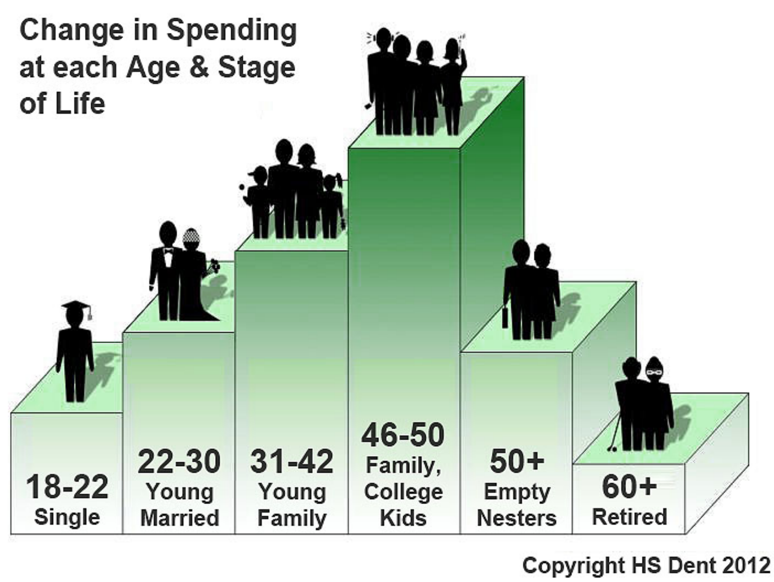
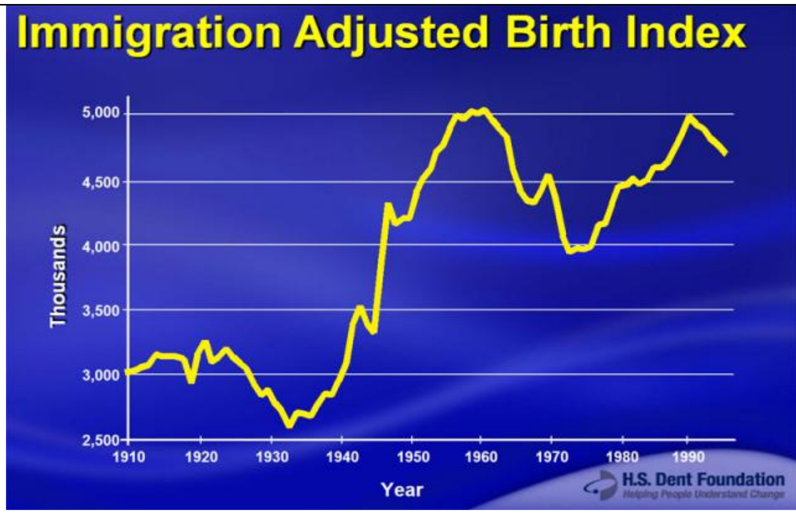
Life-Stage Habits and the Birth Index: A Simple Path to Sane Investing

Consumer spending habits are heavily influenced by where one is in their life/career. In society, a majority of people follow a very similar life-stage pattern. This enables us to make certain assumptions about where we will be in the future and how certain investments will appeal to the general population.

The graph below provides a general framework in which your average person finds him/herself in throughout their life. This information alone is quite helpful when developing an estimate in terms of ones spending/consumption habits throughout their future life.



Beyond a strictly personal financial assessment, one needs to understand how societal demographic patterns align with age-range consumption patterns. Events in history have caused demographic disparities to occur. The percent of a country's population is not consistent throughout every age-range. In the graph below of the U.S. Birth Index, the Baby-Boom is very apparent, as well as the start and end of the Echo-Boom. In between those ranges, a significant decline in births and, therefore, a decline in population exists.



Increases and decreases in the number of children born during certain periods had a direct correlation to future consumer demands. For example, the demand for retirement homes will increase in the next 15-20 years as a very large segment of the population reaches an elderly age. While all members of this age-range will not demand such services, their incredibly large numbers compared to past generations ensures significant growth in demand.

While information pertaining to consumption habits throughout ones life may seem basic, it is very powerful knowledge to have and to integrate into one's personal financial projections. In addition, knowing where greater and lesser amounts of the population resides in terms of age, is not necessarily ground breaking. Yet, being aware and considering this basic information when thinking about investments can have significant benefits in providing a guideline to smart investments and away from unwise investments.

