

Just Plans Etc

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First Quarter 2005

ABEL Strategy— **Apr 5**

Investment Management & Financial Planning

Don't Run Out of Money Before You Run Out of Time (or What's a Safe Monthly Withdrawal Amount From Your Investments?)

Another study has been made to help you determine how much you can safely withdraw from your investment account annually without risking the likelihood of depleting your resources before you die. Two objectives have to be met:

- o You will be assured of no less than 40 years of distributions.
- o You will be able to maintain your purchasing power for 31 years.

Here's how it works:

- o Annually in January your payout is adjusted for last year's inflation.
- o If Asset Allocation is used, positions are rebalanced with excesses moved to cash.
- o Withdrawals are funded from CASH left from last year, CASH raised via rebalance, then CASH raised by selling FIXED INCOME assets, then EQUITY assets*.
- o No withdrawals are made from EQUITIES that lost money the prior year.

Larger withdrawals can be taken if you apply these two rules:

Withdrawal Rule:

No adjustment is made if the Dec 31st value is less than the Jan 1st value, OR if the previous year's rate of return is negative.

No withdrawal adjustment is made in a subsequent year for a previously missed increase.

Inflation Rule:

The maximum inflation adjustment is 6%.

No makeup is made in subsequent years when inflation exceeds 6%.

Average inflation

1973 - 1982: 8.73%	1983 - 1992: 3.96%	1993 - 2002: 2.62%
In 2004 the rate was 2.68%	[inflationdata.com]	

Results of the study:

- To assure 40 years of payout while NOT applying either rule, take 4.4% - 4.7%.
- To assure 40 years of payout and apply both rules, lets you take 5.8% - 6.2%.
- To preserve purchasing power for 31 years with NO rules applied, take 3.6% - 3.9%.
- To preserve purchasing power for 31 years with both rules applied, take 4.8% - 5.3%.

To preserve your purchasing power and be assured of 40 years of withdrawals you should apply both rules and withdraw no more than 5.3% in any one year, including monthly & special withdrawals.

We at Just Plans have long advocated using a 4.5% to 5.0% withdrawal rate. If you are currently taking distributions from your investments, you might want to determine if they are within these guidelines. Clients taking distributions receive a semi-annual report from us in April and October that identifies their withdrawal rate. If you would like to discuss this subject further, call us at (925) 988-0330.

* Rather than selling EQUITY assets before they have reached their target price, Just Plans uses the Margin feature on client accounts to provide for monthly withdrawals. The Margin position is paid off when investments are sold.

Jim Ellman

Are We Out of The Woods Yet?

- Lahcen Abidar

The economy 10 years ago

- ◆ Strong employment market
- ◆ Strong consumer & corporate spending
- ◆ An Account surplus
- ◆ Stable geopolitical environment
- ◆ Minimal dependence on foreign money to finance our economy
- ◆ Strong dollar

The economy now

- ◆ Weak dollar
- ◆ Huge account and trade deficits
- ◆ Sky rocketing oil price
- ◆ Unstable geopolitical environment
- ◆ Rising interest rates
- ◆ Heavy reliance on foreign money, especially from China & Japan, to finance the economy
- ◆ Job market not meeting expectations
- ◆ Mortgage refinancing and tax cuts that helped the economy grow the past 5 years are waning.
- ◆ A surge in mergers and acquisitions indicating that companies are no longer able to grow revenues internally [this is a red flag].

All these current factors require extreme caution, and a thorough exercise in risk management. The bear market that started in March 2000 is still alive and growling. The fifth anniversary was just a few weeks back and look at the major indices: the Dow is still down 7%, the S&P500 down 20% and Nasdaq a stunning 60% from their March 2000 highs.

The good news is that despite the fact that we are in a secular bear market, and all the major indices are still below their highs of 5 years ago, we are able to invest in quality companies at attractive valuations and sell them with a nice profit for you our clients.

Since we adopted our modified strategy in October 2002, all our completed trades have been profitable.

For your information, I will be working remotely from Morocco for the next few months. You can still reach me at Lahcen@justplans-etc.com. I encourage you to email me if you have any questions.

Identity Theft—Whom Do I Call?

