



Fullerton Tax & Planning

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"Real People provide Real Service"

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Fall in the Midwest.....

Proves that we can get over market issues, interest rates, Two months to go and we kick start the elections for 2010, the economy, jobs, and the potential for inflation. However, remember on that last point, one person's inflation is another's higher interest rates, and increase in Social Security benefits. You can't say the same for health insurance premiums. They rise regardless of the economy. Like a runaway train that never loses speed.

So Congress is getting ready to test their skills at putting new brakes on the insurance industry train. I recently had a conversation with a Taiwanese student on the health care in their country. Doctor visits are \$5, premiums are \$50 a year and you can choose your primary care. The government dictates the costs on medical and insurance coverage. We would call that government option. I ask you a simple question, did the medical insurance companies share any part of this recent crisis? Hmm... name one, and don't say AIG. They were a great part of the mechanism that caused this deep recession to occur.

So, let me get this straight. Blue Cross, Humana, United Healthcare still exist. They still dictate your rejection based on pre existing conditions, your premium that is based on age, who your hospital will be, who your doctor is, how much of your drugs will be covered by their prescription drug program. We don't need a government option. We are free to choose the insurance company that will dictate the rules that we live by. We can even choose the medical insurance company that will deny us coverage of illnesses that may even be critical. In oversimplified terms, we can choose our medical insurance company that will turn down coverage at a critical time in our lives. So, you see we don't need all the debate and rhetoric on Death Panels and increased insurance premiums due to government intervention. We are much too advanced for that need. We already have all of those features in our current plans. Why fix it. It's already broken.

Remember the old saying, there is nothing certain except Death and Taxes? We have grown up. There is nothing certain except Death, Taxes and Rising Health Insurance Coverage Costs!

Credit Cards.....

A new trend is under way. Banks and Credit Card companies are dropping credit limits and raising interest rates in anticipation of new regulations that restrict their ability to raise rates and fees at will.

Next year, regulations will make credit card issuers follow tighter guidelines in rate raises and fees on late and inactive accounts. So watch your cards and drop, if possible, the newest cards issued and pay down the ones with the highest rates. Don't wait for the unpleasant and unpredictable actions of your card issuer. If your FICO scores are above 700, call the issuer after they raise your rate or lower your limit, and ask for restoration to the original card conditions.

Seems there is a story of two airline pilots who were too busy to pay attention to their flight from San Diego to Minneapolis. So for whatever reason, they missed their destination by 150 miles. By the time they had come to their senses, the entire Midwest was scrambling to alert status. Now, comes the FAA and pulls their licenses. Now comes the Pilots Union with a protest that the FAA, who issues the licenses, had no right to pull the licenses. So I have one question, would you appreciate filing at 35,000+ feet high with someone who could care less about your safety?

On the Illegal Immigration front, we hear a lot of protests about the freedoms of the **unregistered visitors** to this country. Add this to the pot and boil. We are trying to stamp out a flu virus while being visited by undocumented workers from outside the country. Want to take bets on who will win that contest? Stay healthy.

On the nation building front, we should have learned from the Vietnam and Korea events that no one can do nation building without taking over the entire country, like the North Vietnamese did. So, we decide to burn the history books and try again, and again and again to build nations out of nothing. So goes Iraq, and so goes Afghanistan. Think we will ever learn to stay home and tend to our home fires?

ARE YOUR INVESTMENTS PERFORMING UP TO SNUFF?

If, however, you were well briefed on the market's risks and chose to accept them, it's not fair to pin all of your losses on your adviser. This is especially so if your adviser advocates a buy-and-hold approach, as most do. "Most advisers are upfront and say that they can't predict the markets and that they're not good market timers," says Horan, of the CFA Institute.

Some advisers do, in fact, shift assets among stocks, bond and cash according to market conditions, a strategy known as tactical allocation. Susan Moore, an adviser in Alexander City, Ala., put 90% of her clients' assets in cash in early 2008, and they remain in cash today. "I haven't seen anything that indicates we're at a bottom yet," she says. But while Moore's clients have avoided the worst of this bear market, their future results depend on her ability to make the right call on when to get back into stocks.

