

Quarterly Newsletter

2ND QUARTER 2009 JULY 2009

VOLUME XI, ISSUE 2

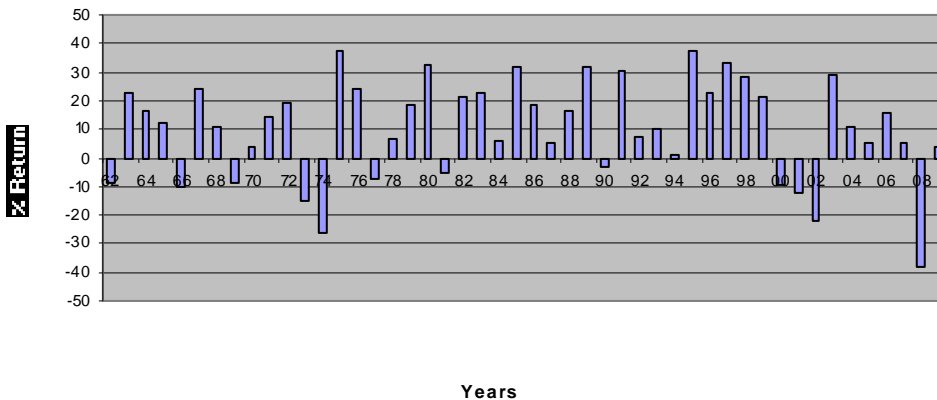
Review & Summary



By Jordan Gary, CFP®

The first half of 2009 has featured two extremely different markets, one strongly down and one strongly up. January, February, and the first of March were a market still driven by panic as many people continued to sell stocks and many bonds. Then from early March through June we saw one of the most spectacular rallies in the history of the stock and bond markets. Stock indexes rose 35% and 40% from their lows as fears of an economic collapse ended and people realized that this recession, though very long and severe, will end in the coming several months. The financial markets always recover, and before the economy does, as they always move up on hope of better times. The investments we made in high dividend bonds and stocks are now reaping very large returns for our clients. All of our clients with managed accounts are doing much better than average for this quarter and year to date. Most of our clients are now up 10 to 15% year to date and this is far more than stock and balanced averages. Please see your performance reports to see how you have done. We currently are expecting some type of normal summer decline and have positioned portfolios for this. We have increased our defensive position because we expect the stock markets to trade down some from here before it starts up again as the recession worries continue to decrease. We will become less defensive in a few weeks and return to more normal stock mutual funds. **Please call us with any questions.**

Annual Returns of S&P 500 Index w/ Dividends (49 Years)



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Current Market Commentary

By Jordan Gary CFP®

I have been telling my clients that we just lived through the most extreme down market of our lifetimes. Panic in the US and world markets, both stock and bond, got to levels we have never seen before as all of the big investment banks on Wall Street, like

Lehman Brothers and Merrill Lynch, failed and lost all of their value as they had followed their own greed driven bad advice. All of the mutual fund companies, such as Vanguard, Fidelity, T. Rowe Price, American Funds, and so many more, have not failed. You and I, along with all mutual fund investors across the country are living through a most challenging market



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Current Market Comments (Cont'd from Page 1)

environment, the most severe market in a lifetime. This can make it very easy to be swept up in the panic of many. Such panic and severe markets soon pass and we believe that it is a terrible mistake to be caught up with the herd and quit long term investing goals and methods. We also believe that we have now weathered most of the financial storm. The panic has mostly subsided and the end of the storms are in sight. The strong rebound that we have been seeing for four months is only the beginning. Stock and bond markets rebound more after they have gone down more. My argument is not that we will soon see a strong economic rebound. But because the markets have gone down to unreasonably low levels, they will naturally rebound greatly to more normal levels.

2009 Outlook

I have no crystal ball. But we have lots of history, basic economics, and common sense to help us. Markets have much less panic now than a few months ago and most economists are predicting a better economy next year than this year. The recent March bottom had all of the characteristics of a true market bottom so we expect much better markets over the next 6 to 12 months.

