

ABEL Strategy — Fourth Quarter 2006 — January 5, 2007
Managed Investments & Retirement Planning

Retirement Reality in the 21st Century

The old fashioned defined benefit pension has almost been eliminated from the private sector and public-sector employees will soon begin to experience the same fate. Our tax base can no longer support the cost of the pensions that teachers, fire, police and other municipal workers have enjoyed over the past 50 years. The benefit is based on a formula that considered years of service and average compensation, and you took for granted that you would receive these benefits when you retired. These classic plans were 100% paid for by the company. An employee making \$60,000 a year with 35 years of service would have cost the employer between \$500,000 and \$1 million to meet the retirement liability.

Plans with cost of living adjustments (COLAs) that offset the damage inflation does to one's monthly benefit don't exist in 401k plans that many private companies have switched to. This retirement vehicle of choice for corporate America does not require the company to contribute either, although some do offer to match a percentage of the employee's contributions. If yours does, take advantage of it. It's free money.

The 401k plan requires you to make a conscious decision to save a portion of your salary. It's done before income taxes are calculated so you do get the benefit of a government subsidy in the amount of taxes saved. This plan also requires you to make investment decisions and manage the account. *[If you'd like Just Plans to assume the 'investment management' responsibility, please call me—988-0330 x28].*

Corporate America has shifted the burden of contributing and managing retirement dollars onto their employees. In the past if a plan had poor investment results, the government would take it over and make the participants whole. This safety net no longer exists with 401k plans.

Recently, Verizon, IBM, GM and Newsday announced they would be freezing their defined benefit pension plans. No more credit for future time with the company, and no more contributions to the plan. While the shock waves are still hitting the rank and file, this is something the companies could have done a decade ago. Global competition leaves the companies no choice today.

It's understandable why employees are concerned about the pension situation because it creates fear of the unknown. What are the real numbers? What will it take to retire? How much will I need? There are tools to help you understand those risks and how they can be minimized. Only you are responsible and only you can make decisions now that will create your future.

Today's retirement is not like that of 50 years ago. No longer is it "sitting in a rocker watching the world go by". This is what we hear: I'd rather wear out than rust out; I want to phase out; I want to start a new career; I want to start a new business; I want to enjoy life and continue contributing to society: I want to leave a legacy for others.

What's your vision for the rest of your life?

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To Be or Not to Be Nervous?

- Lahcen Abidar, Portfolio Manager

You watched your portfolio increase nicely last year. And now when you hear economists, managers and the media talk about the possibility of a recession, or a market correction, your anxiety level is likely to rise.

Our advice is to focus on the growth of your account, and the monthly [downside] volatility, if any, you have experienced.

Our portfolios have a **low correlation** with the market. Yes, the market might correct. In fact, it WILL correct. But no one knows when. And the economy WILL go into a recession, but we won't know about it until it happens. These events have little to do with our investment strategy. The stocks we buy are usually in a state of 'correction' when we buy them; they are already experiencing a recession.

We have a **goal** not to let portfolios drop more than 8%. If your account is down 5%-6% after some months of market decline, we will start to raise cash; with the aim of being out of the market before dropping an additional 2%-3%.

Portfolios are well-diversified with many domestic companies having international exposure. Most buys are global companies; some generating up to 60% of their revenues from overseas operations. We avoid overweighting any particular sector; and put a great deal of emphasis on capital preservation and risk management. We consider tax consequences, but do not let taxes dictate investment strategy.

Weekly we ask 4 questions: First, has one of our 'Master List' companies moved to our 'Watch List', and have any of our 'Watch List' companies become attractively priced to make them a buy?

The other 3 questions have to do with our current holdings: 1) Should anything be sold?; 2) Should any positions be reduced?; and 3) Should any position be added to?

Our performance and the lack of volatility in our portfolios is witness to the value of our methodology. We thank God for our success on your behalf.

Lahcen

	4th Qtr	12 Mos	3 years
Dow	+ 7.4%	+19.1%	+ 8%/yr
S&P500	+ 6.7%	+15.8%	+10%/yr
Nasdaq	+ 7.2%	+10.4%	+ 7%/yr
ABEL Strategy	+ 3.1%	+19.1%	+11%/yr *

* includes mix of Stocks, Funds and Cash

⇒ Index numbers from Morningstar, Inc, Managers Funds & Thompson Baseline

U.S. productivity has allowed businesses to handle increases in demand without having to hire new employees.

We used to have a lot of elevator operators, telephone operators, bank tellers and gas station attendants. Technology has replaced many routine tasks. Displaced workers move to new job. Close to 25% of today's labor force is in jobs that did not exist in 1967.

New jobs and the ability to move into them is the hallmark of a flexible economy. The focus needs to be on protecting the people at risk, not the jobs. The solution is easy to state, but difficult to implement. It ends up being all about education.

eDelivery (eConfirms + eStatements) at Schwab earns a 35% discount on trades if you have signed up for them.

Check out our completely overhauled web site.

www.jp-etc.com

Statistics ...

53Percentage of tax-payers who would rather clean house or visit in-laws than prepare their own taxes. (Tax ACT)

16 ... Percentage of GDP consumed by health care costs, versus 13.6% in 1997. (U.S. Health & Human Services)

57 ... Percentage of workers looking for a new job who feel they're underpaid, versus 19% who really are, based on job market data. (Salary.com)

9... Number of affluent families out of every ten such families who will lose their fortune by the end of the 3rd generation. (Christian Science Monitor)

200,000... Cost in dollars couples without employer sponsored retiree health benefit will pay out of pocket for health care after age 65. (Fidelity Investments)

137 ... Asset dollars in billions, held by the largest US mutual fund: Growth Fund of America. (Morningstar)

5 ... Number of U.S. senior citizens, in millions, who are financially abused each year through investment scams. (Securities Exchange Commission)

53 ... Percentage of taxpayers favoring a no-deduction, flat-rate income tax or national sales tax. (Tax Foundation)

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“Facts on Taxes” - from Kiplinger

From an analysis of the 2004 returns by the IRS - High income earners are shouldering more of the tax load. Only in 1986 was the tax burden higher.