The Monthly Index Report for October 2009

Index	Oct-09	QTD	YTD	Description
S&P 500 Index*	-2.0%	-2.0%	14.7%	Large-cap stocks
DJIA*	0.0%	0.0%	10.7%	Large-cap stocks
Nasdaq Comp.*	-3.6%	-3.6%	29.7%	Large-cap tech stocks
Russell 1000 Growth	-1.4%	-1.4%	25.4%	Large-cap growth stocks
Russell 1000 Value	-3.1%	-3.1%	11.3%	Large-cap value stocks
Russell 2000 Growth	-7.0%	-7.0%	20.2%	Small-cap growth stocks
Russell 2000 Value	-6.6%	-6.6%	8.6%	Small-cap value stocks
EAFE	-1.2%	-1.2%	28.0%	Europe, Australasia & Far East Index

Lehman Aggregate	0.5%	0.5%	6.2%	U.S. Government Bonds
Lehman High Yield	1.8%	1.8%	51.7%	High Yield Corporate Bonds
Calyon Financial Barclay Index**	-1.1%	-1.1%	-3.0%	Managed Futures
3-mo. Treasury Bill***	0.0%	0.0%	0.3%	
All returns are estimates as of October 30, 2009. *Return numbers do not include dividends. ** Returns are estimates as of October 29, 2009.				

Here's How to Give Retirees a Hand

Dispel costly retirement myths. Here's something the new administration could do at practically no cost: beef up Social Security education so that people don't make bad decisions. One of the most costly mistakes seniors make surrounds the issue of working in retirement. Once you reach age 62, you're eligible to start collecting Social Security benefits. If you keep working, your check will be reduced by 50 cents for every dollar you earn above \$13,560. The notion that you'll "forfeit" that benefit forever prompts legions of people to stop working at 62, says Andrew Biggs, a Social Security expert at the American Enterprise Institute and a former deputy commissioner of the Social Security Administration.

And that is a real shame because it's not true. Once you reach full retirement age (anywhere between 65 and 67, depending on when you were born), the size of your check is increased to make up for any benefit reduction you experienced. But don't expect to hear that from the Social Security Administration. "They rarely mention it in publication or face-to-face meetings," says Biggs. "That's not good policy; we need to encourage people to keep working." This is the kind of low-hanging fruit the Obama administration can pluck right away.

Bank are tightening the squeeze, but that doesn't mean you can't come by start-up cash

PEER-TO-PEER LENDING

On sites like lendingClub.com, Loanio.com and Prosper.com, you can request loans up to \$25,000 from other average Joes. (Prosper.com is on hiatus while completing a Securities and Exchange Commission registration, but the site should be operational again in the first half of 2009.) Peer-to-peer lending tends to be pricier than bank financing. Only 15% of those who apply at Lending Club receive loans, and for those who do, the interest rate averages 11.2%

GREAT EXPECTATIONS

Looking forward, I am expecting something dramatic in the independent RIA world: an influx of the smartest, most sophisticated wirehouse brokers. Many of them have been practicing as fiduciary RIAs in a semi-hostile environment and they will enter our world like refugees fleeing a war zone.

Once they've settled on our shores, they'll think they've died and gone to heaven. The independent world really does function without in-house products and house investment accounts! Not only that, it generally has equally responsive trading platforms and better software tools than they're used to.

WHAT BROKERS ADD

What they will bring to the table, though, is a business sense that the planning profession, in general, is going to have to give far more attention to in this lower-AUM environment. The new members of our community will know how to market, will measure a track their revenue growth and will be somewhat bewildered by advisors who spend so much time working for their clients that they hardly have time to tend to their businesses. Because they know how the wirehouse culture works, they will be the most formidable competitors to the brokerage office down the street; they may

even set themselves up as a haven for individual brokers to want to skip out and bring client relationships with them. I don't expect the wirehouse advice model to survive very long in competition with these new members of our fiduciary community.

