JustPlans etc. — Managed Investments • Retirement Planning

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

ABEL Strategy — Third Quarter 2008 — October 6, 2008
Retirement Planning & Wealth Management

Investment Income From Your Home?

A friend of mine, Alex, recently shared the following story with me. If you are interested in how this might work for you, I'll give you his phone number.

Jim Ellman

"My client owned a home in a very nice neighborhood worth over $1,000,000. With the kids gone and raising their own families, the house seemed a bit too big and the upkeep was more than they wanted. They were looking at retirement and wanted to generate additional cash flow, if possible.

The house was in the Bay Area and had seen enormous price increases since it was bought. They estimated their capital gain tax upon sale would be approximately $264,000. The mortgage had been paid off some time ago.

They took a $700,000 loan against the present home in order to buy a new home. Then they turned their first home into a rental. The rent income covered the mortgage, property tax and insurance. Two years later they sold the older home, put $500,000 in their bank account (IRS Section 121 exclusion) and did a 1031 exchange into two Tenant In Common "TIC" investments with the rest of the equity. The TICs were from different sponsors, in different parts of the country and represented different property types. The strategy generated a 6% return (not guaranteed) and saved the client over $250,000 in taxes."

Of course, depending on the November elections, this strategy may not be feasible in the future.

Here's a Novel Retirement Plan: Work Longer

In 1985 one in ten Americans aged 65 or older worked. Today it's one in five. For those 65 to 69, work provides 39% of income, up from 23% two decades ago. For those 70 to 74, its 22.5%, up from 11%.

Those now approaching retirement expect, as a matter of choice and necessity, to hang on to their career jobs longer than earlier generations did and to continue to work at least part-time after leaving them. When the Employee Benefit Research Institute surveyed workers ages 55 and up, 46% said they expected to retire at 66 or older, or never—up from 18% a decade ago. Forbes, September 29, 2008

The full article can be found at http://www.forbes.com/personalfinance/forbes/2008/0929/096.html

The more you have the more you want more than you have.

Not a farewell …

- Lahcen Abidar, Portfolio Manager

Dear friends,

It has been my pleasure to manage your money during the last 10 yrs as the portfolio manager at Just Plans Etc. And I look forward to managing money for the next 10 yrs, or longer, God willing, as a 'Separate Account' manager on the Schwab Marketplace starting in January 2009. After spending almost ten years with Jim I decided it was time to set up my own money management firm. This will give me the opportunity to work with multiple advisors including Just Plans. This is not a farewell letter, and I look forward to continued management of client money for years to come.

That having been said, let me address the current turbulent market. At the end of last year research suggested that things were going to be pretty bad going forward. We moved to 100% cash in December. In late January we changed our focus from stocks to exchange traded funds "ETFs" in order to adapt to the new environment. That has paid off very nicely, thanks to God. Of the eight ETFs purchased for the managed accounts, as of Sept 30, they had provided a 12.9% return for the year. Seven of the eight positions had been sold. We plan to sell the last one during the fourth quarter.

The portion of the portfolios I have managed in 2008 is up 12% year-to-date while the market is down over 20%.

The casualties so far in this severe storm have been BSC, LEH, WM, WB, AIG, FNM, FRE, MER, IMB to name a few. I believe, unfortunately, that we will have more companies disappear before things settle down.

Lahcen

Benchmarks & ABEL Performance

	3rd Qtr	YTD	12 Mos	3 yrs	5 yrs
Dow	-3.7%	-16.6%	-19.8%	+3.3%/y	+5.6%/y
S&P500	-8.4%	-19.3%	-22.0%	+0.2%/y	+5.2%/y
Nasdaq	-8.6%	-20.6%	-21.9%	-0.1%/y	+3.9%/y
ABEL *	+1.0%	+1.9%	-14.3%	+4.1%/y	+5.9%/y

* includes mix of Stocks, Funds, CDs and Cash

⇒ Indexes from Morningstar, Mgr Funds & Baseline

Do a friend a favor.
Refer them to our web site.

www.justplans-etc.com

You may be able to roll your 401k into an IRA while still on the job. If your plan permits an "**In Service Distribution**", call us.

Statistics …

83… .Average age at move in of an assisted living resident. (Assn for Long-term Care Ins)

27… Average length of stay, in months. (Assn for Long-term Care Ins)

3.4… Percentage of total assisted living bills paid for by insurance. (Natl Center for Health)

39… Percentage of Americans who keep close track of their expenses, along with 36% who say they have a "somewhat good idea" of them. (Natl Foundation for Credit Counseling)

6.4… Percentage of Americans age 75 or older who worked in 2006, versus 4.7% a decade earlier. (Dept of Labor)

41… Billions of dollars we spend in a year on our pets, more than on movies, video games and recorded music. (Business Week)

38… Percentage of civilian Americans age 55 and older in the labor force in 2006, up from a low of 29.4% in 1993. (Employee Benefit Research Institute)

85… Percentage of men and women taking early Social Security benefits in 2005, versus 66% men & 71% women taking early benefits in 1999. (CNN Money.com)

FDIC and SIPC Provide Basic Investment Protection

The publicity generated by the liquidation of California-based IndyMac Bank - one of the nation's largest savings & loans with $32 billion in assets - along with recent headlines focused on the Bear Stearns bail-out and government takeover of mortgage giants Fannie Mae/Freddie Mac serve to underscore the fragile state of the nation's financial infrastructure.

