Investment and Asset Planning, LLC

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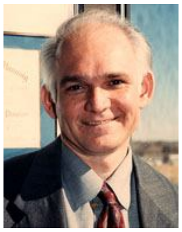
Review & Summary



By Jordan Gary, CFP®

We just finished one of the best years for investing with the stock and bond markets around the world having outstanding gains, as they rebounded from terrible and treacherous declines of 2008. Last year confirmed once again that the more that markets go down in a market sell off, the more that they bounce back. The investments we made in high dividend bonds and stocks are now reaping very large returns for our clients. Also the foreign bond and stock investments were outstanding last year and have great potential for the new year. All of our clients with managed accounts did much better than average for 2009. Most of our clients are now up 25 to 35% year to date and this is more than stock and balanced averages. Please see your performance reports to see how you have done. We recently made a number of portfolio changes and expect to make several more during 2010 as the year unfolds. One of the expected changes, we are looking for the right time, is to reduce investments in corporate and municipal bonds and increase stock market holdings. We reduced bond holdings recently but currently still remain over weighted in bonds. We expect this to change. **Please call us with any questions.**

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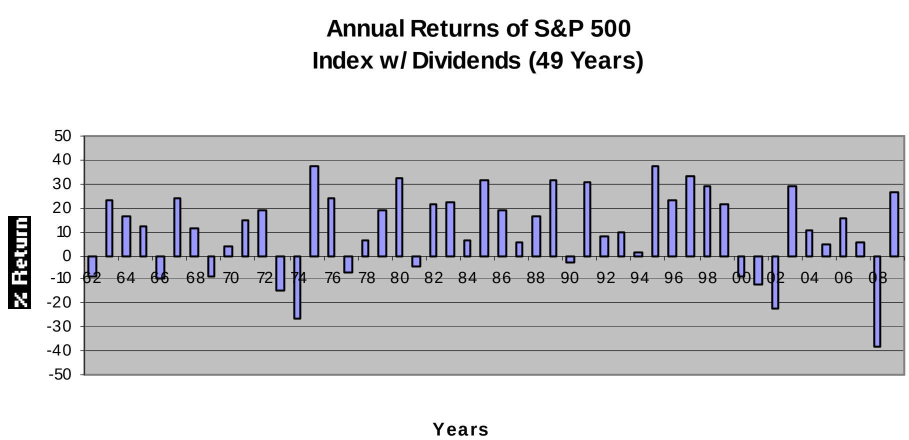

Current Market Commentary

By Jordan Gary CFP®
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As the graph above shows we have moved past the terrible year of 2008 with a very good year in 2009. The S&P 500 Index was up 26.5%, the Dow 30 index was up 22.7%, the Barclay's Aggregate Bond index was up 5.9%, the Barclays' Muni Bond index was up 12.9%, The Dow World stick index was up 41%. The average Balanced mutual fund was up 23.4%. (All data was from the WSJ Jan. 6, 2010.) The economy is slowly growing again, and businesses have cut costs and payrolls so much that expected profits for public companies are projected by analysts to grow

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Current Market Comments (Cont'd from Page 1)

more than 20% this year. The developing world in China, India, Brazil, Indonesia, and other places, never went into recession and are continuing to grow at rapid paces. They have growing economies with expanding middle classes and great needs for new companies and public infrastructures. Their capitalistic markets are growing rapidly and China will soon pass the US as being the largest economy in the World. (China has a little over 4 times the USA population and India has a little less than 4 times the US population.)

Another thing I keep looking at is stock market valuations. We have experienced a strong 9 month rebound. So how much more can we go up in the next year or so?

A little over two years ago the Dow Jones Index of 30 stocks moved to a top of above 14,000 before starting an 18 month decline. It bottomed below 7,000 in March of last year. Currently it has rebounded to be above 10,500. So it has recovered about 1/2 of what it lost with another 50% to go. And at 10,500 the stock market does not seem to me to be anywhere near fully priced. The DJI first got to 10,000 about 10 years ago in 1999. The stock market indexes give us a direct valuation of the large corporations in the US. So in essence the sum value of corporations today is about the same today as it was 5 and 10 years ago, and about 40% less than it was 2 years ago. Keep in mind that the US is growing in population, income, and spending, and so are corporations. In addition US corporations are participating in the growth of the world economy which is very much growing. In other words, capitalism is working and corporations are growing in real profits and value. This is why the stock market indexes are in a long term upward pattern.