Cost Concerns Surface Over Home-Buyer Credit

Analysts and lawmakers are voicing concerns about the cost and usefulness of the tax credit for first-time home buyers, a piece of federal housing-market aid that Congress is considering extending or even expanding.

The measure, adopted in the February economic-stimulus package, gives first-time home buyers and \$8,000 tax credit. It was intended to give a jolt to the moribund real-estate market, at least through its scheduled expiration in November. Some analysts and many in the housing market call it a vital prop.

A number of House Democrats, however, are expressing reservations about a big extension or expansion of the credit, particularly one that isn't offset with tax increases or spending cuts.

House Majority Leader Steny Hoyer (D.,Md.) favors only a one month extension for now, said his spokeswoman, and wants Congress to offset any new cost.

"I don't think there's a majority in Congress ready to sign onto a very large unpaid-for extension or expansion," said Rep. Earl Pomeroy (D.,N.D.), an influential member of the House Ways and Means Committee.

Some more-liberal Democrats, meanwhile, worry about expanding the credit beyond first-time home buyers. Ways and Means Chairman Charles Rangel (D.,N.Y.) for instance, says he favors extending it but doesn't see the need to expand it.

As a result of the concerns, "I'm not as optimistic about expansion as I am about extension, but I certainly haven't given up on it either," said Jerry Howard, president of the National Association of Home Builders.

Lending proponents of the credit would like to extend it at least to next summer, and make it available to all home buyers. They also want to raise the income limits to \$150,000 for an individual or \$300,000 for a couple. That would cost about \$16.7 billion. Currently, the credit phases out for individuals earning more than \$75,000 and married couples earning more than \$150,000.

To keep the credit alive, some lawmakers are considering ways to offset its cost, for instance, by taking back unspent funds from the \$787 billion stimulus bill, said Sen. Johnny Isakson (R.,Ga.).

To persuade Congress to reallocate stimulus funds, supporters will have to show that the home-buyer credit would generate more jobs than the stimulus bill would, Mr. Pomeroy said.

Ted Gayer, a scholar at the liberal Brookings Institution, argued in a recent paper that the credit costs the government about \$43,000 for each additional home sale it produces. That is because most of the two million or so home buyers expected to claim the credit would have bought a house anyway. Only about 350,000 were additional buyers. Expanding the credit to make all home buyers potentially eligible would swell the government's cost per additional home sale to more than \$250,000, said Mr. Gayer, co-director of economic studies at Brookings.

Economists at the National Association of Realtors said they don't disagree with Mr. Gayer's analysis of the existing credit's cost to the government. But they said he plays down the impact the program is having in supporting home prices and related expenditures.

Obama Pushes \$250 Payments

President Barack Obama said he will press Congress to provide \$250 payments to 57 million seniors, veterans and people with disabilities next year, a \$13 billion effort to offset an expected announcement this week that there will be no cost-of-living increase in Social Security payments.

The proposed \$250 payment is equivalent to a 2% increase for the average retiree receiving Social Security benefits, the White House said. Notably, it would act as additional economic stimulus at a time when the government is

concerned about rising joblessness.

A decline in the rate of inflation precluded any cost-of-living increase next year.

“These payments will provide aid to more than 50 million people in the coming year, relief that will not only make a difference for them, but for our economy as a whole,” Mr. Obama said.

Administration officials said in a briefing that they had no plan to offset the \$13 billion cost, but would negotiate with Congress to find a means of financing it. The proposal requires approval by Congress, where concern over the escalating federal deficit has fueled questions about new spending.

“This regrettably shows that families and seniors continue to struggle in this severe economic downturn, and that the ‘stimulus’ has failed to live up to its billing,” Antonia Ferrier, spokeswoman for House Minority Leader John Boehner (R.,Ohio) said in a statement “ A fundamental question is how the Democrats plan to pay for this.”

