

STUDENT LIFE

Weekly stock report: Baby Boomers need to plan early

By Piyush Bhardwaj
contributing columnist
pub116@psu.edu

The United States economy performs in a strange yet somewhat predictable pattern. We all witnessed the 'tech bubble burst' in the 1990s to the beginning of the 21st Century. Investors, companies and Americans in general lost substantial value in their portfolios during the "tech bubble burst." Recently, in the last four years, the real estate industry is experiencing a boom. The property values are skyrocketing, the manufacturing of homes is on a rising tide and investors are making fortunes "flipping real estate." As the Fed's are now raising the interest rates consistently, this real estate boom is going to come to a halt in near future. The United States economy is believed to be efficient, i.e., the money always stays in the economy, merely rolling from one bull industry to the other. The big question that arises for economists and Americans is where is the next booming industry?

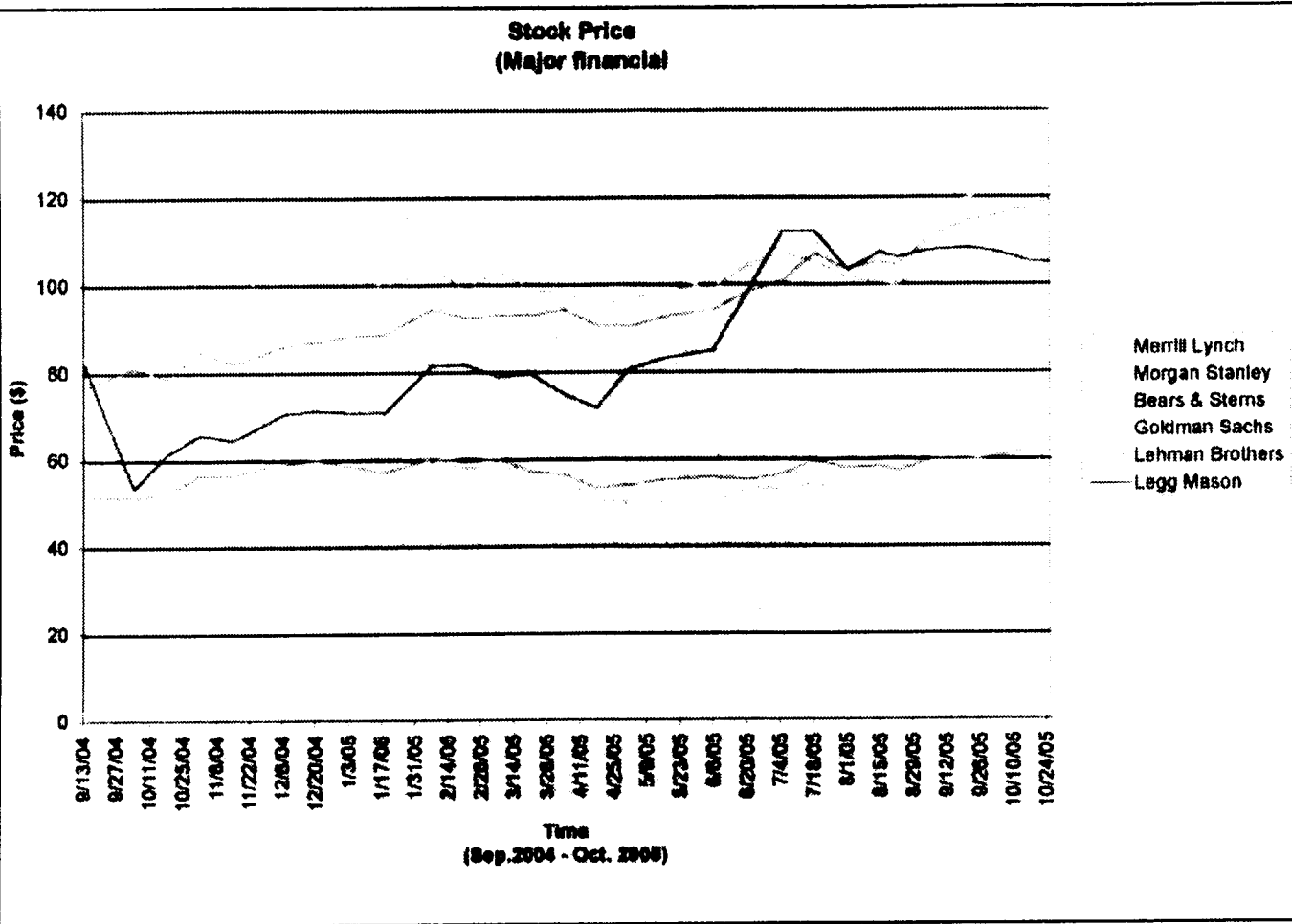
Lately, I have been following the Financial Services and Securities Brokerage industry closely for the last six months. Moreover, I have been monitoring the top six companies in the above industries intimately. I have noted that these companies have enjoyed a revenue boost in the last quarter and are posting higher earnings than predicted by financial analysts. Merrill Lynch (MER), one of the biggest companies in the industry had the best second quarter in its history, as earnings rose nine percent. Legg Mason (LM) closed its fiscal year on a solid note as share earnings for the year jumped 34 percent and a 24 percent rise in revenues. Lehman Brothers (LEH) company's stock price is breaking its yearly high right now. The industry as a whole is peaking as we descend in this year of hurricanes, high oil prices and increasing trade deficit.