However investing for our clients is not investing in the indexes. We go to real efforts to choose from many different types of stocks and many different types of bond investments. Plus we believe in investing in stocks and bonds from around the world using international type mutual funds. Also there are many mutual funds which invest in commodities and real estate which offer diversification and the ability to earn profits from places beyond the US.

The US dollar is in a long term decline in value with regard to many other currencies. This means that foreign investments have the opportunity to have an increased return. Investments outside the US usually increase in value when the dollar declines and the opposite is also true. We agree with many forecasts that as the US struggles with large deficits and other problems, the dollar will decline in value. Thus we are planning to further increase holdings in foreign investing funds.

Also please remember that certain parts of the US and world economies are expected to grow at higher rates than normal. As health care reform takes effect over the next few years, many more people will have access to health insurance. This should reduce the use of emergency rooms by the poor and uninsured and increase the use of normal, more cost effective, health care systems. Drug companies, insurance companies, clinics, and for profit hospitals should grow greatly. I read that we should have a shortage of doctors in the US. Likewise as the middle class grows in the developing world-health care and natural resources should be in greater demand.

The growing economy in the US and the world should cause a growing demand for natural resources such as oil, metals, lumber, etc. This could mean that natural resource mutual funds could do very well. Also the auto companies should have a good future, or at least many of the world wide companies. China is now selling more autos than the US. Construction in the US is way down and may recover slowly, but construction in many parts of the world should continue to be in high demand. As the US stimulus package slowly goes to work building new bridges, highways, dams, etc. which are badly needed, US construction should return to profitability. Now if we will decide to pay for these needed improvements instead of borrowing and running up the federal and state governments debts...

So what are we expecting to do in our clients accounts during the next few months? We have increased the weighting of our clients in natural resource mutual funds, opened positions in developing markets mutual funds, and expanded positions in international mutual funds. We expect to be selling some more corporate and municipal bonds which have made great profits and to be reinvesting in foreign stocks and bonds. These stocks and bonds will include investments in commodities and real estate. We also expect to be increasing the investments in the stocks of mid sized and smaller companies which seem to be growing in the economy of today. We will always be doing this only when there are real valuation opportunities and the potential reward is much greater than the potential risk.

What are We Worrying About?

By Jordan Gary, CFP®

I often hope that clients will leave much of the investment worrying to us. However clients often seem to worry that I'm not paying enough attention to all of the problems in the world and the economy. So let me offer a list of what seems to be the biggest dangers and problems which we face as investors. Let me assure you that I do pay attention to the news and the many concerns which we really do face as Americans.

On most of our minds are the very large deficits that the federal and most state governments are struggling with. It angers me when our politicians decide to meet the demands of the public for programs, benefits, wars, defense, prisons, highways, etc. and to not decide to pay for these with taxes but instead to print money or issue bonds. It also angers me when politicians use the most dishonest accounting and budgeting to push the problems under the carpet. California this year faces a $85 billion budget with a $20 billion deficit. On Jan. 6, Gov. Schwarzenegger asked Washington for massive help. Think of that, Calif. is struggling with a $20 billion deficit and our Federal Government has a deficit that is 60 times as bad. Our deficit is not as bad as countries such as Great Britain or Japan has, but somehow we must face up to this big problem.

A big investment problem is the very low interest rates and earnings of very safe investments. Since the FED is holding short term interest rates to about .25%/year, there is no real earning in safe investments. And when the FED decides in a few months to start raising interest rates back towards a normal range, the economy and investors will face several issues such as dropping bond prices and the danger of an economy which will have to grow without such extreme stimulus as we have now.

Another worry that I have is how the US is losing all of its good jobs to foreign countries. We now buy most of our manufactured goods from the far east such as China, and we have lost most factory jobs in the US. Now most of our engineering and research jobs are leaving as well. Computers are not only being made in China and the Far East but they are now being designed there. Drug companies are now moving much of their research and testing to China. It seems that most technical support and telephone marketing has left the US. China now demands that all US companies doing business in China to give them complete intellectual property. This is because China does not want to remain the manufacturer to the world, but also wants to be the intellectual giant of the world. When will the US and US businesses start to protect OUR future, and keep jobs and intellectual property here.

I also worry about inflation. But with growing global competition and high unemployment I do not expect inflation to be a problem for several years.