(See last quarter's article)

Order your credit report every 4 months [3 firms @ 1 free per year]

Equifax	www.equifax.com	
	to order a credit report: 1-800-685-1111	in April
Experian	www.experian.com	
	to order a credit report: 1-888-397-3742	in August
TransUnion	www.transunion.com	
	to order a credit report: 1-800-888-4213	in December
Federal Trade Commission		
	www.ftc.gov/bcp/online/pubs/alerts/spywarealrt.htm	
	www.ftc.gov/bcp/online/pubs/alerts/phishingalrt.htm	
Privacy Rights Clearinghouse	www.privacyrights.org/fs/fs17a.htm	
Fight Identity Theft	www.fightidentitytheft.com	

Statistics ...

2 ... Number of Americans, in millions, whose checking accounts were raided by thieves in the past year.

(Gartner Market Research)

35 ... Percentage of America's total wealth controlled by 1% of the population.

(CBS MarketWatch)

4 ... Percentage of total long-term care expenses in 2004 expected to be paid for by private long-term care insurance. (CBO)

0 ... Number of US cities

among the 25 most expensive to live in the world (Economist Intelligence Unit)

60 ... Percentage of homeowners whose property is over assessed for property tax purposes. (Nat'l Taxpayers Union)

1 ... Number out of every 50 homeowners who challenge their property tax assessment. (American Homeowners Assn)

561 ... Average daily cost of a nursing home in Alaska, versus \$99 in Shreveport, Louisiana.

(Met Life)

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	1st Qtr	12 Mos	Since Mar 2000
Dow	- 2.3%	+ 2.7%	+ 4%
S&P500	- 2.1%	+ 6.6%	-15%
Nasdaq	- 8.0%	+ 0.7%	- 56%
ABEL Strategy	+0.4%	+ 8.5%	+11% *

* SINCE October 2002—includes mix of Stocks, Funds and Cash

We are currently calling all our clients to update our records.

We want to know if we are satisfying your expectations and determine if there services you would like which we currently do not provide .

The exercise includes sending you an updated Advisory Agreements to sign.

Thanks for the positive comments regarding the newsletter.

E-mail us at Justplans@jps.net with any suggestions you have regarding the Newsletter, our statements or our quarterly reports.

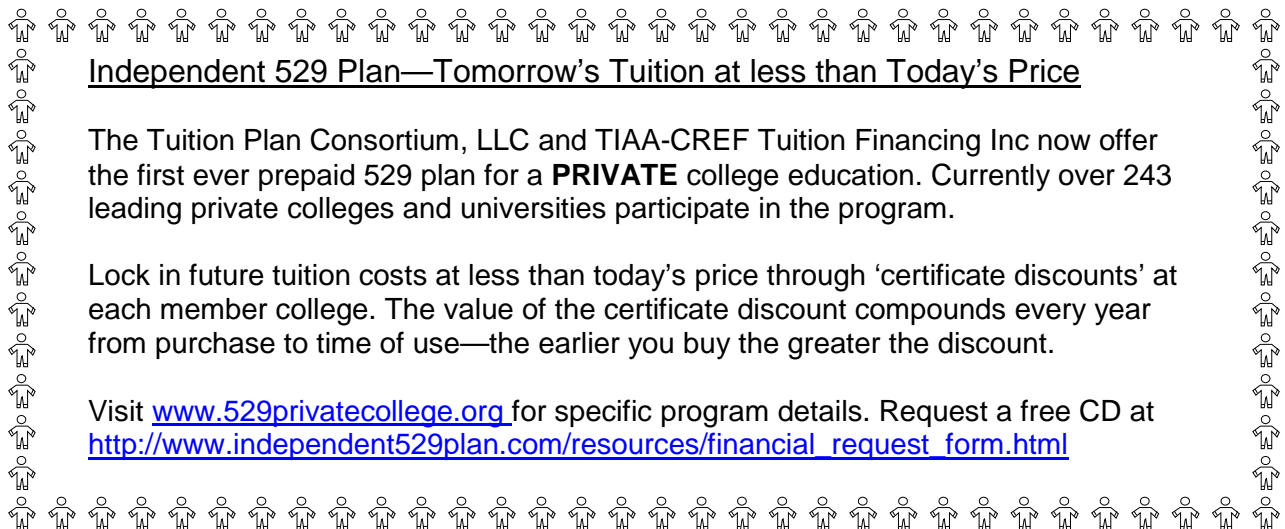
Call Carolyn [x29] if you don't use email

