

tax & investment newsletter

January 2010

MONTGOMERY TAYLOR, CPA, CFP

"Next to being shot at and missed, nothing is really quite as satisfying as an income tax refund." ~ *F. J. Raymond* ~

Monty's Opening Thoughts...

This is an 'odd' time of year. It brings people who rarely see or socialize with each other together, sparking a lot of one-upmanship – some legitimate, some contrived, some outright lying; a lot of envy; a lot of questioning: is that person happier? Richer? Smarter? Am I working harder for less? It sends you to stores to buy things, perhaps out of obligation rather than inspiration, as chore rather than act of affection or gratitude, maybe with negative anticipation of it being unappreciated, and the entire process makes thoughtful people ponder the meaning of it all. **It's easy to get lost in that fog and entirely lose sight of the central question: are you choosing goals for yourself that are significant and rewarding to you, and progressively achieving them?**

If you went to Harvard Law School and now choose not to practice law and instead live as an itinerant cowboy, sleeping under the stars and drinking campfire coffee from a rusty tin cup, and you're honestly, authentically happy about that, more power to ya – unless you have unpaid loans and debts to family or institutions for your education or other responsibilities that must be honored and discharged. If you make millions and wish to spend much of it on wine and women, or women and wine, and it's your money, and you do no harm to others, have at it. It's unlikely, though, that such things without achievement and contribution will long sustain happiness, but you're welcome to try. The trick in it all is honesty with self. **Earl Nightingale** observed that when it's all said and done, each person is about as happy or unhappy as they choose to be. For one person, never even having to think about money makes for happiness. For another, even with no economic necessity, redeeming a coupon and getting a good deal makes them happy. But there is fact: achievement contributes to happiness; lack of achievement contributes to unhappiness. Envy contributes only to unhappiness. And much criticism masks envy.

As you step across the line drawn in the sands of time, from 2009 to 2010, you will likely reconsider goals, achievements, tangible measurements like money, less tangible measurements like happiness. You may do so as most do, casually, as with New Years' resolutions "made under the influence . . . to be broken," or quite seriously. **One thing: be very, very, very wary of anyone telling you that you can't or shouldn't.** In setting your New Years' goals, go ahead and dream a little, think outside the box and resolve to do what makes you happy.

Working Harder Than EVER For YOU,

Monty



FREE Reports

- **Why Smart Entrepreneurs Need Smart Financial Advisors**
- **How to Best Finance a College Education – and Save Tens of Thousands of Dollars**

These two recent White Paper reports from Monty were written with the busy entrepreneur in mind, but they are also very applicable to non-business owners interested in these topics.

Call our office to request your FREE copy.



To ALL of our clients, I just wanted to say that it has been a pleasure working for and with all of you. It was a privilege to be able to help you with all of your tax and financial needs. Thanks

for the opportunity!

Milady

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Staff News

We hope this New Year marks the beginning of many **new** joys and accomplishments for our clients ... and a continuation of all of the good things that you have already achieved.

With **Milady** setting off for new adventures in Monterey, **Sandy Koppen** joins us as Front Office Manager. Until recently, Sandy has devoted most of her energy to raising her two daughters (now 18 and 12 years old) and contributing her abilities to serving in a range of volunteer positions in organizations ranging from Girl Scouts and Habitat for Humanity to her daughters' schools and her church congregation. Now that her oldest daughter has started college as a freshman at Loyola University in Chicago, it is definitely time to pursue paid employment!



Originally from Minnesota, Sandy has a Bachelor's Degree from the University of Minnesota-Twin Cities, and most recently updated her skills with an Account Clerk certificate from Santa Rosa Junior College. She and her husband of 25 years have lived in California for the past 19 years, and are now just as wimpy about the cold as any native Californian. When she gets the chance, Sandy enjoys singing, reading, sewing, and gardening.

We are sad to say goodbye to **Milady**, but she is looking forward to finally being permanently home with her husband and pets. Her husband surprised her at Christmas with a membership to the Monterey Bay Aquarium. She is looking forward to going whale watching in mid January. Milady is also looking into going back to school to get her Associate's Degree in Computer Science.



Barbara started off the New Year with fun in the sun in Mexico. She enjoyed parasailing, snorkeling, kayaking, whale watching, and observing Blue Footed Boobies on the Marieta Islands.

Monty, Phil and **Mary-Ann** have been busy attending annual tax update courses and getting ready to prepare your 2009 tax returns. There have been many, many new tax laws enacted this past year. Congress loves to keep our tax laws – simplified. ☺

We're looking forward to seeing our returning clients as well as meeting new folks who come to our office for the best, personalized tax preparation services in the North Bay area.

The Bush tax cuts are set to expire – and other big changes are poised to occur. Read Monty's blog to find out if you can take advantage of these new tax changes.