I worry about the corrupt politics that we have. We have allowed corporations and special interests to have far too much influence on state and national levels. The quest for greed and power and the desire to put ourselves ahead of others has seemed to take over politics.

I used to worry that so few Americans saved anything for retirement and the future. Most Americans have been sinking deeper into debt. Now the tide seems to have turned and the average person is spending less than they earn. So now business is crying that sales are down 5 or 10 percent and they want people to quit saving and to spend more. Of course, if people will save more then the future will be better. People will have more to invest and the demand for investments will be better and stock prices will go up and there will be plenty of people to buy the bonds which corporations and governments want to sell. So saving more will help several of these long term problems.

One of my clients expressed his concern that Washington, has of now, done almost nothing to change the regulations which have led to the recent investment blowups and the severe global financial crisis. So far special interests have resisted any changes and the bitterness in Washington has crippled progress. Wall Street and the financial markets really do need new regulations. But at least we don't live in Russia, China, India, Iran, Japan or Mexico...they are much worse. And at least we don't live in the 1800s or the 1920s or 1940s or 1970s, etc. And I hope we don't live in a time like the last few years again.

By the way, did I tell you that we just had our fourth grandchild? A perfect, wonderful, baby girl which my son and his wife just had in Dallas. Isn't God good and life great?

Lipper Stock and Bond Fund Benchmarks

	Performance					
				-- Annualized --		
Investment Objective	Dec.	4th Qtr.	1 Yr	3 Yrs	5 Yrs	10 Yrs
Stock Fund Types:						
S&P 500 Funds	1.94	5.90	25.88	-6.08	-0.06	-1.42
Large-Cap Growth Funds	3.14	7.10	35.03	-2.69	0.89	-2.90
Large-Cap Value Funds	1.66	4.55	23.09	-7.59	-0.25	2.04
Small-Cap Growth Funds	7.95	4.92	36.20	-4.90	0.23	-0.18
Small-Cap Value Funds	6.87	3.96	32.57	-6.05	0.91	8.11
Equity Income Funds	2.07	5.77	22.87	-5.43	1.10	2.77
Utility Funds	4.92	5.76	16.43	-2.80	5.43	3.38
International	1.58	2.74	32.72	-6.03	3.62	1.44
European Region Funds	0.96	2.33	36.56	-6.95	3.99	3.05
Emerging Markets Funds	3.44	7.59	75.74	2.00	13.17	9.40
Avg. U S Stock Fund	4.18	5.39	32.03	-4.95	0.75	1.23
Bond Fund Types:						
General Municipal Debt Funds	0.71	-1.27	16.85	2.32	2.90	4.59
High Current Yield Funds	2.85	5.60	46.38	3.08	4.36	4.80
Intermediate U.S. Government Funds	-1.90	1.08	7.80	5.28	3.82	5.53
Intermediate Investment Grade Debt Funds	-0.93	1.08	12.85	4.60	3.90	5.51
Avg. Bond Fund	-0.15	1.82	18.32	4.02	3.82	5.10
Balanced Funds (Stocks and Bonds)	**1.50**	**3.64**	**25.23**	**-1.81**	**2.21**	**2.61**
Conservative-Allocation Fund Averages	**0.61**	**2.65**	**19.87**	**0.83**	**2.63**	**3.55**

Source: Lipper Analytical Services, Inc., Summit, NJ 07901 and
Wall Street Journal Online– JANUARY 5, 2010

These are averages of all the reported funds that have the stated objective. Average total returns based on NAV with all distributions reinvested. An investment cannot be made directly in an index, including the Lipper indices listed. Some funds are normally front end commission funds. Our clients do not pay commissions in their managed accounts. We buy shares at Net Asset Value (NAV). Past performance is not indicative of future results. The performance presented is for illustrative purposes and is not indicative of any investment.

The investment return and principal value of an investment may fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Investments outside the United States involve special risks such as currency fluctuation, political instability, differing-securities regulations and periods of illiquidity. For a prospectus containing more complete information on any fund, please contact Investment and Asset Planning, LLC or Jordan Gary & Associates at 940-761-2527. Investors should read the prospectus carefully before investing.

The balanced stock/bond is a moderate risk way to invest. The traditional balanced fund has a portfolio of approximately 60% Blue Chip stocks, 35% conservative bonds and 5% cash. We have highlighted the above because we suggest that you use these numbers as the benchmark we are trying to beat in many of your portfolios. Our method of out performance is that we have far more diversification into different types of stocks and bonds, and we more actively manage the portfolio choosing the best mutual funds we can find to build your portfolio. Our objective is to match or beat the performance of the balanced stock/bond return. Check your quarterly report. How have we done?