Retire? Maybe not -

—Financial Advisor Jan 05

- ⇒ Father and mother keep going to work, And even grandpa or grandma can't seem to break the work habit, although they may be working part time. They're all in good health. They plan to continue working for the foreseeable future. Many say they'll work forever.
- ⇒ In September 2004 there were an estimated 5.1 million Americans age 65 or older in the work force, an elderly worker participation rate of 14.8% according to AARP.
- ⇒ "Twenty years ago that rate was 10% and we expect the rate to continue to go up in the next few years", says an AARP spokesman. A 2004 AARP survey of those ages 50 to 70 found that 45% expected to work into their "seventies or later".
- ⇒ AARP research indicates that older workers will continue to have a prominent and increasing role in the labor force in the coming decades.
- ⇒ What are the most likely jobs for boomers who don't retire? Teacher, teaching assistant, customer service representative, retail sales, computer support specialist, real estate agent, bookkeeper and secretary.

QUESTION: Economics may be the reason many seniors continue to work, but what about those who are financially secure by age 60? Tired of the current routine and ready for a change, they may find travel, golf & tennis satisfying for a while. But they probably won't experience the satisfaction and mental stimulation when they were employed. I cannot imagine not working at something, for someone; even if for no wage.



Independent 529 Plan—Tomorrow's Tuition at less than Today's Price

The Tuition Plan Consortium, LLC and TIAA-CREF Tuition Financing Inc now offer the first ever prepaid 529 plan for a **PRIVATE** college education. Currently over 243 leading private colleges and universities participate in the program.

Lock in future tuition costs at less than today's price through 'certificate discounts' at each member college. The value of the certificate discount compounds every year from purchase to time of use—the earlier you buy the greater the discount.

Visit www.529privatecollege.org for specific program details. Request a free CD at http://www.independent529plan.com/resources/financial_request_form.html

"42.7% of all statistics are made up on the spot"

- **Steven Wright**

Annuities—Good or Bad to Own?

They are a great tool for accumulating money in a tax deferred manner for retirement. And they are great for providing a lifetime of income—one you can't outlive.

But they get no step-up in basis at your death, can't be gifted away without causing income taxation on the gain, are subject to both income & estate taxation at death, and distributions prior to age 59^{1/2} may be subject to penalty tax.

In many cases as much as 70% of the value of the annuity may be lost to taxes when the annuity holder dies: up to 55% for estate taxes & 39% for income taxes (you get an income tax deduction for estate taxes paid).

Annuity Maximizer concept:

- Take current distributions from your annuities
- Pay the income tax on the taxable portion of the distribution
- Gift the after-tax amount to an Irrevocable Insurance Trust
- Purchase life insurance in the trust

This achieves the following:

- Removes future appreciation from income and estate taxation
- Reduces estate taxes
- Leverages the wealth transferred to heirs (tax free life insurance)
- Replaces, for the heirs, the amount of the annuity that would have been lost to taxes at death.

Taxes: Intentionally Defective Grantor Trust

What it does: Shifts future appreciation of assets to beneficiaries without gift tax effect.

Works because ... to sell appreciated assets to your grantor trust creates no income tax liability since selling to yourself is a non-event. But for estate/gift tax purposes the sale was a completed sale so the trust assets will be out of the grantor's estate.

Works particularly well with ... assets with some current appreciation and high future appreciation potential.

Peter Chen CPA, Centerprise/Urbach Kahn & Werlin in NYC

Made Your 2005 Spending Plan Yet?

We're well into 2005 and your spending plan for a prosperous, fun year should be completed by now.

Are you expecting a life change like marriage or retirement, or are you planning a major purchase: a car, a home or remodel. Or, you may want to get on track with a solid plan to pay down debt and increase savings.

Barbara Hause is a Certified Financial Recovery Counselor. She can be reached at 925 743-0518, or at www.financialrecovery.com.

Barbara is a client, but is not affiliated with Just Plans. Communication with her is completely confidential.