Republicans say they have a proposal to supplement the Social Security payment next year with unused stimulus funds, a plan that “wouldn’t add a dime to the deficit,” Ms. Ferrier said.

Administration officials said the proposal would continue a one-year extension of existing payment in the \$787 billion stimulus package. So far, 55 million people have received “economic recovery payments” totaling \$13.7 billion. Most of those checks were mailed in May.

The new proposal comes as the Senate prepares to introduce legislation that would extend existing unemployment insurance benefits by 14 weeks for unemployed people in all 50 states, and by an additional six weeks in the 27 state with three-month unemployment rates running higher than 8.5%.

People who receive the \$250 payments proposed by Mr. Obama would be prohibited from receiving money from other stimulus-related programs next year. The White House said the cost of the proposal wouldn’t damage the solvency of Social Security or other social insurance programs.

Most recipients of the payment-49 million-would be Social Security beneficiaries. About five million would be Supplemental Security Income beneficiaries, two million would be veterans’ benefit recipients, one million would be public-employee retirees and 500,000 would be railroad retirement and disability beneficiaries.

Though the government’s inflation formula would dictate no increase for recipients of these federal payments in 2010, administration officials say the payment is necessary for people whose retirement savings have “not fully recovered from their losses over the first year of the recession.”

Should we pay off student loans with a HELOC to get a write-off?

Q. Our income is too high for us to deduct student-loan interest. Should we pay off our student loans with our HELOC, since that interest is deductible?

A. Indeed, if you’re married and filing jointly, the student-loan write-off in full, up to \$2,500 starts phasing out when your modified adjusted gross income hits \$115,000, and it completely disappears at \$145,000. But you can deduct interest on a home-equity line of credit no matter how much you earn.

Whether it makes sense to swap the two depends on the interest rates, says Marjorie Fox, a certified financial planner in Reston, Va. To figure your after-tax HELOC rate, subtract your tax bracket from 1, then multiply that by the interest rate. In the 28% tax bracket, you’re paying just 3.8% for a HELOC at today’s average of 5.3%. If that’s less than the rate on your student loans, consider the swap. But since HELOC rates are variable and could rise, do it only if you know you can pay off the loan soon.

Stock Screen of the Week of
November 2-7

Company/Ticker	Quality Ranking	Risk	Current Price	One Year Target	P/E Ratio	Yield (%)
Advance Auto Parts/AAP	NR	Medium	36	50	10.8	0.7
Beckman Coulter/BEC	A-	Medium	66	72	14.7	1
Church & Dwight/CHD	A+	Low	55	70	14.6	1
Global Payments/GPN	A-	Medium	49	55	17.5	1
Medicis Pharmaceutical	B-	High	21	27	11.1	0.2
Ross Stores/ROST	A+	Medium	44	53	13.5	1

Neural Fair Value Portfolio

Company/Ticker	Risk	Style	Current Price
Accenture/ACN	Medium	Growth	37
Allergan/AGN	Medium	Growth	54
BMC Software/BMC	Medium	Blend	36
Garmin/GRMN	Medium	Foreign	32
General Dynamics/GD	Low	Growth	64
Hanover Insurance/THG	Medium	Value	40
Herbalife/HLF	Medium	Growth	34
Integrus Energy/TEG	Medium	Blend	34
Int'l Business Machines/IBM	Medium	Growth	122
Lockheed Martin/LMT	Medium	Growth	68
PetSmart/PETM	Medium	Growth	23
QLogic/QLGC	Medium	Growth	17
Sara Lee	Low	Blend	11
Tidewater/TDW	Medium	Value	47
Trinity Industries/TRN	Medium	Value	17
Tyco Int'l/TYC	Medium	Blend	34
United Health Group/UNH	Medium	Growth	26

So it is a month to give thanks to all, and prayers for those in need. Remember our Vets on the 11th and Happy Thanksgiving on the 26th.



Timothy T. Fullerton, Sr.



Mary Ahart

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