The top 1% paid 36.9% of all the tax collected.

They had just 19% of the total adjusted gross income.

The top 1% included those with an AGI of at least \$328,000.

The top 5% paid 57% of all the tax collected

They had just 33% of the total adjusted gross income.

The top 5% included those with an AGI of at least \$137,000.

The top 10% paid 68% of all the tax collected

They had just 53% of the total Adjusted gross income.

The top 10% included those with An AGI of at least \$99,100.

The bottom 50% of those filing a tax return paid just 3.3% of the total income tax. Taking into consideration the Earned Income Credit, the group actually had a negative income tax rate.

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Social Security Changes for 2007

As much as 85% of your Social Security retirement benefits can be subject to income tax. For married Taxpayers it is once your adjusted gross income (AGI) exceeds \$32,000. For unmarried taxpayers it kicks in at \$25,000.

The wage base in 2007 goes up \$3,300 to \$97,500.

Benefit checks will be larger by 3.3%.

Draw benefits at 62? Depends. If you are still working, every \$2 of income over \$12,960 results in a loss of \$1 of benefits.

If you'll turn 65 and 10 months in 2007, you can earn \$34,440. Every \$3 over that costs you \$1 in benefits.

The good news, once you are over 65 and 10 months, there is no limit on how much you can earn.

Medicare Part B premiums go up to \$93.50 a month; and certain high income earners will have to pay \$162.10 per month, or more.

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Tax Time >> Send us your tax preparer's email address & we'll send them COST BASIS & FEES PAID #s for 2006, or we can email them to you if you wish.

Since January 2005— not quite two years— more than 100 million people have been affected by identity theft. Here are some ways to avoid becoming a statistic.

- * Place fraud alerts on your credit reports—no new credit lines without your verbal approval
- * Order all three free credit reports—we suggest rotating and ordering 1 every 4 months
- * Review your credit report carefully—any inquiries from vendors you do not recognize?
- * Opt out of unsolicited credit card offers—go to www.optoutprescreen.com
- * Remove your name from direct-mail marketing lists—you can do this at www.dmaconsumers.org
- * Become acquainted with a shredder—shred the mail and the envelope
- * Encrypt your wireless internet connection—makes it a lot harder for a hacker
- * Consider an identity theft protection service—

Thanks to Todd Davis of Lifelock, an identity theft prevention company (877) 543-3562

The real art of conversation is not only to say the right thing at the right time, but also to leave unsaid the wrong thing at the tempting moment.

(Continued from page 1)

Over the next 3 years what needs to have happened to you both personally and professionally for you to feel satisfied that you have made progress towards your goals?

What are the 3 biggest dangers you face?
What are the 3 biggest opportunities you have?
What are the 3 biggest strengths you have?

Dangers: poor health, poor finances, environmental factors, family friends and home.

Opportunities: a new career, a new business, improving your skills.

Strengths: more than adequate assets, adequate insurance, a plan for the future, good family relations, a network of friends, a willingness to embrace risk, excellent health.

* *The material above is from Dan Sullivan of the Strategic Coach
www.strategiccoach.com*

If you are approaching retirement, your key questions should be What's enough? How much income do I need? How big an investment account do I need to provide that income? Do I spend it down as I age, or plan to leave a bequest for family or charity?

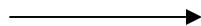
These are complex questions with many assumptions and variables involved, most notably:

- Age Life expectancy Income Expenses
- Inflation Retirement distributions
- Types of assets owned

You are not alone in this endeavor. You can get help to create the future you want. I hope something in this article will break the logjam you might have in your head now enabling you to think more clearly about the problem.

There will be obstacles. Just remember, the problem is usually not the problem. *The problem is usually that we don't know how to think about the problem.* Many problems exist only in our minds. Out preconceived notions, attitudes and beliefs get in the way. There is a fear of the unknown and the fear of changing.

Mark Twain said, "I've experienced a lot of terrible things in my life. Some of them actually happened." He also said, "Twenty years from now you will be more disappointed by the things you did not do than by the ones you did do."



"It is not how much one makes but to what purpose one spends."
John Ruskin, English art critic

Call for information on how an Annual Spending Plan can be a solution to achieving your financial goals in 2007.

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

Retirement Plan Contribution Limits

Each year adjustments are made to the amount one can contribute towards their retirement. Below are the new 2007 limits for some of the more common plans.

- ◆ The 401k limit goes to \$15,500 in 2007. It's \$20,500 if you are over age 50.
- ◆ The maximum for SIMPLE IRAs goes to \$10,500 (\$13,000 if over 50).
- ◆ Defined contribution plans (Keoghs, profit sharing & SEPs) allow for a maximum contribution of \$45,000.
- ◆ The maximum annual retirement benefit you can fund for in a Defined Benefit plan rises to \$180,000.

Everyone is unique. Only you can create the future you want by choosing wisely. Keep in mind that doing nothing is a choice, but not a very wise choice.

Jim Ellman

Carolyn, Lahcen and I have enjoyed working for you this past year. May much peace, happiness & success be yours in 2007.