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ABEL Strategy — Fourth Quarter 2008 — January 7, 2009
Retirement Planning & Wealth Management

A Lifetime of Income

You and I work to provide a standard of living for today, and for the intellectual, emotional and physical satisfaction of doing something we enjoy, or should enjoy. We also work today to provide for tomorrow.

Recently I came across an article that described a very practical method of determining how to make sure we don't outlive our income. First, divide your life into periods, then do some math (page 2). Make it a New Year's resolution to get a better handle on your retirement income. I'd be happy to help.

Jim Ellman

A 9-step Lifetime Income Approach to Retirement Planning

Period		Action to take
Age 45 - 65	A.	Evaluate areas of risk. Consider using current income to close gaps in Long-term Care and Health Care costs. Consider use of life insurance to protect heirs, distribute wealth and minimize estate taxes. Review trusts and estate plan. Consider allocating a portion of 401k rollovers to a deferred annuity contract.
Age 65	B.	Minimize the risk of outliving assets after age 85 - assuming a worst case economic scenario. Estimate the target annual real income needed at age 85.
	C.	Set aside 5-6 times the amount of target income needed at 85. Invest this money until then. At age 85 this account can be used to fund an immediate life annuity in the worst case scenario (15% of the time), or in prosperous economic scenarios (85% of the time) drawn against to provide retirement income.
	D.	Invest 60% of the remaining assets to fund your retirement income from age 65 to age 75 (10 years).
	E.	Invest 40% of the remaining assets to fund retirement income from age 75 to 85.
Age 65 - 75	F.	Make adjustments, reducing withdrawals when the value of deferred assets fall below a predetermined level, and increasing withdrawals when deferred assets exceed a predetermined percentage of their original value.
Age 75	G.	Use the value of the funds earmarked in "E" above to determine the withdrawals to be made from age 75 through 84. Continue to defer the amount set aside in "C" above - to fund a lifetime income starting at age 85.
Age 75 - 85	H.	Evaluate financial circumstances and adjust spending, or accelerate gifting to children and charities. Review living trust/wills and estate tax plan.
Age 85	I.	Evaluate financial and physical health to determine prudency of buying an immediate life annuity with part or all of your assets.

Continued on page two

Lifetime Retirement Income Calculations

Liquid Assets:			$1,420,000
Cash	$40,000		
CDs	$20,000		
Annuities	$0		
Bonds	$60,000		
Stocks	$700,000		
Mutual fund	$600,000		

Pensions:	$45,000 per year	Joint/Survivor
Social Security:	$36,000 per year	Joint
	$18,000 per year	Survivor
Illiquid Assets:		
Home	equity = ?	
Rental	cash flow = ?	
Business	can it be sold?	

Assumed investment return: **7%**

A. Current Age 59

Target Income Adjusted for Inflation @ **3%**

B. Age 85 target income **$100,000**

C. 4.5-6 times target income 4.6 $460,000

Value @85 - Years invested:	**26**	$2,671,382	< Grows to	
Average Return/year:	**7%**			

D. 60% of the balance invested to age 65; then withdrawn over 10 years

Value @65 - Years invested:	**6**	$864,421	< Grows to	
Average Return/year:	**7%**	**$123,074**	< Annual Income	**$119,405**

E. 40% of the balance invested to age 75; then withdrawn over 10 years

G.	Value @75 - Years invested:	**16**	$1,133,631	< Grows to	
H.	Average Return/year:	**7%**	**$161,404**	< Annual Income	**$160,471**

I. Health good, consider annuitizing; otherwise take withdrawals

Invested to age 85	**26**	$2,671,382	< Grows to	
Annuity>	Female	**$346,852**	< Annual Income *	**$215,659**
	Male	**$362,592**	< Annual Income *	

Withdrawals over 15 years>	**7%**	**$293,303**	< Annual Income
Withdrawals over 20 years>	**7%**	**$252,160**	< Annual Income

* Lincoln Benefit Life - life annuity quote April '07 for female/male age 85

"Stupidity is the deliberate cultivation of ignorance" - *Wm Gaddis*

The Market That Was, Is & Will Be

To place 2008 in its time compartment: it was the worst year for stocks since 1931, the average stock on the New York Stock Exchange lost 45% and erased almost $7 trillion of presumed wealth.