After researching thoroughly, I have

concluded the following factors responsible for this boom: Baby Boomers - Every seven seconds another boomer turns 50. There were approximately 78 million Baby Boomers born between 1946-1964. The numbers increase 56 percent every

with \$170 billion under management) among Americans ages 45 to 75 with investments of at least \$300,000 discovered that eight in every ten surveyed lacks the basic knowledge of investment techniques. This lack of knowledge among Boomers could lead to a

ing contrast between perception and reality," said Murphy, a leading economist from Oppenheimer Funds. "The overriding lesson is clear, the earlier you start planning, the less likely it is that you will have to compromise your retirement dreams and plans."



year, and will continue to rise until 2011. As the largest consumer spending group - \$900 billion a year, Boomers will control the vast majority of the nation's wealth within the next 20 years. These Baby Boomers have \$4.4 trillion in assets or about a quarter of all financial assets in the country, according to Stanford Research Institute. Moreover, a survey conducted by Oppenheimer Funds, Inc. (one of nation's largest and most respected investment management companies

retirement crisis.

Therefore, most financial service companies are targeting these Boomers and allocating majority of their resources to attract business from them. Further, research concluded that those respondents with a financial advisor are more likely to have a written plan for retirement, feel safe and confident about retirement and meet their income goals for retirement.

"When it comes to Baby Boomers and financial planning, there is a strik-

The effect of this increasing demand in wealth management services was experienced in the quarterly filing of some companies. Goldman Sachs (GS) reported an increase of four percent in revenues from their asset management sector. Also, small companies like Lord Abbot and Gunn Allen financial are increasing assets under management by 20-30 percent. Merrill Lynch, Vanguard, Charles Schwab, Fidelity, etc., are expanding its retirement programs and including more services only

for these Baby Boomers in particular. Recently, American Express launched Ameriprise Financial, a spin-off of the parent company exclusively targeting the growing market for financial advice.

Increase in Mergers & Acquisitions (Domestic & Foreign) - The term mergers and acquisitions (M&A) refers to the takeover of a company by another company or two companies combining their resources together. M&A activity picked up significantly as market recovered from the tragic disaster of September 11, 2001.

In 2004, the number of deals increased to 823 from 790 in 2003, representing an increase of about four percent. Deal value also increased 27.4 billion in 2004, to 177.4 billion, from 150.1 billion in 2003. The investment banks carry out these M&A activities for a fee. Surprisingly, the big three [Goldman Sachs (GS), Morgan Stanley (MWD) and Merrill Lynch (MER)] dominate the market share ranging from 32 - 39 percent. That is, more revenues for these financial companies. Although domestic M&A activity is rising consistently, foreign activity is rising at an alarming rate. For example, in 2000, M&A activity in Japan jumped eight-fold and in the rest of Asia by 59 percent. Recently, the volume of deals in Latin America rose more than 360 percent.

Europe is enjoying an increase in business activities, but more importantly the increased number of mergers and acquisitions is just another contributing factor to increasing revenues for these financial entities. "The Euro Factor," is the primary reason for increasing M&A activity throughout Europe. The Euro has simplified M&A by creating a relatively smooth trading zone among euro nations. While researching the M&A activity in Europe, I was particularly amazed by the growth in the Polish, Hungarian and the Czech Republic market where volumes increased by 59, 37 and 15 percent respectively.

COMING TO PENN STATE BEHREND FOR FALL 2006

UNIVERSITY GATE APARTMENTS NEW OFF-CAMPUS STUDENT LIVING COMMUNITY



Construction Begins this Fall!

Located directly across from the entrance to Penn State Behrend

The New apartments will also offer:

- Furnished Bedrooms & Living Room
- Kitchen, Living Room & 2 Full Baths
- High Speed Internet in Every Bedroom
- Free Parking
- On-site Office & Laundry
- Walking Distance to Class

**Now Pre-Leasing 3 & 4 Bedroom Apartments
Featuring ALL PRIVATE BEDROOMS**

CALL NOW to reserve your apartment for next year

Call (814)899-5160 or E-mail: universitygate@jamesproperties.com