

# Winch Report

## The impact of the Japanese tragedy

Like you, we are keeping our eye on Japan. The earthquake, tsunami and threat of nuclear disaster has us all working hard to sort through economic and humanitarian information.



From March 11, the day the earthquake triggered a catastrophic tsunami, through March 28, Japanese shares had lost 7.6 percent.

In comparison, MSCI's index of Asian shares outside Japan fell 2.5 percent since the quake. Under-scoring worries that Japan is in for a long fight to contain the radiation threat from the stricken Fukushima nuclear plant on its northeast coast, readings on Sunday showed contamination 100,000 times normal in water at the plant's reactor No.2 and 1,850 times normal in seawater nearby. Tokyo Electric Power Co (TEPCO) nosedived 17.7 percent to 696 yen, following the March 28 reports.

But some analysts said bargain-hunting by foreigners could help

the Nikkei in the long term, as Japan stocks are still oversold, with the benchmark trading about 6 percent below its 25-day moving average of 10,061. We are

watching this trend, but do not believe the time is right for us to invest here yet.

Japan's last major earthquake, Kobe in 1995, was estimated to cost more than \$110 billion, which the country was able to absorb.

Today, Japan is a \$5 trillion economy so even if this disaster proves more costly, the country should be able to absorb the rebuilding expense. Longer term, as history has shown, countries do recover from such disasters, often with economies stimulated by rebuilding damaged infrastructure.

The risk is that Japan's already high public debt (over 2x GDP) and large fiscal deficit (of nearly 7% GDP) constrain its ability to fund necessary expenditures.

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### Attention teachers!

More than 150 of our clients work in or have retired from the education field.

We understand the specific financial requirements of educators and have worked with them for more than 30 years. Please let your friends and family know that we can help them understand the complexities of the 403(b), we can evaluate their economic situation and let them know when they can retire and we can give them a sense of control over their situation.

## Winch Financial to launch proprietary mutual fund

We are excited to announce that our new mutual fund has been approved and will launch this summer.

The fund, called the Ginkgo Multi-Strategy Fund, will be available to investors following its formal launch.

A Winch Financial team consisting of CEO Christina Winch, Client Services Director Sandy Shultz, and Invest-



ment Analyst Jeremey Landskron flew to sunny Ari-

zona last month to present the fund to Gemini Fund Services, LLC.

Following a formal presentation, the Gemini board approved the fund, which will build on our active wealth management strategies.

We will have more information in upcoming issues of the newsletter.

## Familiar face returns to investment department

There's a reason the newest face at Winch Financial might look familiar to longtime Winch Financial clients. It belongs to Donna Mullen, who worked in the accounting department at Winch for many years. Mullen left Winch in 2007 because she was offered a job closer to her Oshkosh home. She returned recently when her position at her old job was eliminated.

"I have always loved working with Christina and everyone else in the office," said Mullen, who is also a Winch Financial client. "When I came in for my investment review last October, Christina talked to me about coming back. I needed to get my life back in balance as I had been working 50 – 60 hour weeks for the last 10 years. We discussed my work-



ing part time and helping with clients."

Mullen currently works from 10 a.m. to 5 p.m. on Mondays, Wednesdays, and Thursdays. As a member of the Winch Investment Department, Mullen sees clients and works with Christina on other special projects.

A licensed CPA since 1980, Mullen earned a degree in accountancy from Eastern Illinois University. She also has been licensed in life and health in-

surance, having earned her series 6, 63, and 65.

Outside the office, Mullen enjoys spending time with her family.

"I have been married to the same man, Jon, for 31 years," she said. "We have three daughters and one son – all grown. All of our daughters are very happily married. Two of them have children and our son has a baby. So we have four grandchildren – three granddaughters and one grandson."

The Mullen family lives on the north side of Oshkosh across from a dairy farm.

"I love the stars at night on a warm summer day," Mullen said. "It's amazing how many more you can see when you are away from the city lights."

## The Buddy Files: Body Pump not for faint of heart

Life was pretty good for me jumping around in the water in a water aerobics class at Lake Park Fitness Center.

I felt good because no matter what was expected of us in the water, I could do it as well as (if not better than) anyone else. However, my wife Shirley has had a fascination with free weights most of our married life and she wasn't satisfied just jumping around in the water. She had to talk me into trying "Body Pump." Not having any idea what Body Pump was, I reluctantly agreed. Little did I know.

So I purchased a nice pair of Nike shorts (not to be shown up by anyone) and, with my Disney Grumpy shirt, I was ready to go.

I planned to show Shirley up, after all I am a man and she's just a frail, little woman.

Oh, was I wrong (first time this year!) We got to the club, set everything set up and were ready



to go. Then I noticed a middle aged lady weighing about 100 pounds with 15 pounds weights, so I was sure this 200+ pound, 69-year old could outdo the 100 pound weakling.