<http://taxwiseadvisor.blogspot.com/2009/12/tax-alert-plan-to-take-advantage-of.html>

New Widow – Grateful for the Help



Suddenly, there I was all alone and things hadn't really been taken care of the way I thought they had. I kind of just popped up on **Monty's** doorstep one day and said,

"Here I am, here's all my stuff, can you help me?" And he did, he couldn't have done any better for me, he really rescued me from what we might have called 'Schiesters'. Monty straightened out my taxes and investments, and helped me better understand my Living Trust. He takes care of all this much better than my old CPA and stockbroker ever did.

I must admit I was ill prepared for what was to come my way. I didn't handle some things quite perfectly, but I tried. Monty knows everything that's going on (with my taxes and my finances). I really like having it all in his hands. He found and fixed mistakes made by my prior CPA – getting me an unexpected tax refund in the process.

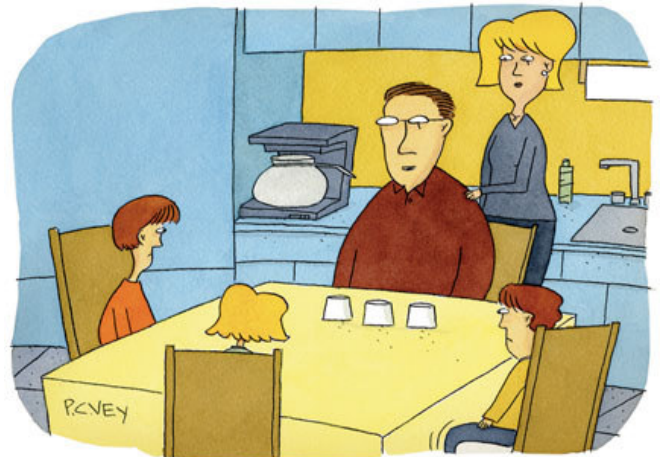
The big challenge for people like me is that we worked and saved and put things away and it's just dissolving before our eyes. Thanks to Monty, I'm still on top of it.

I just paid my estimated quarterly taxes, and if Monty hadn't been as successful handling my investments as he has been, I wouldn't be paying as much tax. There's an upside and a downside here. In any case, I'm most grateful.

He appears to be personally interested in my financial success and security. That makes me feel good.

Monty's a great resource – he helped me find just the right person to update my will and trust and the whole thing. And he's fun to talk to, and has a great staff.

~ **Maridale Smith, Retired Teacher, Petaluma**



"Whoever guesses which cup the college tuition is under, gets it."

Tax Strategy of the Month

“Here’s an idea I think will save you money!”



We Get Tax Questions . . .

Sidestep ‘resale rule’ for related parties

Q. I sold a real estate property to my son on the installment basis. Is there any tax problem if my son later resells the property at a gain?

A. Yes. Under the installment-sale method, generally, a taxpayer can defer the tax on the sale of appreciated property if he or she receives payment over two or more years. But the initial owner may have to recognize the deferred gain if the property is subsequently sold by a “related party.” The taxable amount is either (1) the gain realized from the second sale or (2) the remaining deferred gain from the first sale, if that is less. (*IRC Sec. 453(e)(3)*)

Tip: If the son waits until two years after he acquired the property, this resale rule for related parties doesn’t apply.

Forward tax thinking on reverse mortgages

Q. I am contemplating a reverse mortgage. Will I have to pay tax on the payments?

A. No. With a reverse mortgage, the homeowner generally receives payments or a lump sum from a lender based on age and life expectancy, the current value of the home and other factors. The payments are treated as a tax-free borrowing transaction. But the loan must be repaid, with interest, when the homeowner moves, sells the home or passes away.

Tip: A reverse mortgage typically comes with strings attached, although the 2008 housing law limits fees.



Pave the way to property tax deductions

Q. I live in a rural area where sidewalks are being put in and repaired. Can I deduct the extra property tax assessments?

A. It depends. A taxpayer can’t deduct amounts paid for local benefits that increase the value of the property. This includes the construction of streets, sidewalks and water and sewer systems. These amounts must be added to the basis of the property. However, assessments or taxes for local benefits are deductible if they represent payments for maintenance, repair or interest charges relating to those benefits.

Tip: If only a part of the assessment is for maintenance, repair or interest charges, the taxpayer must be able to show the amount of that part to claim the deduction. Check your real estate tax bill.

There’s still life left in SARSEPs

Q. Someone I know is operating a business SARSEP. Are these still valid?

A. Yes. The SARSEP (Salary Reduction Simplified Employee Pension) enables an employer to use cash deferrals, of salary—much like a 401k—to supplement employer contributions to a SEP. This type of plan is available only to employers that had 25 or fewer employees in the prior year. Due to a tax-law change, you no longer can set up a SARSEP, but employers with SARSEPs established before 1997 may continue to operate them, subject to usual nondiscrimination rules and limits for qualified plans.

