

Quarterly Newsletter

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STANDARD MILEAGE ITEMIZED DEDUCTION RATES

The standard mileage rate allowances for 2010 are 14 cents for charitable miles, and 16.5 cents for moving and medical miles.

STUDENT LOAN INTEREST

Taxpayers paying qualified education loans may be able to deduct up to \$2,500 of interest on the loans in 2010. There is a phase out that begins for taxpayers with modified adjusted gross income above \$60,000 for single taxpayers and \$120,000 for married filing joint taxpayers.



COMPUTERS AS AN EDUCATIONAL EXPENSE

A provision permits computers and computer technology to qualify as qualified education expenses in 529 education plans for the tax years beginning in 2009 and 2010.

MAKING WORK PAY CREDIT

The new law from 2009 provides an individual tax credit in the amount of 6.2% of earned income not to exceed \$400 for single returns and \$800 for joint returns in 2010. The credit is phased out at adjusted gross income (AGI) in excess of \$75,000 (\$150,000 for joint returns).

CHILD TAX CREDIT

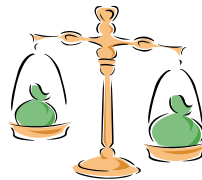
In 2010 the nonrefundable credit for each child under the age of 17 is \$1,000. For taxpayers with incomes above \$75,000 (\$110,000 for joint returns), the credit is phased out by \$50 for each \$1,000 of adjusted gross income above the threshold amount. For taxpayers whose tax liability is not large enough to fully utilize the allowable credit, the unused credit is refundable to the extent of 15% of the taxpayer's earned income in excess of \$3,000.

ADOPTION CREDIT

The adoption credit can now be taken on expenses up to \$13,170. The phase out applies for filers with AGIs between \$182,520 and \$222,520. If the sum of your 2010 refundable credits exceeds your tax liability, the excess amount will be treated as an overpayment that can be refunded to you.

AMERICAN OPPORTUNITY TAX CREDIT

The American Recovery and Reinvestment Act of 2009 create a \$2,500 higher education tax credit that is available for the first four years of college. The credit is based on 100% of the first \$2,000 of tuition and related expenses (including books) paid during the tax year, and 25% of the next \$2,000 of tuition and related expenses paid during the tax year, subject to a phase out for AGI in excess of \$80,000 (\$160,000 for joint returns). 40% of the credit is refundable. The new credit temporarily replaces the Hope Credit and is available for tax years 2009 and 2010.



LIFETIME LEARNING CREDIT

If a taxpayer, spouse, or dependent is a student, the taxpayer may be eligible for a nonrefundable credit of up to \$2,000 (20% of the first \$10,000 of qualified tuition and expenses). The credit is allowed for an unlimited number of years on a per

taxpayer basis. It covers all 4 years of post-secondary education as well as graduate school and courses to improve job skills. There is a phase out for taxpayers with modified adjusted gross income above \$50,000 (\$100,000 for joint returns).

ALTERNATIVE MOTORVEHICLE CREDIT

An income tax credit is available for qualified fuel cell motor vehicles, advanced lean-burn technology motor vehicles, qualified hybrid motor vehicles, and qualified alternative fuel motor vehicles. The credit amount is computed differently for each type of vehicle and may vary considerably.



RESIDENTIAL ENERGY EFFICIENT PROPERTY CREDIT

Taxpayers are allowed a 30% credit for the purchase of qualified property placed in service before 2017 including:

- Qualified solar energy property used to generate electricity.
- Qualified solar water heating property.
- Fuel cell property producing electricity. This credit is capped at \$500 for each .5 kilowatt of capacity.
- Qualified small wind energy property that uses wind turbines to generate electricity.
- Qualified geothermal heat pump property.

