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Third Quarter 2005
ABEL Strategy— **October 5**
Investment Management & Financial Planning

It's Been A Very Good Year ... So Far

Tax Consequences?

2005 has provided us with three completed transactions that have generated returns of 18.79% (ROSS Stores), 40.30% (DeVry University), and 30.32% (Albertson's Stores). New accounts, depending on their start date, may not have experienced all the trades, nor at the levels indicated above.

We recently opted to close out positions in the Hussman Strategic Growth Fund in favor of adding additional stock positions to your portfolio. All Hussman positions were closed out with a gain, the amount varying based on the length of time your account has been managed by Just Plans.

Gains are nice to experience, but they create a situation at tax time that many clients would appreciate knowing about ahead of time: the taxes due on the profits made.

Schedule D is used to help compute the tax liability on investment gains. Historically, Just Plans has emailed your tax preparer a 'worksheet Schedule D' in late January or early February to assist in the preparation of your tax return [*assumes you have kept us up to date on your tax person and their email address*]. For the past two years, gains we generated have mostly been offset from losses in 2001—2002. This year the gains may create an additional tax.

If you would like to know the extent of your gains year-to-date, please email, or call, and Carolyn will email an interim Schedule D worksheet back to you.

At the same time email us the name and email address of your current tax preparer. If we do not hear from you, we will assume that you still use the person we have on file, or that you do not want a worksheet Schedule D sent to anyone. Jim Ellman

Reduce your trading costs—

Every broker-dealer charges a fee to execute transactions. At Charles Schwab & Co the fee charged is dependent upon two factors:

The aggregate size of your family's accounts held at Schwab; and

Whether you agree to receive confirmations now, and statements and confirmations later this year, via email.

What can you save?

Standard fee (no email delivery and accounts aggregate below $50,000)	$19.95
Fee with email delivery of confirms and accounts aggregate at/over $50,000	$12.95
Fee with email delivery and accounts aggregate over $1,000,000	$ 9.95

So Many Opportunities …

Lahcen Abidar — Portfolio Manager

We have 500 wonderful companies to choose from and an opportunity to buy some of them below our estimate of fair value. That's the environment we have been working in for most of the third quarter. Market behavior continues to support our belief that we are in a cycle that will produce long-term results of just 5% - 6% for the market as a whole. And that is the very reason we have decided to abandon the use of mutual funds in favor of individual securities. Mutual funds are normally always fully invested – whether the market is rising or falling. Individual securities on the other hand can be bought and sold when the opportunity presents itself. Using individual securities allows us to remain 100% in cash if that's the prudent thing to do. We can trade stocks; we can't trade mutual funds.

Most recently we decided to take profits in Hussman Strategic Growth. Its performance during the 2000 – 2003 was largely driven by the market's volatility. Absent that volatility performance suffered (5.2% in 2004; dropping below 5% during 2005). The decision to go 100% stocks was based on the outstanding results we have accomplished since October 2002. We achieved above average returns while exposing portfolios to below market volatility (risk). For standard sized accounts we intend to hold up to 20 positions when fully invested. Stocks can be bought or sold at will; mutual funds require that you hold them 90 days, 6 months, or even a year, otherwise incur a redemption fee.

The funds we used in the past had management fees that ranged from over 2% to a low of 0.21%. On average the fee was 1.16%. Also, funds charged, on average, 0.1% for marketing. Add the Just Plans fee of 0.6% to 1.0% and you have annual expenses ranging from **1.86% to 2.26%.**

Currently your annual fees consist of the Schwab or TD Waterhouse trading fee (0.26% on average) plus the Just Plans fee for a total of **0.86% to 1.26%.** We are pleased to announce the 44% to 53% reduction in fees, but ….

while client fees have been going down, our costs have been rising. It costs more to manage a portfolio of stocks than to select mutual funds. There is a strong likelihood that Just Plans will have to increase its management fees in 2006. *Even with an increase, your cost will be less than it was when mutual funds were used*. At this time we estimate the increase to be around 50 basis points (0.5%). We will know better after the year is complete. The effective date will be the first or second quarter 2006.