I also expect the coming months to see a slowly growing economy fueled by economic stimulus and the replacement of inventory that has been sold and now must be replaced. (So far only about 10% of the economic stimulus passed by the Democrats has been spent.)

2009 Could Be Much Better

1) This will be a good year to invest in stock and bonds.

The stock market is still at very low valuations as are corporate bonds and municipal bonds. All of these are still very good investments to make now. These bond markets still have a long way to get back to normal valuations. The stock market has had an impressive quarter with the S&P 500 up 16% and the Dow Jones World Index (ex. US) up 27%. Yet please keep in mind that these stock market indexes will have to rise another 70% to get back to where they were 2 years ago. We expect 2009 to have a strong and profitable second half.

I am optimistic that soon the crisis will be over and much of the problems will be purged and corrected. Meanwhile we will continue to make shifts in portfolios to protect them as best we can and to invest them where the greatest bargains are and the highest potential to make profits at reasonable risks seem to be. We are

currently buying more bargains in good bonds which offer high dividends and a very good potential to appreciate in value as the credit and stock crisis abates.

Likewise we are finding amazing bargains in closed end mutual funds and have recently moved portfolios from open end mutual funds into closed end mutual funds. Sarah Eads has an article in this newsletter which shows how these investments have performed for our clients so far.

Please look over your reports and schedule an appointment if you would like to know more.

2) Investments in CDs, money markets, and annuities make no sense to me.

Such investments pay very low interest rates. And it makes no sense to lock in very low interest rates in a CD or annuity. In a year or so interest rates will be higher. Meanwhile many bonds such as municipal bonds are paying at least 5%. Lower rated municipal bonds are paying much higher and are wonderful bargains. Also bargains are corporate bonds. We are buying these or holding these in all of our clients accounts.

3) Investors are understandably worried and anxious

about the extreme volatility and decline of most investments. I hope that the readers anxiety is declining. The volatility of the US market has now declined greatly from last winter and markets are looking much more normal— most weeks. Also remember that capitalism and free markets do work and always have. We have endured depressions and world wars before. There have been many crises and panics and periods of excess and confusion before. What always happens in the US and all free countries is that the bad times soon pass and markets heal themselves. Smart government policies also reduce the bad times and economic hardships. One unusual thing this time is that there are many more people living under capitalism with much more freedom and free markets than ever before. There are so many more billions of people, who are able to work for more economic growth and so many more mega millions climbing up to middle class living standards and seeking to buy so many more goods and services. For the first time in history, more new cars were sold this year in China than in the US.

4) I truly believe that we are still in the dawn of a good

new age. An age in which Washington and US businesses finally start to deal with long term and chronic problems in our country and economic system. The fear mongers who think that we are entering a dark age of economic difficulty are wrong.

Yes, A Crisis Brings Its Benefits



By Jordan Gary,
CFP®

So many of our clients have real fears about what can really go wrong in our country during the next several years. I join in the fears, yet I want to share some personal perspectives.

There are many terrible possibilities that we as a country may have to deal with. A very partial list can include: There could be a prolonged economic crisis where our national debt balloons and our international standing could be threatened. Our political system could continue to be so full of poison that Washington continues to fail to find solutions to the many national problems such as Medicare costs, Social Security costs, and national deficits. A nuclear bomb could be exploded in a US city by terrorists. The middle class and good working class jobs could continue to be shipped out of the US at a growing rate. Rising global warming and such could start to wipe out coastal cities around the world. —Each of these things are terrible to ponder about.

But will our stock and bond markets, and your investments, survive if one or more of these happen? Will political, economic, or social upheaval destroy the profitability of corporations as we know them?

Consider several thoughts. Over the last 20 years countries such as Russia, China, and India have endured and lived through incredibly terrible disasters in corruption, political change and crisis, terrorists, gangsters, and natural disasters. They have lived through incredible changes as Communism and the Iron Curtain collapsed. These changes were horribly frightening and monumental. And while their stock markets have been through tremendous volatility, these markets are far higher today than 10 or 20 years ago. Their capital markets are much stronger today because capitalism has worked to allow people and corporations to invest money to find solutions and to provide the needs and wants of growing populations. Their many crises have led to many opportunities for many more people to find ways to make money and improve their economic lives. I would not have liked to live in such unsafe and changing countries, yet their business people have had

amazing opportunities to make fortunes for the investing and middle classes.

Another thought is that wars, and natural disasters do not lead to permanent losses for the businesses and investors in general. People will always need the products and services that business can provide. Those who adapt to change will flourish. It was not just Rhett Butler in *Gone with the Wind* who flourished in wealth when others suffered. That is how the world works. Some will manage to grow profits and wealth because crisis always brings new opportunities. Of course some try and fail and some try and succeed. The greater the danger is, the more diversification is needed.

So my suggestion is to diversify and invest wisely and then adjust your investments as the crises of the world come and go. We will always have “wars and rumors of wars” and terrible problems and disasters. The “poor will always be with us” and so we must be “astute as serpents” so that we can survive. So since there will always be problems, diversify. But also do not compromise your morals or sell your soul for wealth and worldly security.

Also remember the wisdom of using the fear of the masses to do the opposite and to invest wisely. Whenever many are afraid to invest is when the wise buy low and invest for high return opportunities. The best investors look for great bargains which come when there is crisis, disasters, fear, and panic. It really is more fun to be a person who does not live from pay check to pay check and who can diversify into many different investment opportunities. Such a person can shake off many of the fears of the poor person and can also become an entrepreneur or investor who is so much needed to provide the goods and services that the people of the world need.

My clients are usually people who are blessed to have much income saved financial resources. I always hope that they can have the perspectives which allow their wealth to bring less fear and more happiness and to be a blessing to more people. But of course many wealthy continue to act and think and worry as they did when they were poor or struggling. The crises of their life may have taught them the wrong lessons.

Lipper Stock and Bond Fund Benchmarks

Investment Objective	Performance					
	2nd Qtr.	YTD	1 Yr	-- Annualized --		
				3 Yrs	5 Yrs	10 Yrs
Stock Fund Types:						
S&P 500 Funds	15.73	2.97	-26.51	-8.68	-2.70	-2.67
Large-Cap Growth Funds	15.05	10.90	-27.04	-6.56	-2.17	-3.12
Large-Cap Value Funds	16.28	0.92	-26.95	-9.96	-2.40	-0.62
Small-Cap Growth Funds	21.20	11.42	-26.93	-9.42	-2.36	0.78
Small-Cap Value Funds	23.37	4.70	-24.24	-10.71	-1.70	5.24
Equity Income Funds	15.50	1.23	-24.52	-7.84	-0.92	0.38
Utility Funds	13.25	0.27	-30.78	-2.36	5.91	2.49
International	24.54	8.81	-31.97	-7.93	2.14	1.66
European Region Funds	25.57	8.68	-34.43	-8.93	2.61	3.31
Emerging Markets Funds	36.85	34.18	-30.87	0.20	12.40	8.90
Avg. U S Stock Fund	18.01	7.25	-26.79	-8.69	-1.84	0.22
Bond Fund Types:						
General Municipal Debt Funds	3.71	8.84	-0.50	1.35	2.43	3.54
High Current Yield Funds	18.05	22.47	-7.67	-0.33	2.41	2.99
Intermediate U.S. Government Funds	0.59	3.42	-0.15	4.76	4.32	5.28
Intermediate Investment Grade Debt Funds	5.12	5.38	2.12	3.89	3.26	4.84
Avg. Bond Fund	6.97	8.50	-0.40	2.87	3.09	4.34
Balanced Funds (Stocks and Bonds)	13.93	7.03	-18.11	-3.81	0.60	1.65
Conservative-Allocation Fund Averages	9.78	6.63	-9.00	-0.78	1.57	2.57

Source: Lipper Analytical Services, Inc., Summit, NJ 07901 and Wall Street Journal OnLine- JULY 2, 2009

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?

Sixteen Last-Chance Opportunities for Tax Savings



By William
Niles, CPA

Increasingly, for budgetary and other reasons, Congress is enacting tax provisions on a temporary basis. Some of these provisions, such as the "above-the-line" deduction for higher education expenses are extended again and again and some, like the work opportunity tax credit, may eventually become a permanent part of the Code. Some of these provisions, like the recovery rebate credit are merely one-shot deals or like the

Archer medical savings accounts are extended periodically, but eventually die.

In any case, with all of these comings and goings, it's difficult for tax payers to keep track of precisely how long a given tax break is scheduled to last. This article presents a quick rundown of provisions that are due to expire in 2009.

1. Unemployment Income. Up to \$2,400 of unemployment compensation benefits are excluded from gross income by the recipient. However, the exclusion is not available for benefits received in tax years beginning after 2009.

2. Personal deductions. Taxpayers can claim a deduction (whether they itemize or claim the standard deduction) for sales or excises taxes paid on the purchase of a new vehicle. The deduction (phased out at higher income levels) does not apply to purchases after December 31, 2009.

3. Personal deductions. Taxpayers who claim the standard deduction can take an additional deduction for state and local property taxes, up to a maximum of \$500 (\$1,000 for joint return filers). The deduction is not available for tax years beginning after 2009.

4. Personal deductions. A taxpayer may claim an above-the-line deduction for "qualified tuition and related expenses" paid for the enrollment or attendance of the taxpayer, the taxpayer's spouse, or a dependent at an eligible institution of higher education. The deduction cannot exceed \$4,000 (phased out at higher income levels) and applies only to tax years beginning before January 1, 2010.

5. Itemized deductions. A taxpayer can elect to take an itemized deduction for state and local general sales taxes instead of an itemized deduction for state and local income taxes, but the election is available only for tax years beginning before Jan. 1, 2010.

6. Itemized deductions. The maximum deduction allowed annually for charitable donations is increased in the case of "qualified conservation contributions." The increased deduction is not available for donations after December 31, 2009.

7. Teacher deductions. For tax years beginning before 2010, teachers in grades K-12 and other eligible educators can claim an above-the-line deduction for up to \$250 of their out-of-pocket expenses for books and supplies

used in the classroom.

8. Depreciation deductions. A taxpayer can claim an additional 50% depreciation allowance for qualifying business machinery and equipment placed in service before January 1, 2010.

9. Business charitable deductions. Business taxpayers may claim enhanced deductions for donations of food inventory to a charitable organization if the organization uses the property solely for the care of the ill, the needy, or infants. The enhanced deduction does not apply to donations after December 31, 2009.

10. Business auto deductions. The maximum first-year depreciation deduction for passenger automobiles used for business purposes is increased by \$8,000 for automobiles placed in service before 2010

11. Homebuyer tax credits. A taxpayer who hasn't owned a home during the previous three years can claim a first-time homebuyer credit of up to \$8,000 (phased out at higher income levels) for the purchase of a principal residence. The credit can be claimed only for homes purchased before December 1, 2009.

12. Alternative minimum tax. For tax years beginning in 2009, the exemption amounts used in calculating a taxpayer's alternative minimum taxable income of \$70,950 for married couples filing a joint return and \$46,700 for singles and heads of households. For tax years beginning after 2009, these amounts are scheduled to drop to \$45,000 and \$33,750, respectively.

13. Estimated taxes. For small business owners with adjusted gross income of \$500,000 or less, the "required annual payment" of 2009 estimated taxes is the lesser of (1) 90% of the current year's tax or (2) 90% of the prior year's tax. For 2010, the prior-year's-tax threshold rises to 100% (or 110% for taxpayers with adjusted gross income of \$150,000 or more).

14. Retirement plans. The requirement that an IRA owner age 70 ½ or over must receive a minimum distribution annually is suspended for 2009, but is reinstated in 2010.

15. Retirement plans. An IRA may exclude from income distributions of up to \$100,000 annually if paid directly by the IRA trustee to charitable organization. The exclusion expires in tax years beginning after 2009.

16. Employee benefits. Taxpayers who are covered by employer-sponsored health plans and are laid off before January 1, 2010 can qualify for subsidized plan continuation (COBRA) coverage for up to nine months. Employers can claim a credit against employment taxes for the subsidies provided to employees.