NONBUSINESS ENERGY PROPERTY CREDIT

The "American Recovery and Reinvestment Act of 2009" increased the credit to 30% for the cost of energy-efficient improvements such as more efficient furnaces, heat pumps, water heaters and air conditioners, as well as energy-tight windows and more insulation. The credit has been extended to cover biomass fuel stoves. The improvements must be made to a dwelling unit owned by the taxpayer as the taxpayer's principal residence. The new aggregate credit limit of \$1,500 applies for expenditures in 2009 and 2010.

EXPANDED CREDIT FOR FIRST-TIME HOME BUYERS



If a binding contract to purchase a home is entered into on or before April 30, 2010, and the residence is actually purchased on or before September 30, 2010, you qualify for up to an \$8,000 credit with phase outs starting at \$125,000 for singles and \$225,000 for married couples. 2010 is the first year automatic recapture will take place for taxpayers who took advantage of

the 2008 first-time homebuyer credit. The recapture is set to be paid back over a 15-year period, interest free.

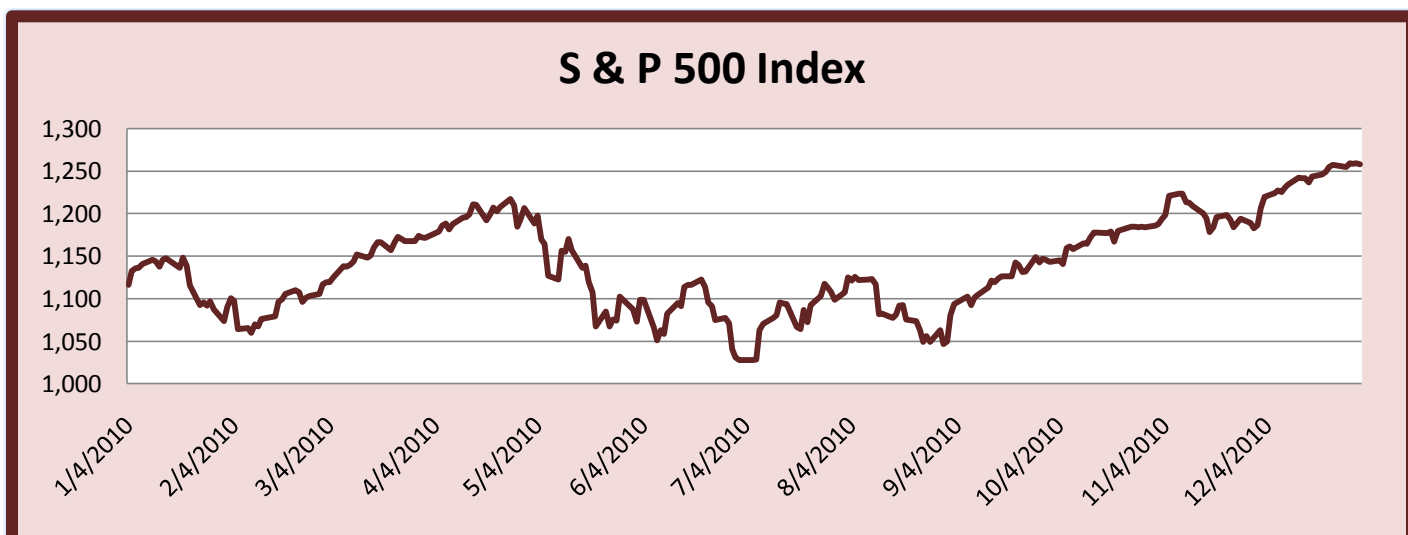
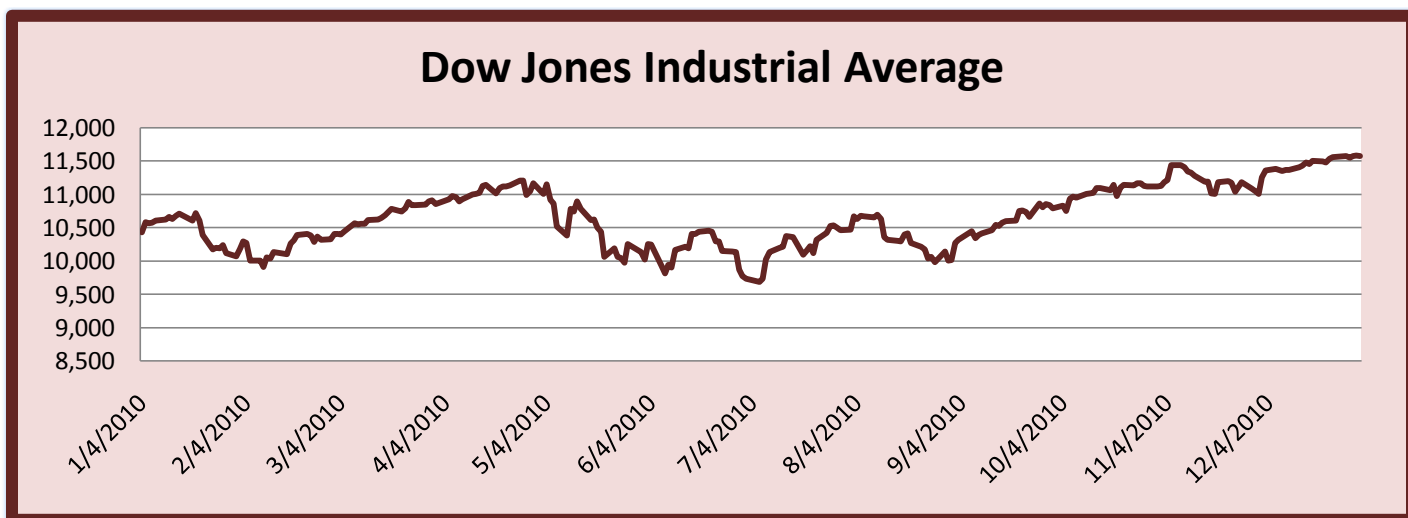
Investment Outlook Summary