We started with squats and the barbell over my head resting on my shoulder. Of course they play this god forsaken music to get you pumped up.

We went up and then down. Not knowing what I was doing, I thought, "There's nothing to this." So up and down we went. Only on about the fourth down I felt muscles I never knew I had speak to me in a way I never want to experience again. The back of my thighs sent such a searing pain to my brain that tears started to run from my eyes. In the mean time, the tiny lady in front of me just kept on

squatting. I had all I could do to straighten back up and continue. I might have done one more squat while everybody else did about 10 or so. When the pain reached my brain all I could do was look at the clock. We were all of three minutes into our hour long class.

I finished the rest of the class in this terrific pain and, by the time I was done, I had all I could do to put my weights and equipment away. Shirley, in the meantime, was doing just fine.

It was four days before the pain subsided and I was back in the water. Ah that wonderful water...

Thursday came and I went back to Body Pump. I had some pain the next morning but it was definitely getting better.

The moral is, if someone asks you to go to Body Pump, be careful. They may not necessarily be your friend.

## Sound advice from people who've seen it all

At 105-years old, Porter Edwards still drives his tractor and plants crops on the 40-acre farm he owns in South Georgia.

According to the U.S. Census Data as of September 1, 2010 there are 71,991 Centenarians living in America. Research suggests that Centenarians have been doubling in number every decade since the 1950s and that by 2050, there will be close to 1,000,000 American Centenarians, making it the fastest growing age segment in our popu-

lation. Approximately eight out of every nine Centenarians are women.

As a company whose CEO plans to live to 156, we have been very interested in this trend. We have compiled the following list of tips offered by American centenarians, whose stories are featured at <http://www.100wisdom.com>.

- Every kind of work is valuable. (Clara Kramer, 100)
- Be active, whatever business you're in. That's the key. (Lillian

T. Cox, 101)

- It makes me happy to try and make someone else happy. (Francis Zizzo, 101)
- Do something for other people, that's the big deal. (Walter Breuning, 113)
- You don't need to worry about anything, it doesn't help a bit. (Lois Jones, 103)
- God is there, contact Him. (Louis Reitz, 104)

## Winch Financial

Founded in Appleton, Wisconsin by Christina Winch more than 30 years ago, Winch Financial has become a nationally recognized, full service financial planning firm.

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## Use caution when choosing a tax preparer

In the midst of a busy tax season, we want to remind those of you who aren't currently having their taxes prepared through Winch Financial, that this service is available. A quarter of our clients currently choose this option, which offers them the stability of keeping all of their financial information in one place and the advantage of a tax preparer who understands the investment process.

The IRS has extended the filing deadline this year to April 18. You can file an extension, but it is important to note that the extension does not relieve you of the obligation to pay taxes by April 18. If you believe you will owe taxes, you must pay a reasonable estimate by April 18 to avoid additional penalties and interest.

The IRS offers the following tips:

- Be cautious of tax preparers who claim they can obtain larger refunds than other preparers.

- Avoid preparers who base their fee on a percentage of the refund. Use a reputable tax professional who signs the tax return and provides a copy.
- Consider whether the individual or firm will be around to answer questions about the preparation of the return months, or years, after the return has been filed.
- Check the person's credentials.
- Find out if the preparer is affiliated with a professional organization that provides its members with continuing education and resources and holds them to a code of ethics.

Reputable preparers will ask to see receipts and will ask multiple questions to determine whether expenses, deductions and other items qualify. By doing so, they are trying to help their clients avoid penalties, interest or additional taxes that could result from an IRS examination.

## Earthquake and tsunami effects continue to pound Japan

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Japan's household savings rates have declined tremendously over the last two decades and, as a result, more of its borrowing will come from foreigners than in the past. With debt servicing costs as a proportion of revenues at over 40%, even at current low interest rates of around 1%, the country is highly susceptible to a fiscal crisis if foreign investors force borrowing rates up.

We do not expect the Japan tragedy on its own to have a material

short- or long-term impact to global economic growth, although the nuclear reactor problem is a wild card with the potential for serious consequences at least in the shorter term. According to the Bank Credit Analyst, an independent global investment research firm, Japan has contributed about 2% to 3% to global economic growth over the past five years on average, so it seems unlikely that an economic slowdown in Japan could bring about a global recession.

That said, the global economy is already fighting what we think are more material headwinds, such as deleveraging from developed countries, higher oil and food prices, monetary tightening from emerging markets, etc., and it is possible that Japan could tip it in the negative direction. If the Japan tragedy does tip the world into a recession, we are well positioned for that given our defensive allocation and ability to actively manage our client's accounts.