	3rd Qtr	12 Mos	From Oct 2002 (avg/yr)	
Dow	+ 3.4%	+ 6.5%	+ 11.7%	
S&P500	+ 3.6%	+12.1%	+16.7%	
Nasdaq	+ 4.6%	+13.9%	+22.5%	
ABEL Strategy *	- 1.2%	+11.0%	+10.4%	* mix of Stocks, Funds and Cash

Performance results reflect the deduction of brokerage transaction fees & expenses, but only a portion of Just Plans' annual management fee. Transaction fees and expenses range from $9.95 for an unlimited number of shares to $19.95 per trade for up to 1000 shares plus 1.5 cents per share in excess of 1000. Annual management fees range from 0.6% to 1.0% based on account size, subject to $1600 annual minimum. Fees for accounts where clients pay by check (about 33%) are not included above. See Part II of Just Plans' Form ADV and the current fee schedule, both posted on our web site at www.justplans-etc.com.

Past performance does not guarantee future results. Investment return and principal value will fluctuate. Accounts, when closed, may be worth more or less than their original cost. The performance data quoted represents past performance, and current performance may be higher or lower.

Risk—Different Meanings To Different People

Professional investors and advisors regard risk primarily as a statistic: the standard deviation of a series of returns for a particular asset. It's easy to calculate. It helps compare portfolios over a specific time period.

Retail investors tend to worry less about volatility, and more about losing money. Investors associate volatility with the risk of losing money. A portfolio can be more volatile than another yet be less risky, in terms of losing money.

Charlie Munger of Berkshire Hathaway says "It is hard to find good stocks and hard to find good investments, and you want to be in good investments. Therefore, just find a few of them that you know a lot about and concentrate on those. It has proven to be an obviously good idea, yet 98% of the investing world doesn't follow it." The best form of risk control is knowing what you own.

Refinancing and Home Equity Credit Lines. Rates as Low as Prime Minus .75%

No setup fees   No points

No Closing costs on Equity Lines

Charles Schwab Bank "CSB" offers refinancing of 1st mortgages and home equity lines of credit, pledged asset mortgages and secured credit lines.

If you are considering either, contact our office.

CSB will pay customary closing costs on Equity Lines; 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.

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.

"Half the people you know are below average"**- Steven Wright**

"AMT: A Stealth Income Tax Waiting to Snare The Unwary"

The alternative minimum tax (AMT) is an extra tax some people pay on top of their regular income tax. It was designed to prevent high income earners from paying little or no taxes through the use of tax benefit strategies. It is beginning to affect a growing number of the middle class.

The most likely to be affected are larger families in high tax areas. Why? Regular tax bracket exemptions and standard deductions are adjusted annually for inflation. The AMT is not. The most vulnerable are tax payers with several children, second mortgages, interest deductions, capital gains and high state (and local) taxes.

Personal exemptions are allowed to reduce regular taxes, but are not allowed for the AMT.

State and local taxes claimed as itemized deductions on your Schedule A are not allowed for the AMT. They are added back to your regular taxable income.

Medical expenses may be deducted for the AMT; however, they must exceed 10% of your adjusted gross income.

Capital gains are now taxed at a 15% [federal] rate. Large long-term capital gains may trigger an AMT liability.

Miscellaneous deductions that total over 2% of your adjusted gross income are deductible for the regular tax, but not for the AMT.

The 2003 tax cut reduced income tax rates but not for AMT. Regular rates start at 10% and step up to a high of 35%. AMT starts at 26% and moves to 28% at higher income levels.

Taxes: Dynasty Trust

What it does: Passes wealth to future generations while minimizing estate, gift and generation skipping transfer (GST) taxes.

It works because … by allocating a sufficient GST exemption to a trust that will distribute trust income and principal to beneficiaries at the trustee's discretion, all future GSTs from the trust to beneficiaries will be exempt from the GST tax. Typically set up for the maximum term, or in perpetuity. Wealth can be given to multiple successive generations at no additional estate tax cost.

Works best for … wealthy individuals who wish to provide for future generations.

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

What Housing Bubble? Neil Barsky, Alson Capital Ptnrs, wrote that Yale economist Robert Shiller's claim that home prices could fall 50% and The Economist's reference to the global housing boom as "the biggest bubble in history" are "knee-jerk, consensual and misguided" doom and gloom comments. He goes on to say "There is no housing bubble. Our strong housing market is a function of low interest rates, local job growth, emotional attachment to one's home, one's view of their future earning power ..." Since 1999 home price have risen on average 6% a year; most recently at 13%. We have a serious housing shortage and affordability crisis. Builders can't get land permits to meet demand. We have never seen a collapse of home prices without also seeing local economic weakness: oil woes in Texas in the 80's, aerospace and defense layoffs in LA in the 90's. Homeowners Alliance claims new household formations, replacement demand and 2nd home demand will require 2 million homes per year over the next decade. Over the past 10 years permits have averaged 1.63 million per year. Policy makers would do well to relax zoning laws, or stimulate development of low-income housing thru tax subsidies. For a blogger who disagrees with Mr Barsky visit: *http://www.mensnewsdaily.com/blog/2005/08/what-housing-bubble.htm*