(Italics denote changes from last newsletter)

ASSET CLASS	OUTLOOK	OBSERVATIONS
Cash / Stable Value	<ul style="list-style-type: none"> – Maintaining minimal levels of cash 	Because of low yields and the low interest rate environment we're currently maintaining low balances of cash.
Bonds / Fixed Income	<ul style="list-style-type: none"> – <i>Neutral on bonds</i> – Cautious of U.S. Treasuries – Positive on short-term high-quality corporate debt – Positive on floating rate bonds – Positive on emerging market bonds 	<p><i>We expect volatility in the bond market over the next 6-12 months; however we are hesitant to decrease our exposure to bonds because they provide the greatest hedge to a volatile stock market. For example, when stock prices are falling, bond prices are usually rising.</i></p> <p>Currently we are at historic lows in interest rates. At some point in the future we believe the Fed will begin to raise rates to fight inflation which makes Treasuries even less attractive.</p> <p>The default risk associated with high grade corporate debt is low at this time. Short-term corporate debt is also less prone to interest rate risk than Treasuries.</p> <p>Because of their short maturity dates, their yields can adjust more quickly in a rising interest rate environment.</p> <p>As emerging markets strengthen, their bonds become more attractive and are hedged against the U.S. Dollar as well.</p>
Stocks / Equities	<ul style="list-style-type: none"> – <i>Cautiously optimistic on stocks in 2011</i> – Positive on dividend-paying stocks – Positive on Consumer Staples – Positive on Infrastructure-related stocks – <i>Negative on alternative energy</i> – Real estate stocks show opportunities – International stocks show value 	<p><i>We continue to keep a close eye on our equity positions. The recent extension of the Bush-era tax cuts bodes well for the economy in 2011. In addition, per the 2011 Stock Trader's Almanac, there hasn't been a down year in the 3rd year of a presidential term since 1939. 2011 represents the 3rd year of a presidential term.</i></p> <p>As the market continues to trade sideways, high-quality dividend-paying stocks present opportunities to get paid while we wait for the market to fully recover.</p> <p>Consumer Staples tend to be fairly more recession resistant than other equities. Regardless of current economic conditions, people still make purchases from Consumer Staple companies in order to take care of their basic needs.</p> <p>In early September the government allocated an additional (in addition to the recent stimulus package) \$50 billion specifically for infrastructure spending.</p> <p><i>Because of international and domestic alternative energy tax credits falling-off in 2011, we are currently negative on this area of the market.</i></p> <p>We feel there are long-term opportunities because of the recent commercial and residential real estate bubbles.</p> <p>International stocks are a good long-term hedge against the U.S. Dollar and the stock market.</p>
Alternate	<ul style="list-style-type: none"> – Positive on foreign currencies – Positive on energy trusts – Positive on oil – Positive on natural gas – Cautious of gold 	<p>With record high U.S. deficits, foreign currencies are a good hedge against a falling U.S. Dollar.</p> <p>Because of the high dividends energy trusts tend to pay, they are a good way to help alleviate some of the stock market's volatility.</p> <p>As the global economy rebounds, and the demand for autos in emerging markets increases, we feel that the demand for oil will continue to rise. Oil is also a hedge against a falling U.S. dollar.</p> <p>It's an energy source that is highly abundant in the U.S. and can be looked at as a way to help decrease our dependence on Middle Eastern oil. <i>Bill H.R.1835 and the Boone Pickens Plan could both have a positive effect on this area of the market.</i></p> <p>Due to the record high prices we are concerned with the decreased upward mobility with gold at this time.</p>