2010– The Year of the Roth Conversion?

By William Niles, CPA

The year 2010 could be remembered by investors as the Year of the Roth Conversion, a decision that can have a large impact on investors' ability to build wealth during their lifetime and preserve wealth for beneficiaries. Prior to 2010, anyone (except married taxpayers filing separately) with an annual adjusted gross income (AGI) of no greater than $100,000 could convert a traditional IRA to a Roth IRA. The AGI cap has prevented higher-income earners, a class of savers that might have benefitted most from this strategy, from participating. However, under the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), these previously ineligible taxpayers will be eligible to participate starting this year (including married but separate fliers). In fact, there is an incentive to take action in 2010: Everyone who converts this year may defer and spread income recognition from the conversion over tax years 2011 and 2012. A conversion in 2010 thus could reduce the marginal tax rate and total taxes due on what otherwise would be a larger single-year distribution. The 10% penalty tax otherwise imposed on early or excess distributions from an IRA does not apply. A conversion could be an attractive retirement income and estate planning strategy for wealthy individuals and high-income earners who seek to reduce taxes later in life and transfer more wealth to beneficiaries tax-free. But like any other approach to income and taxes, this decision is eventually based on a set of assumptions and specific objectives of the taxpayer.

The advantages of a Roth account are compelling. It has more flexible rules concerning distributions. Earnings may be withdrawn without tax or penalty so long as the taxpayer is at least age 59½ and has held the Roth account for at least five years. There are no required minimum distributions like those that apply to traditional IRAs with the taxpayer reaches age 70½. And, unlike with traditional IRA accounts, taxpayers can continue to contribute to a Roth IRA after reaching age 70½, an attractive feature as Americans redefine retirement and continue to be industrious into later years. In fact, starting in 2010, a semi-retired couple can contribute as much as $12,000 each year (including the "over-50 make-up" amount) into Roth accounts. The AGI limits on regular contributions to a Roth IRA still apply, but it is possible to make nondeductible contributions to a traditional IRA and convert them to a Roth, regardless of AGI. These contributions grow free of income tax indefinitely, creating significant value for taxpayers as well as their beneficiaries.

Some taxpayers may benefit more than others from converting to a Roth IRA. Assuming there are no cash flow issues, risk management gaps, other tax planning considerations that need to be weighed against the benefit of a conversion, advance tax issues at play, or adverse legislative changes, taxpayers who stand to benefit the most are those who:

- Are wealthy.
- Want to give tax free investments to their beneficiaries.
- Won't need to draw income from converted retirement accounts.
- Expect to live a long time yet.
- Believe their tax bracket will be the same or higher in retirement.

So, will your tax rates actually be lower in retirement? One reason retirees' tax rates may not be lower than before retirement is that they often find that, contrary to conventional thought, their income needs don't go down, so they wind up tapping additional sources of income beyond what they had planned. Also, tax rates are subject to change over periods of time as long as the retirement investing horizon. Notably, all federal income tax brackets are scheduled to revert in 2011 to their higher pre-Economic Growth and Tax Relief Reconciliation Act rates. President Barack Obama's fiscal 2010 budget plan proposes letting only the top two brackets, currently 33% and 35%, revert to the prior rates of 36% and 39.6%. But forecasting the future of tax increases with today's deficit problems is difficult indeed.

There are other less apparent benefits of a Roth conversion, but the bottom line is that for many taxpayers, 2010 may indeed be the Year of the Roth Conversion! In order to decide whether you would benefit from this strategy, consult us as your tax professional and your financial planner to balance the decision-making process with your current financial condition and tolerance and capacity for risk, financial planning objectives and time horizon. This planning decision is very complex and involves several variables, so don't move any money without professional planning, which we offer.

Looking Back

By Sarah Eads - sarah@investmentplanner.net

Looking back over the last decade, it has been a wild ride. In the last ten years we have moved to a new location, gained two advisors, and gone through two recessions. We have lost grandparents, aunts and uncles, and cousins. We have celebrated the arrival of new family members, and worried over those serving across the ocean. Part of me is counting my blessings while another part of me is wondering how in the world we survived.

