

Just Plans Etc

1399 Ygnacio Valley Road #24 (925) 988-0330
Walnut Creek, CA 94598 justplans@jps.net
www.justplans-etc.com

Second Quarter 2005

ABEL Strategy— July 5

Investment Management & Financial Planning

Boomer Retirement Plans

Merrill Lynch's retirement study came up with some interesting observations. Three in four boomers intend to keep working, more for mental stimulation and challenge than for the cash.

- 42% intend to alternate between periods of work and leisure.
- 16% plan to work part time
- 13% hope to start their own business
- 6% plan to work full time
- Only 17% hope to retire and never work again.

Boomers worry most about suffering a major illness, ending up in a nursing home, and not being able to afford health care.

Unhappy investors

The Spectrum Group in Chicago completed two studies recently

- 1 in 4 investors have pulled a portion of their assets from financial service firms during the past two years due to poor investment results, poor service and a lack of trust.
- One participant complained that "There was a conflict of interest in every piece of advice I was given".
- While 10% said their level of trust had increased in recent years, 38% said it declined.
- The more one had in investments, the more likely they were to move assets.

Almost 60% of the respondents said they had a greater confidence level with small local firms.

Dependency on Social Security

The Social Security check is the single largest source of income for Americans over the age of 64 according to the Employee Benefit Research Institute and based on US Census Bureau data.

- 42% Social Security
- 22% Earnings
- 20% Pensions
- 14% Asset income
- 2% Other sources

For those age 65 and older in the top fifth (most financially well off) Social Security represents 20% of their income.

Jim Ellman

Market Timing or "Conditional Investing"

- Lahcen Abidar

Many of the best performing value managers sometimes hold unusually large cash positions, including FPA Capital, Yacktman Fund, Longleaf Partners, Weitz Value, Royce Special equities, and of course, Warren Buffet at Berkshire Hathway. None of these investors see themselves as market timers. Rather, they understand, as we do, that different conditions give rise to different outcomes. They believe that on average, the probability for positive return is better when quality stocks are undervalued than when they are overvalued, and they believe in varying their exposure to risk based on that general principle.

And here is a quote from the famous J. Paul Getty that describes the environment which creates opportunities for us at Just Plans: "For as long as I can remember, veteran businessmen and investors- I among them- have been warning about dangers of irrational stock speculation and hammering away at the theme that stock certificates are deeds of ownership and not betting slips. **The professional investor has no choice but to sit quietly while the mob has its day, until the enthusiasm or panic of the speculators and non-professionals has been spent. He is not impatient, nor is he even in a very great hurry, for he is an investor, not a gambler or a speculator. There is no safeguards that can protect the emotional investor from himself.**"

Our strategy continues to yield outstanding results allowing us to outperform the market while exposing client portfolios to less market risk— **for last 12 months clients' portfolios on average rose 12%-14% VS S&P500 up 6.3% for the same period.**

The fact that we have increased our list of quality companies from 75 to nearly 500 has also helped to increase our buying opportunities and allowed us to be in the market for longer periods, thereby capturing more dividend income.

Roth 401k Plans — Effective January 2006

The 401k Plan is the most popular type of employer sponsored retirement plan. Effective January 1, 2006 the Roth 401k account is scheduled to take effect.

Roth IRAs are available to taxpayers below certain income levels (\$100,000 single; \$160,000 married); Roth 401k has no such limits.

As with Roth IRAs, assets grow tax free and can be withdrawn without tax liability in the future. And there is no Required Minimum Distributions rules as with regular IRAs and other retirement accounts.

Roth IRAs are limited to \$4,000 (\$4,500 if over 50) in 2005. The Roth 401k permits deferrals of up to \$15,000 (\$20,000 if over 50) in 2006, subject to inflation adjustments in the future.

Deferring \$15,000 (\$20,000) in your current 401k will leave nothing for you to defer in a Roth 401k. The limit applies to the combination.

Statistics ...

61.6 ... The average age men retired in years 1999-2003. (Georgetown University)

35 ... Percentage of years in which the Dow Jones Industrial Average has fallen since its inception in 1897. (WSJ)

1.3 ... Advertised price, in millions of dollars, for a 700 square foot studio apartment in New York City. (NY Daily News)

10,000 ... Number of amendments to the US tax code since the tax act of 1986. (CNN/Money)

38 ... Percentage increase from 1992 to 2001 in credit card debt for all households. (Demos, a consumer advocacy group)

36,750 ... Cost, in dollars, of a single year's tuition at Landmark College, the nation's most expensive college (plus room & board!). (CNN/Money)

850,000 ... Number of low-income college students eligible for Pell Grants who did not apply (Amer Educ Council)

5 ... Percentage of businesses founded in 1994 that survived to 2004. (Family Firm Institute)

XXX

Visit our web site at www.jp-etc.com

**"Did You Know?" updated bi-weekly.
Get market quotes. Use financial calculators.
Access your account.
Browse an article library on a variety of topics.**

	2nd Qtr	12 Mos	Since Jun 2000
Dow	- 1.9%	- 0.1%	+ 7%
S&P500	+ 1.4%	+ 6.3%	-12%
Nasdaq	+ 3.0%	+ 1.0%	- 47%
ABEL Strategy	+ 3.2%	+11.2%	+35% *

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

Education Matters -

—Rafiki Report Spring 05

Worldwide, an estimated 104 million children are not enrolled in primary school. About two-thirds of them are girls.