TheMarketCapitalist.com Portfolio Selection

Company	Ticker	Buy Date	Buy Price	Last Price	Performance	Dividend %	Buy Target
SeaDrill Limited	SDRL	9/7/2011	30.25	40.37	33.45%	8.10%	Up to 38
Weatherford International Ltd.	WFT	9/7/2011	16.31	13.07	-19.87%	0.00%	Up to 26
American Tower Corp.	AMT	9/7/2011	53.75	70.28	30.75%	0.00%	Up to 68
PowerShares Water Resources	PHO	9/7/2011	16.42	18.95	15.41%	0.64%	Up to 22
Cisco Systems, Inc.	CSCO	9/7/2011	15.42	17.70	14.79%	1.20%	Up to 21
Deere & Company	DE	9/7/2011	78.97	78.68	-0.37%	1.90%	Up to 92
Chesapeak Granite Walsh Trust	CHKR	2/3/2011	25.19	22.58	-10.36%	9.30%	Up to 26

The Potential of Uranium as an Investment

From the time that Japan's massive earthquake and tsunami damaged Japan's Fukushima nuclear reactors in 2011, the idea of investing in uranium has not been on the radar of many investors. The allure of nuclear was further tarnished by radioactive fears sparked by the numerous leaks experienced at the Fukushima power facility. Though this disaster was a deterrent for some countries looking to further expand into the field of nuclear power, it is only a speed bump in the continuation and expansion of nuclear power throughout the world.

According to Australia's Bureau of Resources & Energy Economics, between 2013 and 2017, global demand for uranium is set to increase by 42%. Current global demand for uranium is projected to grow from 68,000 metric tons in 2012 to over 100,000 tons by 2020. Current dismantling of Russia's nuclear warheads provides around 10,000 metric tons of uranium. In 2013 project Megatons to Megawatts, which enables former Russian nuclear weapons to be used in uranium power generation, is scheduled to come to an end. Once this happens, a significant drop in global uranium supplies will be felt.

Being that markets are forward looking, upward pressure on the spot price of uranium will translate in increased valuations of uranium mining companies. To monitor this situation, keep an eye on the spot price of uranium and uranium mining stocks.

Since the disaster in Japan in early 2011, uranium mining companies have experienced downward price pressure. Up until the disaster, prices for most uranium mining companies were trending upwards. Therefore, a price uptrend should be pretty easy to identify by looking at a 1-2 year chart. A stock reaching a new 52-week high would be a great sign.

If you're looking for company names to put on your radar, I would suggest looking at two sides of the risk spectrum. One of the most established and more conservative uranium miners is **Cameco Corporation (CCJ)**. It traded as high as $43 in 2011. At current prices its dividend yield is nearly 2%.

At the other side of the uranium risk spectrum is **Uranium Resource (URRE)**. The company has historically been much more volatile than CCJ and has traded from $3 to $.50 in the last few years. At the end of November, 2010, the company traded at $3.75. It currently trades around $.60.

I am of the opinion that no investor needs to rush to establish a position in any uranium mining company. Keep an eye on a handful of industry companies and the spot price of uranium. The goal should not be to perfectly time an uptrend, but to identify the uptrend as it's happening, then join in.

Personal Finance: Saving and Spending for Retirement

I'm constantly amazed by the targeted savings rates offered in personal finance magazines and other outlets providing financial advice. Saving 10% or 15% or your monthly income is something I see as being on the low end of the spectrum for investors. The problem with setting goals at these levels is that people lack a context around why they're saving and the logic behind their rate of savings.

Telling someone that they should save 10% is nice, but it leaves many questions unanswered. First, are we saying 10% of the money you actually take home or your pre-tax earnings and benefit reduced earnings? The two values can be greatly different. Secondly, how does this 10% play into the 'end game'. In other words, what's the purpose of your savings and how does the rate of savings address your goal?

On a practical level, I would advise the rate of savings you seek to obtain be based on your paycheck's net earnings (The actual dollar value that can be deposited per month.). I suggest this because this amount is that which you have control over. Basing the amount on your gross earnings can certainly work, but it leaves you more openings to find excuses as to why you did not meet your savings goal.

For many people the reasoning behind their desire to save is based on retirement needs or some other long-term financial goal. If the goal can be defined by a certain lump sum figure that is a one-time cost, then equating how your rate of savings meets your need is pretty simple. For example, if I want to buy a car that cost $30,000 in the next 5 years, then I need to save $500 per month over a 5 year period ($500 x 12 x 5 = $30,000).

In the case that you are saving for something more indefinite in size and scope, such as retirement, then the calculation above will not work. You do not buy your retirement as you would buy a specific good. Retirement might be 10 years away for one person and 30 years for another. Neither person can say with 100% certainty that they know this answer. Yet, we must make the most of the incomplete information we have and use reasonable assumptions.

Consider the following assumptions:

- Number of years until retirement.
- Current amount of savings (dollars and percent of net income)
- Average return on savings/investment.
- Average annual increase in personal income.
- Average annual increase in savings.
- Current annual expenses and their average rate of growth.
    - Your average annual expenses (per your growth rate) at your projected year of retirement compared to your average return on total retirement savings.
        - How does your average annual return match your estimates annual expenses?
        - Does your estimated return on investment more than cover your estimated expenses? If not, then inflationary pressures on your expenses will force you to consume less and less as you age based on your return on investment.

If you're serious about obtaining an estimate as to how your retirement savings will look based on your current savings and spending patterns, use the newly released Retirement Savings &

Expenses Calculator .