

Hello,

Despite seemingly daily new highs in the price of oil, the recently completed 1<sup>st</sup> quarter of 2006 was generally a very good one for U.S. stocks as our economy continued to grow at a measured pace. A quick glance at the major market barometers reveal that both the 30 Dow Industrials and S&P 500 made substantial advances of about 3.7%, while the NASDAQ Composite pushed ahead 6.1%, its largest quarterly gain since 2000.

As we open the year's second quarter it is important to note that the economy looks set to continue its current trend, even as concerns for energy prices persist. The manufacturing sector, according to the Institute for Supply Management, a private research group, experienced additional growth in terms of production and new factory orders in March with 15 of the 20 industrial sectors monitored by the group showing positive readings. Strength in this sector has helped keep unemployment to a minimum as job gains were noted in health care, financial fields, and construction, an area where spending, aided by private building of offices and factories, rose to record levels. This strength helped lower the jobless rate to just 4.8% in February, reports the Bureau of Labor Statistics, versus 5.4% at the same time last year.

Going forward, many economists' eyes are focused on how far the Federal Reserve Board, and its new Chairman Ben Bernanke, is willing to push interest rates up. At his initial Committee meeting in March, Chairman Bernanke continued his predecessor's mantra to fight potential inflation with more credit tightening and as a result, the federal funds rate was ratcheted up another ¼ percentage point. And more increases are likely as notes from the meeting read "further policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance."

For those of my clients still working and preparing for retirement, I have some good news and some bad news for you. The good news is that according to results from an Employee Benefit Research Institute survey released in early April, two-thirds of you are confident that you will have adequate funds for a comfortable retirement. However, more than half of this group say they have saved less than \$25,000 for this "comfortable retirement!" What's more, only two in five have taken the time to calculate their costs in retirement. This obvious disconnect between perception and reality can be damaging to sound retirement planning and, when the possibility of future inflationary pressures noted above are taken into account, turn expectations for a comfortable retirement into a period of stress and discontent.

If you or anyone you care about have uncertainty regarding what is likely needed for a comfortable retirement and would either like a plan to help work towards that goal, or review the plan already in place, please call me at 949-788-7700 to schedule an appointment.

Regards,

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This letter represents the general economic outlook of this firm and does not constitute investment advice, nor should it be considered predictive of any future market performance. Past Performance is no guarantee of future results. The S&P 500 is made up of 500 common stocks representing major US industry sectors. The NASDAQ Composite index is a measure of the market-weighted value of all over-the-counter common stock traded on the National Association of Securities Dealers Automated Quotation system. The Dow Jones Industrials is made up of 30 large-cap stocks. All indices are unmanaged. You may not invest directly in an index.