Understandably, such news increases the concern of people about the safety of the money they have parked at the bank or invested with a brokerage. There are, however, some well established safety nets to provide savers with a measure of reassurance.

For bank customers, that reassurance comes in the form of the Federal Deposit Insurance Corporation (FDIC), created in 1933 to restore confidence in the banking system following the Crash of 1929 and the onset of the Great Depression.

Although the banking sector is feeling the effects of the mortgage meltdown, problems besetting the nation's banks are not as severe as they were 20 years ago during the savings-and-loan crisis. Of the nation's approximately 8,500 banks and savings associations, only 90 are currently on FDIC's problem list.

The FDIC guarantees checking and savings accounts as well as certificates of deposits up to $100,000 or $250,000 for retirement accounts invested in bank products (i.e., not stocks or mutual funds). Joint accounts are insured up to $200,000. Monies held in different categories of ownership - typically trusts - also may qualify for separate coverage, generally to a limit of $100,000.

The FDIC reports that about *37% of domestic bank deposits aren't insured* because they're sitting in bank products the agency excludes from coverage, such as mutual funds, annuities and life insurance. So be aware that those little details can potentially add up to big numbers if your bank should hit the skids.

Clients of the nation's brokerage industry can rely on a safety net of a somewhat different sort courtesy of the Securities Investor Protection Corporation (SIPC), which, while also an insurer of last resort, has a somewhat different and narrower focus than the FDIC.

Chartered by Congress in 1970 as a member-funded, quasi-governmental entity overseen by the Securities and Exchange Commission (SEC), its mission is to help reimburse customers of failed or otherwise financially troubled brokerage houses. All brokerages registered with the SEC are required to be members.

What SIPC does not do is protect against losses from market and security price movement related to investor judgment or macroeconomic factors. It will, however, protect the number of shares you hold in the account. SIPC will not help in the case of fraud (e.g., if you're sold worthless securities). It will help if a broker absconds with your funds or goes out of business, however.

Unlike the FDIC, the SIPC is not a regulator and relies on the enforcement mechanisms provided by of Financial Industry Regulatory Authority (FINRA), the states and the SEC. The goal of both, however, is to increase investor confidence and, ultimately, market stability.

The SIPC provides coverage for all SEC-registered securities up to a maximum of $500,000, including $100,000 in cash, per account. Excluded from coverage are unregistered investments such as commodities, options or currencies. In 2007 there were no brokerage firm failures that required SIPC intervention and only one (very small) failure so far this year.

Charles Schwab, UBS and Merrill Lynch, carry excess coverage provided by outside insurers, such as Lloyd's of London, which allows for $150 million per brokerage customer and $600 million per broker/dealer.

Capitol Costs ...

What goes up and doesn't come down?

The federal budget and the cost of federal regulations. Our report finds the cost of federal regulations on consumers [was] a staggering $1.16 trillion in 2007. Among the report's findings:

- Given that 2007 government spending stood at $2.73 trillion, the hidden tax of regulation now approaches half the level of federal spending itself.
- Regulation costs more than seven times the $163 billion budget deficit.
- Regulatory costs nearly match 2005 corporate pretax profits of $1.3 trillion.
- Regulatory costs also rival estimated 2007 individual income taxes of $1.17 trillion.
- Combining regulatory costs with the federal 2007 outlays brings the federal government's share of the economy to 28%. Clyde W. Crews Jr, Competitive Enterprise Institute

The S&P 500 Represents the Largest 500 Companies, Right?

There are somewhere between 12,000 and 16,000 companies in the US whose shares you can purchase. About half of them are listed on the NYSE, AMEX or Nasdaq with the balance found in the "pink sheets" or on the "bulletin boards".

The listed and traded stocks number 8003 according to Baseline. Of those, 752 (9.4%) are considered to be large-cap stocks with their market value at and over $7.5 billion. The next group of mid-cap stocks number 1172(14.6%) and represent companies whose market values are between $1.5 billion and $7.5 billion, followed by 2110 small cap companies valued at between $300 million and $1.5 billion. The last component is the micro-cap group of companies valued at less than $300 million. There are 3969 companies in this group making up almost half of all the stocks traded on the major exchanges.

So you'd assume the Standard and Poor 500 Index must consist of the largest of the 752 large-cap companies. Not true. Only 258 companies are large-cap firms, with 142 mid-cap and 100 small-cap firms making up the balance.

The Russell 2000 is another popular index representing smaller companies. It consists of 1982 companies: 1241 small-cap companies (63%) , 144 mid-cap companies (7%), and 597 micro-cap companies with market capitalization of less than $300 million (30%).

Try not to become a man [or woman] of success, but rather a person of value.—Einstein