2010 YEAR END MARKET DATA

	1/4/2010	12/31/2010	Total Return
MAJOR INDEXES			
Dow Jones Industrial Average	10,430.69	11,577.51	11.0%
S&P 500 Index	1,116.56	1,257.64	12.8%
NASDAQ Composite	2,294.41	2,652.87	16.9%
Russell 2000	628.11	783.65	25.3%
OTHER INDEXES			
MSCI EAFE Index	56.42	58.22	6.3%
Dow Jones U.S. Real Estate Index	46.45	55.96	26.5%
Barclays Aggregate Bond Index	103.27	105.75	6.4%
SPDR Gold Trust	109.82	138.72	29.3%



The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The **S & P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **NASDAQ Composite** is a computerized system that facilitates trading and provides price quotations on more than 5,000 of the more actively traded over the counter stocks.

The **Russell 2000** index is an index measuring the performance of the 2,000 smallest companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small cap stocks in the United States.

The **MSCI EAFE Index** is an index created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. This international index has been in existence for more than 30 years.

The **iShares Dow Jones U.S. Real Estate Index** seeks investment results that correspond generally to the price and yield performance of the Dow Jones U.S. Real Estate Index. The fund invests at least 90% of assets in securities of the underlying index and in depositary receipts representing securities of the index. The underlying index measures the performance of the real estate sector of the U.S. equity market. It includes companies in the following industry groups: real estate holding and development and real estate investment trusts ("REITs").

The **Barclays Capital Aggregate Bond Index** is a *market capitalization-weighted* index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in the U.S.

SPDR Gold Shares (also known as **SPDR Gold Trust**) is the largest gold exchange-traded product and second-largest exchange-traded fund in the world by market capitalization. This ETF denotes a share of gold bullion. SPDR Gold Shares are designed to track the price of a tenth of an ounce of gold. If the share price differs from the gold market price, the fund's manager exchanges blocks of 100,000 shares for 10,000 ounces of gold. The possibility of such exchanges keeps the ETF price roughly in line with the gold price, although the prices can diverge during each day. As of October 30, 2010, the trust had 41,574,486 ounces of gold in its custody, representing an asset value of \$55,972,246,241. SPDR Gold Shares is one of the top ten largest holders of gold in the world, behind France and ahead of China.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's holdings, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted.