



Fullerton Tax & Planning

www.fullertontax.com

30 East Avenue, Riverside, IL 60546 Ph: 708-447-5667 / Fax: 708-447-5733

E-Mail: Tfullerton@fullertontax.com Ahartinvestments@yahoo.com

e.duga@fullertontax.com

"Real People provide Real Service"

July, 2010



As we celebrate the independence of the United States of America...

June reminded us that there are lower markets to reach than May. The Tea Party is on a tear to cut government services at a time when we are experiencing a debt level unheard of. The cart before the horse strategy. Seems we need to get rid of the debt before we cut services. And about those services, did you ever wonder how hypocritical it is to make a mess, have government attempt to clean up the disaster and then blame the politicians for spending money on the clean up. Let's see, there was cell phones while driving, drinking and driving, the definition of "illegal" in immigration, and many, many more examples. So simply put, before we retire government from our lives, we need to stop the "free market" practices we are imposing on each other. Then we can repeal the laws that cost money to enforce no cell phones and texting while driving, no drinking and driving, no automatic weapons on the streets, no drugs in the hands of the populace. Don't hold your breath on that concept.

Meanwhile, the markets are settling down for a short while. The 9000 mark on the Dow Jones Industrials seems to be a new benchmark for the lows. Short term buys need to be limited to dividend generating equities. With bank rates still at a low, 4 to 7% dividend rates are working well. Just don't hold the underlying equities for long periods of time.

Meanwhile the Markets for June recorded.....

Index	Jun-10	QTD	YTD	Description
S&P 500 Index*	-5.4%	-11.9%	-7.6%	Large-cap stocks
DJIA*	-3.6%	-10.0%	-6.3%	Large-cap stocks

Nasdaq Comp.*	-6.6%	-12.0%	-7.0%	Large-cap tech stocks
Russell 1000 Growth	-5.5%	-11.7%	-7.7%	Large-cap growth stocks
Russell 1000 Value	-5.6%	-11.1%	-5.1%	Large-cap value stocks
Russell 2000 Growth	-6.7%	-9.2%	-2.3%	Small-cap growth stocks
Russell 2000 Value	-8.7%	-10.6%	-1.6%	Small-cap value stocks
EAFE	-1.0%	-14.1%	-12.9%	Europe, Australasia & Far East Index
Lehman Aggregate	1.6%	3.5%	5.3%	U.S. Government Bonds
Lehman High Yield	1.2%	-0.1%	4.5%	High Yield Corporate Bonds
Calyon Financial Barclay Index**	0.0%	0.0%	2.0%	Managed Futures
3-mo. Treasury Bill	0.0%	0.1%	0.1%	

All returns are estimates as of June 30, 2010. *Return numbers do not include dividends.

** Returns are estimates as of June 29, 2010.

THINGS YOU NEED TO KNOW ABOUT 529 Plans

1. YOUR STATE'S SEAL OF APPROVAL MEANS ZILCH

Named for the section of the tax code that allowed for their creation, 529 plans lets you save for college without paying tax on investment growth. Each state has its own plans and picks the fund companies with which you can invest.

Looking at last year's performance, it's become clear that some states' offerings were too costly and too aggressive.

For example, Maine's Oppenheimer Funds 529, which charges a hefty annual fee of 1.15%, made big bets on mortgage-backed securities and lost 19% last year for students about to enter college. A comparable plan in Utah that uses index funds and costs just 0.22% gained 2.8%.

The good news is that you don't have to use your own state's plan. Shop around, weighing the considerations noted in the four points listed in the coming months.

Taking No for an Answer

Elizabeth Steiger doesn't need auto insurance. The 98-year-old Californian hasn't driven for years and no longer owns a car.

But that didn't stop Bank of America from deducting \$18.95 each month from Steiger's checking account for a BofA auto insurance program, sold by a third-party vendor, that her daughter says was never ordered.

"I called the Bank of America customer service phone number several times to stop these charges," says Ann English, 78, who discovered the deductions when she began caring for her mother after Steiger had a stroke last fall. "I called Bank of America Insurance Services. I even went to her local bank branch twice. But no one did anything."

English was told that the insurance policy hadn't been canceled within the specified 30-day trial period. "But how can you cancel something you never ordered? We never received a policy. We never even provided my mother's bank account number for this," says English.

It's an example of what can happen in "negative option" marketing in which a merchant doesn't have to "sell" you something—he assumes you bought it. It's up to you to cancel the order within a set period, or monthly charges continue. Such plans are legal, as long as certain notification rules are followed.

Other BofA customers report, online complaint boards, that they received unsolicited telephone or mail offerings for bank-branded insurance. When they didn't respond with a cancellation order, their bank accounts were charged. Others say they never received any information before being hit with automatic withdrawals.

Steiger's case began when her son Clarence, 68, received his monthly statement for his personal BofA checking account. It contained an insert promoting the bank's Customer Years life insurance program. He called to get information. "But instead of life insurance, he was sent a packet for car insurance," says his sister. "So he immediately called again to say he didn't want it." However, the charges started appearing on another BofA account he shares with his mother.

BofA spokeswoman Jumana Bauwens says that "mistakes were made" in Steiger's case. "We listened to the tapes," she says of the recorded customer service phone calls. "We were not happy with what we heard from our end." She says all charges were made to Elizabeth Steiger's account have been refunded. Other customers with BofA insurance issues should call 1-888-665-9900, a new, toll-free hotline.

To prevent this from happening to you, regardless of where you bank:

- Immediately review bank statements. Under current law, customers have only 60 days to dispute charges on mailed statement.
- Beware of free trial offers. They often are negative option programs.
- Request a contract. In some states, an offer for goods or services cannot be legally accepted "by the silence" of the customer.
- Send certified letters, with return receipt notifications, asking companies not to send you information about company-branded programs.

If you are unjustly charged for a negative option program, contact your state attorney general; go to www.naag.org and click on "The Attorneys General." You can also file a complaint with the Federal Trade Commission at www.ftc.gov or 1-877-382-4357

Mortgage Plan to Cut Balances

The White House will announced an expansion of its foreclosure-prevention efforts to include reducing mortgage loan balances for some borrowers, a controversial step that policy makers have long resisted, people familiar with the plans said.

The revisions, which will also include temporary help for unemployed borrowers, serve as a recognition that the administration's foreclosure rescue plan hasn't kept pace with the rising number of souring loans.

The initiatives seek to address two of the major drivers of most foreclosures today: unemployment and borrowers who are underwater, owing more than their home's current value.

In the latest overhaul of a year-old program, these people said, the Obama administration announced plans to allow unemployed borrowers to make sharply reduced payments or take a break from making any payments for at least three months and up to six months.

The revamp also will require banks to consider writing down loan balances as part of the formula for lowering monthly payments under the federal Home Affordable Modification Program, or HAMP.

That program, which is voluntary, is currently designed to lower monthly payments mostly by cutting interest rates to as low as 2% or extending terms to 40 years. Both banks and borrowers get federal incentive payments under the \$50 billion program.

Under the planned revisions, bank will receive additional payments from the government depending on how much principal is forgiven. Borrowers will have to remain current on their loan for more than three years to have their loan balances permanently reduced.

Unlike HAMP, which is designed to help borrowers who have already missed mortgage payments or are at risk of

default, the FHA initiative will be for borrowers who are current and can qualify for a standard FHA-backed loan once their principal has been reduced. About 24% of homeowners with mortgages owe more than their homes are worth, according to First American CoreLogic, a real-estate data provider

Under that effort, mortgage investors would have to reduce loan balances by at least 10% to 96.5% of the current property value to refinance borrowers into an FHS-backed loan. While investors would take an upfront hit, they would transfer the risk of a future foreclosure onto the government.

For properties that have second-lien mortgage, the plan is designed to reduce the total mortgage debt to no more than 115% of the property value. Banks holding second liens will be eligible for incentive payments if they write down those loans so that borrowers can qualify.

To pay for the expanded effort, the administration will allocate \$14 billion from the Troubled Asset Relief Program that had already been earmarked for foreclosure prevention efforts.

An administration official said that the program adjustments were designed to “better assist responsible homeowners who have been affected by the economic crisis through no fault of their own.”

On Thursday, lawmakers and a government watchdog sharply criticized the administration's effort of modify loans at a congressional hearing. Neil Barofsky, the special inspector general for the government's \$700 billion TARP, warned the program risks helping few borrowers and could instead spread out the foreclosure crisis over several years.

Herbert Allison, an assistant Treasury secretary, said that the administration didn't “fully envision the challenges that we would encounter” but defended the program as the first wide-scale effort that had moved banks toward substantially reducing payments. So far, around 170,000 borrowers have received permanent modifications, while another 835,000 are in a trial stage.

The administration also has struggled to launch a program designed to encourage banks to modify second-lien mortgages. The administration is expected to increase incentive payments under that program.

Part B or Not? When to Pick Medicare Option

I am turning 65 in April, and will need to sign up for Medicare. My question is about the need for Medicare Part B. I have a perfectly good Blue Cross/Blue Shield plan (a preferred provider plan) that covers both my wife (she is 56) and me. In signing up for Part B, I will be adding a monthly premium of approximately \$97 in addition to the premium I pay for my regular health insurance plan. Given the circumstances, do I need Medicare Part B, or can I delay signing up until my wife is closer to age 65?

Medicare isn't a package deal that husband and wives can do together. It is individual.

And decisions about when to sign up for the program's various components, including Part B, typically depend on whether you are getting your insurance privately or through an employer, and also on the size of the employer, says Joe Baker, president of the Medicare Rights Center, an advocacy group based in New York.

Cold Weather Won't Make You Sick

FRESH STUDIES OF SCIENTIFIC RESEARCH ARE BUSTING ALL THOSE HEALTH MYTHS YOU GREW UP WITH

MYTH Most of your body heat is lost through your head.

FACT Untrue. This myth likely originated from a 50-year-old military study: subjects enduring extreme cold lost the most heat from their heads. But the head was the only exposed body part, says Rachel Vreeman, M.D., coauthor of *Don't Swallow Your Gum! Myths, Half-Truths, and Outright Lies about Your Body and Health*. The real deal? “You lose heat from whatever is uncovered,” Vreeman says. “There is nothing special about the head.”

MYTH Taking vitamin C and zinc will help prevent or shorten a cold.

FACT Taking vitamin C daily won't prevent illness, and if you consume it after feeling sick, it won't ease symptoms, studies show. As for zinc, three of four well-designed studies found it ineffective, while a fourth found that zinc nasal gel helped relieve symptoms. But in June the FDA recalled some zinc nasal products since they're linked to a loss of sense of smell. Bottom line: There's no need for extra C, and zinc may actually harm you.

MYTH You should drink at least eight cups of water per day.

FACT There's no medical reason to follow this advice. In 1945 the Food and Nutrition Board of the National Research Council recommended that adults take in 2.5 liters of water per day (about 84.5 ounces). Noting that most comes from food. Many adherents, however, ignored the last part of that statement. Drink up if you'd like, but studies suggest that most people already get enough H₂O from they eat and drink: the average person takes in about 75 ounces of water daily, according to Department of Agriculture surveys.

MYTH Illnesses come from cold or wet weather.

FACT Colds and flu come from viruses, not the climate, explains Aaron Carroll, M.D., Vreeman's co-author. But because some viruses are more common in winter, more people may get sick then. Plus, chilly or rainy weather often results in more people staying inside and then sharing their icky infections.

MYTH You're really using only 10 percent of your brain.

FACT Brainiacs rejoice now you can sound really smart when you refute this misconception. Images from numerous studies show that no area of the brain is completely shut down, and each region of the brain has a function. "Neurons everywhere in the brain are pretty well continuously active," add Michael Rugg, Ph.D., director of the Center for the Neurobiology of Learning and Memory at the University of California, Irvine.

Social Security and government payments go all-electronic

The Treasury Department announced that all payments from the U.S. government will be made electronically to consumers. So people receiving Social Security, Supplemental Security Income, Veterans, Railroad Retirement and U.S. government benefit recipients will receive benefits either through direct deposit into a bank account or through Treasury's Direct Express debit card.

"This announcement is a win-win for the American public because it makes government more convenient and cost-effective while generating significant savings for the country," says [OMB](#) Director Peter Orszag about the program that is estimated to save the government \$303 million in the first five years – including \$48 million annually on postage. "This is precisely the type of smart, streamlined improvement that this Administration is committed to making across government to boost efficiency and modernize how we do business."

Some experts wonder, however, how easy adapting will be, particularly for those seniors who haven't gravitated to direct deposit or debit on their own.

Some 85% of seniors already receive their Social Security payments online. For some of the rest, making the change might be a little daunting says James Van Dyke of [Javelin Strategies](#), a researcher in the field. There are people who are consciously concerned about security, he notes, but there are others who are creatures of habit. They may work in high-tech fields with high-tech clients but they still go into bank branches to get cash. "People are wedded to the past for their financial services more than in other industries," he says. "They choose their bank because it was their parents' bank. And they have a tactile thing about a piece of paper."

David Certner, Legislative Policy Director for [AARP](#), agrees. "This will be a challenging transition for those who have been receiving Social Security for years and are not familiar with the [new options]," he says. Particularly for the unbanked – about 4 million of whom already receive Social Security. For those who are patronizing often-pricey check-

cashing outposts, the debit card (which allows one free cash withdrawal from an ATM per pay period with additional ATM uses at 90 cents apiece) will be a savings. But not all unbanked seniors go that route, he notes. Some banks will cash the checks. Some grocery stores, as well. That represents a change.

The Treasury Department, noting that there are already one million of the debit cards in use, has several mechanisms in place to make for easier adoption. First, a leisurely timetable. New recipients of Social Security and other government benefits as of March 1, 2011 will receive their benefits electronically. If you're already receiving benefits, you have until March 1, 2013 to convert (though you could choose to do so tomorrow.) A call center will be staffed to answer questions.

Finally, there's the argument from a new piece of Javelin research – and it's one that reluctant seniors may not believe until they make the switch – that [going paperless makes you happier](#). Clear the clutter, it seems, and you can stop focusing on unpaid bills and other tedium. Moreover, going paperless reduces – by half – the dissatisfaction that consumers have with whomever is sending the paper to begin with: banks, cable companies, telcos, etc.

For you stockpickers, a chart compliments of Standard & Poor's Outlook.

Top Ten Portfolio

COMPANY / TICKER	Quality Ranking	**RISK	STYLE	P/E Ratio	Current Price	Target Price	
American Tower/AMT	B	High	Blend	47.9	45	57	Market Leader in Wireless Towers
Applied Materials/AMAT	B-	Medium	Blend	13	13	17	Expect sales to increase 35%
Dreamworks/DWA	N/R	High	Growth	13	29	55	Expect sales to increase 35%
Flextronics/FLEX	N/R	High	Foreign	7.1	6	11	EPS Growth 40%
General Mills/GIS	A-	Low	Blend	16.5	38	41	Increase revenue on Home eating habits
Gentex/GNTX	B+	Medium	Growth	20.2	19	26	Depressed sales forecast over
Int'l Business Machines / IBM	A	Medium	Growth	11.3	124	167	Emerging Markets sales increase
Noble/NE	B	High	Growth	5.5	29	45	Large increase in contracts signed
Teva Pharmaceutical/TEVA	N/R	Medium	Foreign	11.4	52	75	largest generic drug portfolio
Textron/TXT	B	High	Value	41.3	19	28	Profit forecasted for 2010

We had some concerns regarding one of the equities in the portfolios, Alpine Dynamic and Alpine Global. The companies cut their dividends from 20% yield to 12%. Jeff, since this is a dividend readjustment to bring the funds in alignment with the current payout picture, the 12% yield will offset if not exceed the drop in price over time. Caution to those looking for quick yields, this is an example of what not to buy short term.

Meanwhile, have a great July, stay cool, especially in the East and see you next month.



Timothy T. Fullerton, Sr.



Mary Ahart

Note: The securities listed are subject to market change. The above information is compiled with information from Research Departments of Investors Business Daily, Standard & Poor's, Zacks.com, The Motley Fool, Marketwatch and Bankrate.com. It is not reflective of Fullerton Tax & Planning or FTP Services as a solicitation to buy or sell a specific security. The report is for information purposes only. For further details on any specific listed securities, visit the websites of the research companies listed. Securities offered through T D Ameritrade. Member NASD/SIPC.