Almost all of the out-of-school children live in developing countries. About forty-six million live in sub-Saharan Africa.

Education is one of the most effective weapons against HIV/AIDS and other diseases.

Life expectancy rises by as much as two years for every one percent increase in literacy.

An adult with a primary education earns twice as much as an adult without any schooling.

- Source: UNESCO
www.rafiki-foundation.org

Home Equity Lines of Credit With Rates as Low as Prime Minus .75%

No setup fees No points
No closing costs

Charles Schwab Bank “CSB” offers home equity lines of credit, pledged asset mortgages and secured credit lines.

If you are interested, please contact our office.

CSB will pay customary closing costs; borrower is responsible for state and local taxes. Property must be the primary residence, or vacation home. The minimum is \$10,000; maximum is \$1,000,000. The APR is a variable rate based on an index tied to the WSJ published prime rate

Contact Carolyn Diggs
(carolyn@justplans-etc.com) with suggestions regarding the Newsletter content, our statements or our quarterly reports.

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

Never done email and want to start?
Want a computer for a child?

We have three used computers that would be quite adequate for email and word processing . They are available for the asking. First come, first served.

Call Carolyn at x 29 if you are interested.

An Empire of Wealth—The Epic History of American Economic Power

If you are a history buff, this is a must read for you. John Steele Gordon has presented in a most entertaining manner some of the most obscure, yet fascinating, facts of America's economic history. From the initial discovery to the attack on the twin towers, he illustrates how America's power is inseparable from its entrepreneurial spirit and immense economic wealth. He has made what could easily be a tedious textbook a most enjoyable and relaxing pleasure to read.

Pub: Harper-Collins / \$26.95 at Barnes & Nobel

“Even if you're on the right track you'll get run over if you just sit there” - **Steven Wright**

"Certain Broker-Dealers Deemed Not to be Investment Advisers"

The SEC has issued a temporary ruling on what it refers to as "Certain Broker-Dealers Deemed Not to be Investment Advisers", or what has commonly known as "The Merrill Lynch Rule".

It requires those broker-dealer organizations (primarily wire houses) who offer investment advice for a fee, but who do not register their reps as Registered Investment Advisers, to tell the consumer that the investment advice they receive is incidental to the brokerage services they provide, and that the account is a brokerage rather than an advisory account.

It's clear the SEC feels that much of the 'advice' given to wirehouse clients is solely incidental to their operating as order takers, despite the fact that these same people hold themselves out as financial advisors, financial consultants, wealth advisors, etc.

Fiduciaries owe a duty to their client to act in the client's best interest in all matters between them. The business model of the large brokerage firms is based on multidimensional conflicts of interest: we handle initial public offerings AND we give unbiased advice on which new companies to invest in; we manage a family of stunningly high-cost mutual funds AND we recommend the very best mutual fund investments to our customers; our investment division takes substantial due diligence fees and a cut of the action from separate account managers AND we recommend separate account management services to the public.

In the 90's it was commissions versus fees that delineated the two groups: sales people and advisers. So sales firms created "fee-based" accounts that transformed the commissions into fees to blur the difference.

Two distinct classes of financial professionals now exist: those like Just Plans that accept fiduciary responsibility and those that hide behind the exemption.

Taxes: Self Canceling Installment Note

What it does: Transfers extremely high value assets to beneficiaries (children) at very low estate tax cost if the asset owner has a short life expectancy.

It works because ... by selling assets at fair market value today, and taking back a note which, based on actuarial assumptions, will pay the owner an annual sum for the rest of his life, yet the note will self-cancel upon the owner's death, the cancelled portion of the note will not be included in the owner's estate and therefore is not taxable.

Can be used by ... asset owners in very poor health who are not expected to live much longer.

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

Financial Recovery Counseling

Is over spending a problem in your life?

Would you like to learn to save and manage money better?

Are family issues (with spouse, children or parents) part of the problem?

Call for a FREE Consultation
Barbara C. Hause, MBA
Financial Recovery Counselor
(925) 743-0518

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

Made Your 2005 Spending Plan Yet?