There are also a lot of business tax breaks that are scheduled to expire in 2009 such as depreciation, employment credits, alternate minimum tax, etc. Some of these tax breaks may well be extended again. Some will just disappear. But if you have an opportunity to use these as they exist today for 2009, be sure to ask your tax professional to take advantage of them while you still can.

Closed End Mutual Funds

By Sarah Eads

Name	Type	Ticker	Average Gain (From Time of Initial Purchase) ¹	Average Yield (From Time of Initial Purchase) ¹	Equivalent Annualized Yield
Eaton Vance Short Duration Divers	Short Term Bond	EVG	23.2%	6.43%	9.65%
Federated Premier Municipal In- come	Municipal Bonds	FMN	32.0%	7.7%	11.55%
Pioneer Floating Rate	Floating Rate	PHD	26.5%	13.0%	19.5%
Pioneer High Income	High Yield Bonds	PHT	32.4%	13.0%	19.5%
Western Asset Global High Income	High Yield Bonds	EHI	21.7%	9.3%	13.9%
Lazard World Dividend & Income	World Blue Chips	LOR	1.3%	9.2%	13.8%
DWS Dreman Value Income Edge	Large Value/Bond	DHG	-20.6%	9.5%	14.3%
Gabelli Dividend & Income	Conservative	GDV	-2.4%	8.2%	12.3%

Individual gain and yield will depend on initial purchase date and price, this is a composite of purchases made in October and November

Several months ago I wrote to explain the decision to purchase several closed-end funds. As a reminder, a closed end fund is a fund that, like a mutual fund, is made of several stocks and/or bonds, but, unlike a mutual fund, it trades on the stock market and so may be traded at a premium or discount to its NAV. The closed end funds we purchased were chosen due to the large discount they were selling at and the high yield (dividends) they were paying.

We are now eight months after our initial purchase and, although the market* has lost 5.1%, the return on the closed end bond funds has been exceptional. The gain in value has been as high as 32.4% while still giving extraordinarily high dividends. Our initial buy dates were near the bottom of the bond market.

The closed end stock funds have been slower to recover than the bond funds. The stock market bottomed out later than the bond market did and so, although the yield is impressive the gains will take longer to catch up. Already these funds are sixty to seventy percent up from their bottom. We feel there is still quite a bit of growth potential in these areas and we will be reaping the benefits of these investments for some time.

*S&P 500

Financial Jolt



By Oscar
"Buddy"
Jackson III

There have been many articles written recently about educational and retirement plans having lost a significant portion of their value. These losses have created great concern for their investors in their ability to accomplish the goal of that plan. Huge losses combined with a feeling of no control can cause fear and panic. However, there is never a time for fear and panic. Markets are basically uncontrollable and run in cycles. Goals and plans are controllable and they determine what needs to be done. My advice is to control what is controllable and let that make the decisions that need to be made on investments.

It is a good time to set a plan to guide future needs. Measure your finances ability to survive a jolt. Where are you in your plan and when and where do you need to be? Financial plans often have seven components. The last component is to reevaluate and reset the plan. A new assessment of your financial plan is a good idea. If you don't have a financial plan, it is time to get one. It helps you measure everything you want and need to know. It measures your strengths and

weaknesses. There is no need in worrying about investments and money without a road map.

Recently, as I'm sure you read in the news, the government ran a stress test on our 19 largest banks. That is, they forced them to run a financial plan with a focus on surviving conditions worse than where we are. We should all put ourselves through a similar stress test. Although it is too late for some, others should check to see how long they could withstand a job loss, a serious illness, or other unexpected events.

The market will be fine and we will also, with enough time. The real need is to estimate time and needs and the ability to get there. Ignore your current fears and concentrate on your future wants and needs. Determine the difference between wants and needs. Make a plan to succeed and keep your eye on the plan. Pay attention to what is really important and let go of fear. Fear does no one any good and it paralyzes one to the point that no move in any direction can be made. If you need help in looking this idea over, that is why we are here. We are financial planners and we are here to help. Please give us a call to set up an appointment.



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