2000 – We rang in the New Year with a bang, relieved that the computers of the world did not crash and send us back a century. The market showed signs of turmoil as people began to lose confidence in the internet. Bush was elected in one of the most controversial ballot counts ever.

2001 – A lot of events happened in this year but most people in this country will remember only one. 9/11 shattered the illusion that we are untouchable. We retaliated, invading Afghanistan and began the War on Terror.

2002 – The Market reeled from the September attacks and from corporate scandals; Enron, Arthur Andersen, and Tyco among others left investors disillusioned. The Dot-Com bubble burst, bringing an end to the instant internet millionaire. The S&P 500 dropped 21.1%.

2003 – Space shuttle Columbia exploded. The Market began its recovery; S&P 500 gained 28.7%. Arnold Schwarzenegger was elected Governor of California.

2004 – Martha Stewart went to jail stemming from insider trading (and then trying to cover it up). The Olympics returned to Greece. Markets continued their recoveries; S&P 500 gained 10.9%. Red Sox won first World Series since 1918.

2005 – Hurricane Katrina blew through and took a large part of New Orleans with it. Pope John Paul II died. Chevron gave the go ahead for deep sea drilling for oil in the Gulf of Mexico where they found what they believe is largest deposit of crude oil yet discovered.

2006 – Warren Buffet donated over $30 Billion (yes with a B) to the Bill and Melinda Gates Foundation which aims to improve healthcare and reduce extreme poverty globally. Pluto was demoted from 'planet' to 'dwarf planet'. S&P 500 gains 15.8%

2007 – Markets peaked with the Dow reaching 14,000 before the housing bubble burst. Fallout sent ripples throughout the world. Weakness in the banking industry due to high risk mortgage loans decimated Country-Wide and other sub-prime lenders.

2008 – Markets worldwide fell due to combination of slow growth reports from Europe and China and the US Recession. Lehman Brothers filed for bankruptcy after 150 years of business. Oil peaks at over $140 a barrel before it fell to $38. Fidel Castro resigned from the Cuban Presidency. Barack Obama was elected as the first minority President of the United States. S&P 500 fell 37.3%. Global Dow fell 45.4%

2009 – Bernie Madoff was convicted of 11 felonies in relation to his Ponzi scheme at the same time the markets bottomed out. Markets bounced back in many sectors, growth stocks outpaced value stocks. Bonds regained value. S&P 500 rose over 67% from market bottom.

It would be easy to believe that this was the most turbulent decade in living memory, yet that would be forgetting so much history. In the last century we have gone through two World Wars as well as many smaller wars, the Cold War, the Great Depression, Civil Rights, and so many other turbulent times. We have lived through, learned from, and been better people for each decade's experiences. And I promise that the next decade will be just as exciting.

2010 and More

By Oscar "Buddy" Jackson III - oscar@invstmentplanner.net

Let's start with the questions we should be asking ourselves. Why are we investing? What do we need and when do we need it? Are we serious and committed about investing? What is my risk or fear tolerance? Can I control my fear and greed and make a plan that I will continue no matter what? The above questions are not asked often enough, while the most popular question is what do I expect for 2010 and beyond. So, let me answer the popular question.

I am looking forward to an economy which will continue to grow, although sometimes slowly. I feel very optimistic about a stock market which still has approximately 40% in upside gains just to recover what it has been down. Many economic signs are starting to be positive in the US. December retail sales are showing signs of life and unemployment gains data are signaling that job gains are near. Elsewhere the economies are recovering nicely. The United States may very well not be the best place to invest. My client's accounts have done very well in 2009 and I expect they will continue to do so with the diversification method in these accounts.

We are very strong on international and world investments. We are still very strong on some types of bonds and we expect that they will continue to give good returns plus high interest income. We have just changed our mix in our diversification plan and we will continue to monitor these directions for further changes if necessary. I believe that we have an excellent mix of US & international stocks and bonds as well as emerging markets and small caps. I believe that China could very well lead all economies and markets along with Indonesia and parts of South America. We are not strictly buy and hold and we are ready and willing to make changes as we monitor the different economic scenarios.

If you are with us, that's great. I believe you have a lot of good to look forward to. If you do not have an account with us, it is not too late to benefit from our skills. A new year and a new decade are beginning and it is a good time to give us a call, make an appointment, and establish a good place to put your savings. Either way, I always look forward to hearing from you. This next year and decade should be very good for investors. There is no need to delay. Things will only move forward without you.

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