



Guide the Journey

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A publication for Miller Gesko

These are Interesting Times

The best part of a financial crisis are the new perspectives that arise as people look at where we have been and where we might be going. The information below is a collection of interesting insights. We're not sure where they will go, but we are looking forward to finding out the results.

■ The three decades after World War II saw the rise of the middle class, whose income gains outpaced the gains of the wealthy. One reason may have been the top marginal income tax rates, which ranged from 70 to 91%. Did the wealthy have less incentive to make money, or did the high tax rates

reduce the amount of capital they had to invest in wealth building?

■ The recent period has been one in which considerable wealth was created not by the economy of producing and selling goods and services, but by selling assets back and forth. In the savings and loan crisis of the 1980s, institutions were selling commercial property back and forth to each other, marking a profit on each transaction, even though no actual value was added to the property. Much the same took place in a more esoteric manner with collateralized mortgage securities. If this was an

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Your Most Important Investment

If there is one single investment with the potentially highest payout, we would argue that it is maintaining a healthy body. All too often in the pursuit of financial health, we forget that we also need to invest in caring for our physical health.

Universal health care insurance, increased Medicare and all the benefits sought by health care legislation are only of value once health is broken. And, even with the best health care program, there can be no guarantees that medical intervention will restore your health or that poor health won't destroy your financial security. According to a 2005 study from Harvard University, medical bills trigger more than 50% of all bankruptcies, even when

individuals have health insurance.

Exercise and a good diet are the first steps. If you are over weight, the most important change you can make to add longevity and comfort to your life is to lose weight. Being overweight can cause joints and back problems, acid reflux, sleep apnea, foot pain, and more, and contributes to carpal tunnel syndrome, diabetes, heart disease and some cancers.

While it would be nice to have perfect health habits, even minor changes in your behavior to get more exercise, eat better, etc., are better than none.

There's lots of help out there for finding what constitutes the right diet and exercise for your life. You just have

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Pay No More Taxes than Necessary

One of the most important rules of achieving and maintaining financial security is to pay no more taxes than required. Any time you can minimize or defer taxes you have more money to invest for retirement, education, a new business and so on. If you haven't already done so, you need to discuss the following with your financial adviser:

- Maximize tax-deferred and tax-free investments by contributing the maximum to qualified retirement plans and education savings plans.
- If you are in the 10 and 15% tax brackets you have a unique opportunity to fund a Roth IRA in terms of a 0% capital gains tax rate through 2010. Qualified investors can take a highly appreciated long-term investment, sell it at 0% capital gains and invest up to \$5,000 per person (\$6,000 if you are over age 50) in a Roth IRA. That could be up to \$12,000 per couple.
- Starting in 2010, the existing \$100,000 income test for converting a traditional IRA to a Roth IRA will no longer apply. You will be able to convert an IRA to a Roth IRA and pay income taxes on half the conversion amount in 2011 and the rest in 2012.
- Homeowners in areas hit by tumbling property values should appeal their tax assessments. Many homes were last appraised by counties prior to the housing crash.
- Track deductible expenses! Investment, medical, some educational expenses and more qualify as income tax deductions, although there are some minimums to be met.

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to set aside time to do the research and then follow through.

The next step is to take care of small problems before they become big problems. Medical issues are a lot like market declines. They rarely happen without signaling their onset. Getting regular health screens are a start, but you also have to pay attention to yourself.

Successful people often have difficulty admitting that they have problems, particularly when the problems seem minor. But when small problems are persistent and don't go away, find out why. Once you have a medical diagnosis, ask questions. Don't accept the doctor's opinion as the final word



It's hard to forget the following doctor's quote. "Until we do the

autopsy, we're just guessing." Your goal is to avoid the autopsy by making certain the "guesses" are as accurate as possible.

In all the posturing and position statements on providing health care for all, you can't afford to overlook the fact that you are the only one who can give yourself a healthy body. The medical professional can fix some problems, but all too often the root cause of the problems is the patient.

The best health care coverage you can have is coverage you don't need.

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abnormal period, where do we go from here?

■ Bull or bear? According to historical data and a still struggling economy, we may be in a cyclical bull market in a secular bear market, says Tom Lauricella in a June 15, 2009 *Wall Street Journal* article, "Is This Bull Cyclical or Secular?" If he is right, the market's run up in the second and third quarters is a temporary respite in a longer-term bear market.

■ If you are feeling poorer, you are not alone. Net worth of American households (difference between assets and liability) at the end of 2008 was down nearly 18% from 2007, according to the Federal Reserve. Net worth fell another 2.6% in the first quarter of 2009, according to Fed data. Household liabilities are also on the decline, falling 2% in the fourth quarter and 1.2% in the first quarter of 2009.

■ There's a lot of money sitting on the sidelines. According to ICI statistics, there was in excess of \$ \$3.6 trillion in money market mutual funds in mid August 2009. That is nearly 24% of the value of U.S. equities, estimated at around \$15.2 trillion.

What this will mean to your investments remains to be seen, but with active management, we have the flexibility to respond to changes. And that can make all the difference.

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MILLER GESKO

BUFFALO Office
237 Main Street, Suite 600
Buffalo, NY 14203
Phone: 716-852-7628
Toll Free: 877-852-7628
Fax: 716-852-7637

SARASOTA Office
8586 Potter Park Drive, Suite 110
Sarasota, FL 34238
Phone: 941-922-9747
Toll Free: 866-992-9747
Fax: 941-926-7427

www.millergesko.com
info@millergesko.com