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PERSONAL FINANCE

THE WEEK AHEAD

Time to take stock of GM?

BY TOM HUDSON
Nightly Business Report

Do you want to own a piece of American history? Should you own a piece of what may be America's future? More plainly, will you be buying stock in the slimmer, trimmer and profitable General Motors when it goes public this week?

It is rare for a U.S. automaker to go public. OK, maybe it's not that rare judged by this year's activity. In late June electric car maker Tesla sold stock to the public for the first time. Since then, Tesla shares are up 23 percent.

HUDSON

General Motors is a much different story. The stock sale comes after 40 days in bankruptcy reorganization and a bailout by the U.S. taxpayers. GM is a smaller company now compared to the last time it had a publicly traded stock. The Pontiac, Saturn, Saab and Hummer brands have either been left for dead or sold. It has 40 percent fewer dealers.

This new generation of GM seems to have more incentive discipline than a few years ago. During the easy credit days of 2004 and 2005, making cars seemed secondary at GM (along with many of the other automakers) to securing the financing. Zero percent financing and big rebates caused GM to fail as much as the sourcing economy did. Financial engineering was more valuable than mechanical engineering.

GM is an iconic American brand. But it's not an entirely American company. Two-thirds of its auto and truck sales come from outside the U.S. European sales are weak and Asia is growing in competition. That may be America's future as much as it is GM's.

Tom Hudson is anchor of Nightly Business Report, *produced by NBR Worldwide and distributed nationally by PBS. In South Florida, the show is broadcast at 7 p.m. weekdays on Channel 2.*

INVESTING

Finding safer alternatives

• INVESTING, FROM 1C

strategy to work can be a bit of a challenge. That's because effective diversification involves more than looking at a menu of asset choices and picking two or three that sound appealing.

The key to successful diversification is understanding which assets typically rise and fall in value at the same time — a concept called correlation. For instance, at times, U.S. and international stocks can be highly correlated, producing both positive and negative returns at the same time. That was certainly the case in the 2008 financial meltdown, when both stock and bond prices plummeted.

But there are other assets — often called alternative investments — that may rise in value, or may at least hold their own, when Wall Street takes a tumble. These include private equity funds, hedge funds, commodities and managed futures. Therefore, including some alternative investments in qualified investors' portfolios may help reduce volatility.

A number of market studies indicate that managed futures may provide an effective way to balance a portfolio.

Let's take a closer look at managed futures as an investment class, which has deep roots in American history. Decades ago, farmers, ranchers and bankers sought a way to reduce the price swings in the agricultural markets. The result was the concept of a futures contract, which set a certain delivery price in advance for a specific commodity.

As the advantages of this risk management strategy became more apparent, the concept of the futures contract was extended to the foreign exchange and interest rate markets in the 1970s and '80s. Since then, the future markets have continued to grow and play an important role for many investors.

Today, a managed futures fund is guided by a manager called a commodity trading advisor (CTA) who can follow different strategies in six major market sectors: agricultural products, currencies, energies, interest rates, major metals and stock indices.

This can be a benefit to suitable investors, who have little opportunity to participate directly in these markets, such as crude oil, Japanese debt or foreign exchange relationships. Therefore, managed futures offer the benefit of exposure to these markets at a certain level.

Underlying futures markets can be driven by different factors than those influencing stock and bond prices. That alone may reduce the correlation. In addition, the CTAs can make potentially profitable investment decisions regardless of whether the markets are moving up or down. So even when Wall Street is having a bad year, managed futures may still show a positive return. On the other hand a good year for stocks and bonds can result in negative returns for managed futures.

Since 1980, there have been six times when the S&P 500 Index has fallen by 10 percent or more. In each case, managed futures, as measured by the Barclay CTA index, produced positive returns. In 2008, for instance, managed futures were up 14.4 percent while the S&P was down 36 percent. Of course, it is important to remember that past performance is not a guarantee or prediction of comparable future performance.