2008 was historic in that most data, some dating back over a century, experienced breaches of historical precedent. Credible data share a characteristic: the greater the divergence from norms, the greater, and more dramatic the reversion to the norms. The data indicates the rectification process will be historic.

The stock market and economy are in the midst of the largest combined monetary infusion cycle in history. When the added money works its way into the economy its impact is divided between inflation and productivity. Whatever the division, asset values are elevated.

First we experienced turmoil which lasted thru last July. The volatility phase went from August to mid December and included a record level of indiscriminate selling. Now we enter what is called the normalization phase.

The Fed has never failed to achieve its objectives. It can make money without limit. Legislative stimulus measures are historic with more to come. Entering 2009 we have quality stocks historically discounted and stimulus measures of a historic magnitude in place. The market direction most likely will be up...by the end of the year. Before then, another test of the lows when disappointing earnings are announced in January & April.

Benchmarks & ABEL Performance

	4th Qtr	12 Mos	3 yrs	5 yrs
Dow	-18.4%	-31.9%	-4.1%/y	-1.1%/y
S&P500	-21.9%	-37.0%	-8.4%/y	-2.2%/y
Nasdaq	-24.4%	-40.0%	-9.8%/y	-3.9%/y
ABEL *	+ 2.8%	+ 4.7%	+5.3%/y	+5.1%/y

Cash & CDs	+ 0.5%	+ 2.4%
Fixed Income	+ 0.8%	+ 0.5%
US Stock Funds	–13.2%	-17.4%
ETFs	+ 0.5%	+38.3%
Separate Accts	n/a	n/a
Internat'l Funds	-15.1%	-36.4%

* includes mix of Stocks, Funds, CDs and Cash

⇒ Indexes from Managers Funds

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 ...

46... .Percentage of American households who have sufficient emergency savings for three months of living expenses (Bankrate.com)

79... Percentage of employed 70-year-olds who work because they want to, versus 21 percent who feel they must (HSBC Bank)

4... Percentage of workers 25 and under who max out their 401k plan (CCH)

40... Percentage of household financial assets dedicated to retirement (InvCoInsti)

9,349... Number of reverse mortgages issued by the FHA in a single month versus 6,000 for all of 1999. (Housing Admin)

83... Average age to which pre-retirees believe they need to make their retirement savings last (Fidelity Research)

31,000... Dollars saved by driving a car for 15 years or 225,000 miles versus buying the same model every 5 years (Consumer Reports)

31.5... Average percentage bear markets since WWII have knocked off the S&P 500 before reaching their bottom (Stnd & Poors)

0.1... Percentage that socially responsible funds annually outperformed other funds from 1997-2007 (Morningstar)

26%... Parents with children age 5 and older who feel well prepared to teach their children basic personal finances (Lenox Advisors)

Social Security—2009

The Social Security wage base increases to $106,800 in 2009, $4800 higher than 2008. That's an extra tax you will pay of $298.

The rates remain unchanged: FICA @ 6.2%, Medicare @ 1.45%, self-employed @ 15.3%.

Benefits are scheduled to increase by 5.8%.

Individuals drawing benefits between 62 and 66 in 2009 can earn $14,160 before benefits are reduced. Individuals who turn 66 in 2009 won't suffer a loss of benefits until they earn over $37,680. There is no earnings cap once you turn 66.

Retirement Plans

The 401k, 403b and 457 maximum deferral rises to $16,500 and if you are over age 50, to $22,000.