From Baron Funds June quarterly. *"If you spend more than 14 minutes a year worrying about the market, you've wasted 12 minutes…"* Peter Lynch Oct 87. Baron Funds focus on businesses and their prospects [*as does Just Plans*], not unpredictable markets or events. It's true whether you're trying to predict stock markets, oil prices, interest rates, the euro, gold, trade deficits, house prices, budget deficits. There is no lack of opinion by highly regarded experts … who rarely agree! And markets rarely accommodate them. Experts forecast a drop in oil prices before last year's election; prices rose. The euro to continue strong against the dollar; it fell. Long-term interest rate would rise; they fell. Oil over $50 a barrel would hurt the US economy; it continues to grow!

Offshoring provides benefits, few downsides **-Tapan Munroe** The world economy has become increasingly more interconnected. Most major U.S. corporations today are global companies. They offshore call centers and manufacturing activities to places that include India, China and several eastern European countries including Russia. They do so in order to benefit from cost advantages and the vast talent pool of these countries.

General Electric, Procter & Gamble, Motorola, Microsoft, Pfizer and Boeing have moved parts of their research and development functions to India, China, Israel, Russia and other parts of Europe. *There is not enough technical and scientific talent available in the United States*. It is also a matter of the quality of scientific talent, to access the best and brightest of the world's technical and scientific talent.

Intel has deployed 28 percent of its 7,000 R&D workers in 20 countries in order to tap talent around the world. The Pentium M chip, at the heart of the highly successful Centrino wireless technology system, was invented and designed at the Intel R&D center in Haifa, Israel.

GE's recent advances made in giant wind-energy turbines are a result of cross-border collaboration between Chinese researchers designing the microprocessors that manage the pitch of the turbine blades, the mechanical engineers in Bangalore developing mathematical models that determine the efficiency of the turbine, the engineers in upstate New York doing the power system design, and engineers in Munich working on the "smart" turbine design that maximizes efficiency of electricity production.

Tapan Munroe is an economist with a worldwide financial and economic consulting firm in Emeryville. He can be reached at tapan@tapanmunroe.com. *www.contracostatimes.com/mld/cctimes/business/12269305.htm*

Survey—Partial results

About two-thirds of the surveys have been received. Here is a summary of what you have told us so far:

67% read all of the newsletter; 8% read none of it; the rest a part of it.

70% would miss it if we stopped. *We'll continue them*

70% prefer a mix of topics *Okay*

The majority want to receive it by US Mail, 28% prefer by email. *We'll do both*

82% say our quarterly reports are easy to read. Most prefer getting them quarterly 16% asked for them less frequently and 2 clients want them monthly.

Only 28% have visited our web site and just 9% have viewed their accounts. The Quotes & Tools feature has been largely ignored with just 4% using it. *We'll maintain the web site, but will remove the Quotes & Tools page*

Three out of four clients use email. *Will it ever reach 100%?*

Hear from Jim? Most say "I'll call if I have questions". Others say once or twice a year.

99% are satisfied with what we are doing for them.

Confess Your Mistakes -

—Jnl of Financial Planning -Feb05

In a poll conducted for Merrill Lynch investment managers, households with at least $75,000 invested and income of $75,000 (retirees excepted) found that:

46% said their biggest mistake was waiting too long to invest;

41% said they held on to losers too long;

36% said they waited too long to sell a winning investment;

36% said they did not invest enough;

33% said they allocated too much to a single stock or investment.

Statistics ...

1.8 ... The dividend yield for the S&P 500 around January 2005. (Assocd Press)

41 ... Percentage of S&P 500's total return from 1926 to 2005 accounted for by dividends. (WSJ)

24 ... Ranking in math of 15 year-old Americans among 29 industrialized nations. (OECD)

400 ... Monthly income today's average 30-somethings who participate in 401k's are expected to collect from their 401k's at retirement. (Urban Institute)

2 ... Percentage of income donated by wealthiest 1 percent in America. (Bus Week)

6 ... Percentage of their income donated by Americans in the bottom income bracket. (Business Week)

16.2 ... Lottery dollars, in millions, won by a Pennsylvania man who now lives entirely on Social Security (Sac Bee)

2 ... Number of pages of instructions attached to the 1940 tax return in 1940. (US News & World Report)

XXX