For an investor, managed futures holdings might be somewhere between 3 and 10 percent of the overall portfolio. Historically, that has been shown to improve both the overall portfolio diversification and the overall risk-adjusted return. So we know that managed futures have benefits such as historically low correlated performance relative to traditional investments such as stocks and bonds and that they can be an effective diversifier when combined in a portfolio with other types of investments.

It's important to know, however, that they are not suited for everyone and do involve risks.

In our next column, we'll look at other types of alternatives to stock and bonds.

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THE COLOR OF MONEY

Student loans teach a hard lesson in life

Tick tock. Tick tock.

That's the sound recent college graduates are hearing as they near the day of reckoning. The typical six-month grace period on student loans is about to end.

Then wham! — as they face the reality of what it costs to get an education.

For years, I've written, talked and generally fussed about the way people handle their money. Yet it never — and I mean never — ceases to amaze me how people borrow money with so little understanding about how much they owe and how long it will take to pay it back. And the worst are borrowers who take loans for college.

SINGLETARY

So what should you do if your grace period is coming to an end this month? Here are some suggestions from the Project on Student Debt, an initiative of the Institute for College Access & Success, a nonprofit independent research and policy organization. You can more tips at http://bit.ly/avNe7V:

- Know what you owe. "Don't bury your head in the sand," says Lauren Asher, the institute's president. "Dealing with the debt head-on gives you the most options. If you've got federal student loans, you really do have choices in how to deal with it. But if you ignore it, you have fewer choices."

To find out your loan terms, go to the source — your lender or lenders. You can also find details of your student loans, including balances, by going to the National Student Loan Data System, which is the U.S. Department of Education's central database for student aid. The website is www.nslds.ed.gov.

- Know when you owe. A grace period is how long after leaving school before you have to make your first payment. It kicks in after you graduate, leave school or drop below half-time enrollment. But the amount of grace you get varies. For Stafford loans, it is six months, nine months for Perkins loans. If you don't know your grace period, you could end up in default. This is not a great position to put yourself in because it could affect your ability to apply for other options.

- Let your lender know where you are. I get complaints from borrowers who are in default because they say their loan statements were mailed to an old or incorrect address. But it often turns out the person didn't forward new contact information. Or maybe he or she did inform the lender, but a month or two or three goes by and nothing comes in the mail. Come on. You know you owe this money — every month. If you don't hear from the lender, then call, e-mail, text or tweet.

- Find the right repayment option: One of the best is the relatively new Income-Based Repayment program, or IBR. This option, which is not available for private student loans, is intended to set a reasonable monthly payment based on a borrower's income and family size. Under IBR, after 25 years of qualifying payments, your remaining debt, including interest, will be forgiven. New federal loans taken out by new borrowers in 2014 and later are forgiven after 20 years, Asher said. For public service workers — teachers, nurses and those in military service — the debt is forgiven after 10 years. To get more details, go to www.IBRinfo.org.

About this time of year, I begin to get e-mails from panicky borrowers. Their cries of desperation go something like: "My income isn't enough to cover rent, transportation and my other bills, plus my student loans," or "What should I do?"

My answer is sadly the same: There is no magic solution. You've got to pay the debt. Somehow. The tips from the Project on Student Debt will help with the somehow.

Hear Michelle Singletary's personal finance reports on www.npr.org. Readers may write to her c/o The Washington Post, 1150 15th St., NW, Washington DC 20081.