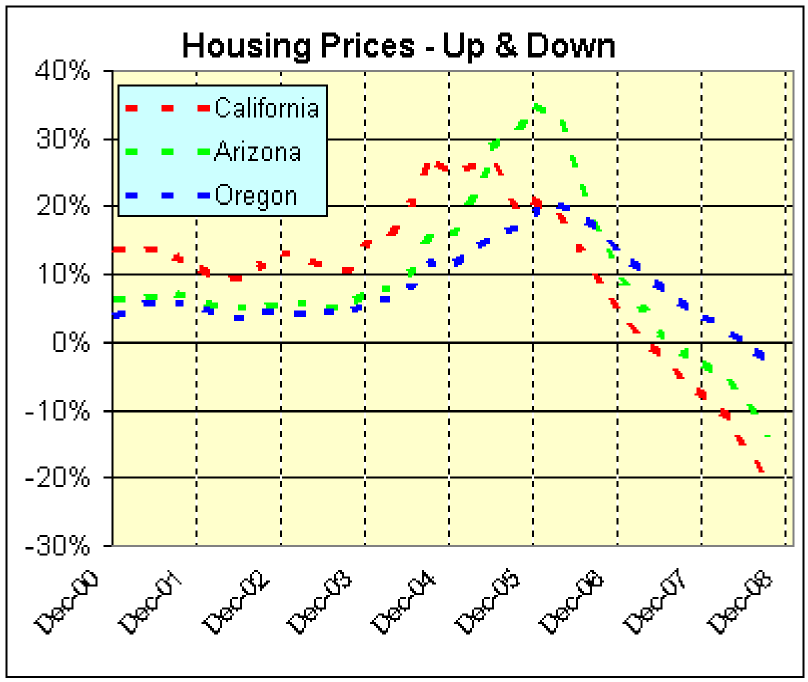
For SIMPLE IRAs the limit is $11,500, or $14,000 if over age 50.

Traditional and Roth IRAs are maximized at $5,000...plus $1,000 if over age 50.

Housing Prices - Up & Down

Qtr End	California	Arizona	Oregon
12/31/2008			
9/30/2008	-20.7%	-13.4%	-2.7%
6/30/2008	-16.2%	-9.3%	-0.4%
3/31/2008	-11.2%	-5.7%	2.3%
12/31/2007	-8.2%	-3.1%	3.9%
9/30/2007	-5.7%	-1.1%	5.1%
6/30/2007	-2.2%	1.6%	8.0%
3/31/2007	0.5%	4.8%	10.4%
12/31/2006	3.8%	8.9%	13.2%
9/30/2006	8.8%	15.5%	16.1%
6/30/2006	13.6%	23.5%	19.1%
3/31/2006	18.6%	32.9%	20.5%
12/31/2005	21.0%	35.2%	19.5%
9/30/2005	20.2%	31.3%	17.2%
6/30/2005	25.5%	28.7%	15.9%
3/31/2005	26.2%	20.9%	13.4%
12/31/2004	24.8%	16.2%	11.4%

Office of Federal Housing Enterprise Oversight



Every eight seconds, an American turns 50… The 50-plus crowd now controls 50% of all U.S. discretionary income, accounts for 75% of all prescription drug spending, and has 65% of America's household net worth, according to Deloitte & Touche. By 2030, boomers will control nearly 80% of private investments forecasts the MetLife Mature Market Institute.

- *Leslie Norton, Barron's*

Looking For Shelter From Taxes?

Uni(k) & Defined Benefit (DB) plans replace SEPs

	Salary	SEP	401k	DB
Owner	$100,000	$25,000	$45,000	$165,000
Spouse	$40,000	$10,000	$30,000	$65,000
Totals		$35,000	$75,000	$230,000

If you are self-employed, it's worth a phone call to discuss replacing your SEP.

"Seriousness is stupidity sent to college" *- P.J. O'Rourke*