STOCK NEWS

Increased Dividends
[Quarterly unless noted]
Adams Rescs & Engy .54A from .50A
AmeriSource Bergen .10 from .08
Automatic Data Proc .36 from .34
Baxter Intl .31 from .29
Buckeye GP LP .47 from .45
Cinemark Hldgs .21 from .18
DeVry Inc .12S from .10S
EMC Insurance .19 from .18
Equifax Inc .16 from .04
Estee Lauder .75A from .55A
Excel Trust .12 from .08
Intel Corp .18 from .1575
Keynote Systems .06 from .05
Lexington Rlty Tr .115 from .10
Lincoln National .05 from .01
MDU Resources .1625 from .1575
Meadowbrook Ins Grp .04 from .03
Mesa Labs .12 from .11
Pan Amer Silver .025Q from .025S
Prudential Financial 1.15A from .70A
Rockville Financial .065 from .06
Sanders Morris Harris .05 from .045
StanCorp Financial .86A from .80A
Starwood Prop Tr .40 from .33
Sysco Corp .26 from .25
Telus Corp g .525 from .50
Timken Co .18 from .13
Vectren Corp .345 from .34
Wendys/Arbys .02 from .015
Weyco Group .16 from .15
g- Canadian funds
Extra or Special Dividends
Columbia Sportswear $1.50
Haverty Furniture .07
Haverty Furniture A .065
Knight Transportation .75
Medtox Scientific $1.25
Nelnet Inc .49
Southside Bancshares .17
Stein Mart Inc .50
Initiated Cash Dividends
IDT Corp .22Q
Navios Maritime Acq .05Q
Resumed Dividend
Escalade Inc .10
Liquidating Dividend
Williams Coal Seam Gas $2.3814
Declared Stock Dividend
Landmark Bancorp 5pc
Declared Stock Splits
Ligand Pharmaceutical 1 for 6 rev
Magna International 2 for 1
Stock Splits This Week
Geeknet Inc 1 for 10 reverse
Gushan Environ Engy 1-5 rev
Jacada Ltd 1 for 4 reverse
Kemet Corp 1 for 3 reverse
OptimumBank Hldgs 1 for 4 reverse
Riverbed Technology 2 for 1
Annual Earnings Higher
GAAP fully diluted
Conexant Systems .27 vs (.38)
Penford Corp .57 vs (5.80)
Pricesmart Inc 1.65 vs 1.43
Tyco Intl Ltd 2.32 vs (3.80)
Zep Inc .61 vs .42
Annual Earnings Lower
(Losses)
Amcon Distributing 11.99 vs 16.61
Chapter 11
Ambac Financial Group Inc
Emerged from chapter 11
Chemtura Corp
General Growth Properties
Called for Redemption
Delphi Financial Group 8pc notes due 5-15-2033 Dec. 23
Huntsman Intl LLC 7.875pc niotes due 11-15-2014 Nov. 26
Mack-Cali Realty LP 7.75pc notes due 2-15-2011 Dec. 15
Markwest Energy 6.875pc notes due 11-1-2014 Dec. 8
MetroPCS Wireless 9.25pc notes due 11-1-2014 Nov. 18
Tanger Factory Outlet Centers 7.5pc pfC Dec. 9
Teco Finance Inc 7pc notes due 5-1-2012 Dec. 2
Unisys Corp 8.5pc notes due 10-15-2015 Dec. 8
Acquisitions and Mergers
Minimum value $100 million
Amazon.com - Quidsi Inc ($500M)
Ametek Inc - Atlas Material Testing Technology LLC ($159M)
Chevron - Atlas Energy ($3.2B)
Harris Corp - Schlumberger GCS ($347.5M)
New Stock Listings
NYSE
Chemtura Corp
Noah Holdings Ltd ADS
General Growth Properties new
Howard Hughes Corp
Inphi Corp
SemGroup Corp
Stanley Black&Decker cv pf
NASDAQ Global and Global Select Markets
RDA Microelectronics Inc
Sabra Healthcare REIT wi
UniTek Global Services Inc
Stocks Removed from Trading
NYSE
Ambac Financial Group Inc
General Growth Properties old
Inergy Holdings LP
Mariner Energy Inc
Neteeza Corp
PS Business Parks pfL
NYSE AMEX Equities
Gulfstream Intl Group
NASDAQ Global and Global Select Markets
Alloy Inc
Comarco Inc (to Capital Market)
GenVec Inc (to Capital Market)
Corporate Name Changes
American Dairy Inc to Feihe International Inc

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