Tip: As with other defined contribution plans, contributions to a SARSEP for 2009 or 2010 can’t exceed 25% of compensation or \$49,000, whichever is less.



Does brief rental reduce home sale exclusion?

Q. I’m renting out my principal residence while I’m trying to sell it. Will this reduce the available home sale exclusion?

A. Probably not. Under the home sale exclusion, a short temporary absence is still treated as a period of use as a principal residence, even if the home is rented out during the absence. But an absence of one year or more isn’t considered “temporary.” It is logical that this rule would extend to the new law disallowing the exclusion on sales after 2008 for gain attributable to “nonqualified use.”

Tip: The new law specifically states that nonqualified use does not include any period of temporary absence (not to exceed an aggregate of two years) due to change of employment, health conditions or any other unforeseen circumstances. (*IRC Sec. 121(b)(4)(C)(ii)(III)*)



Tax News You Can Use...

Merci

Dankeshön

Gracias

Thanks! We appreciate you

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

Also, thank you for recommending us to your family, friends, and associates. We appreciate your referrals.

It's tax time again

It's time to file various tax returns once again. If any of the following tax deadlines will apply to you, circle the dates on your 2010 calendar.



- ❖ **January 15** – Due date for the fourth quarterly installment of 2009 estimated taxes for individuals unless you file your tax return and pay any taxes due by February 1.
- ❖ **February 1** – Employers must furnish 2009 W-2 statements to employees. Payers must furnish payees with Form 1099s for various payments made. The deadline for providing Form 1099-B and consolidated statements to customers is February 16.
- ❖ **February 1** – Employers must generally file annual federal unemployment tax returns.
- ❖ **March 1** – Payers must file information returns, such as Form 1099s, with the IRS. This deadline is extended to March 31 for electronic filing.
- ❖ **March 1** – Employers must send Form W-2 copies to the Social Security Administration. This deadline is extended to March 31 for electronic filing.
- ❖ **March 1** – Farmers and fishermen who did not make 2009 estimated tax payments must file 2009 tax returns and pay taxes in full.
- ❖ **April 15** – Individual income tax returns for 2009 are due.

Not much change in IRS inflation-adjusted tax numbers for 2010

The IRS is required to adjust many tax numbers for inflation each year. Because there was little inflation last year, there's very little change in 2010 numbers. Here are the numbers you'll need for your 2010 planning.



- The standard mileage rate for business driving drops from 55¢ per mile to 50¢ per mile, effective January 1, 2010. The rate for medical and moving mileage drops from 24¢ per mile to 16.5¢ per mile. The general rate for charitable mileage remains at 14¢ per mile.
- The maximum earnings subject to social security tax remains at \$106,800. The earnings limit for those under full retirement age is \$14,160. For those at full retirement age, there is no earnings limit.
- The "nanny tax" threshold remains at \$1,700 for 2010. If you pay household workers more than this amount during the year, you're responsible for payroll taxes.
- The "kiddie tax" threshold is unchanged for 2010. If your child under age 19 (under age 24 for students) has more than \$1,900 of unearned income this year (e.g., dividends and interest income), the excess could be taxed at your highest rate.
- The maximum individual retirement account (IRA) contribution you can make in 2010 remains unchanged at \$5,000 if you're under age 50 and at \$6,000 if you are 50 or older.
- The maximum amount of wages employees can put into a 401(k) plan remains at \$16,500. The 2010 maximum allowed for SIMPLE plans is \$11,500. If you are 50 or older, you can contribute up to \$22,000 to a 401(k) and \$14,000 to a SIMPLE plan.

For details or for assistance as you begin your 2010 tax planning, give our office a call.





Wages or dividends? An important S corporation issue

S corporations are the most popular form of corporate business structure. There are excellent tax planning

benefits uniquely available to S corporation shareholders who are also employees, not the least of which is the opportunity to manage self-employment and payroll tax liabilities. Unlike sole proprietorships, for example, S corporations can pay wages to shareholder-employees and also distribute income to them as corporate dividends, which are free of the payroll taxes that apply to wages.

- ✚ Do a comparison. If your business is a sole proprietorship with net income of \$200,000, 92.35% of this amount (or \$184,700) will be subject to self-employment tax. The social security portion of the tax is 12.4% on the first \$106,800. The Medicare tax of 2.9% applies to the full \$184,700. So your self-employment tax will be \$18,600. You can take a deduction for 50% of this tax.

If you incorporate and elect to be taxed as an S corporation, the result can be dramatically different. Again assume that your business income is \$200,000, and the corporation pays you a salary of \$60,000 (which you can demonstrate as reasonable). You and the corporation, as your employer, will pay a combined 15.3% on your \$60,000 salary as payroll (FICA) taxes. The total tax is \$9,180. The remaining \$140,000 of business income can be distributed to you as S corporation dividends free of payroll or self-employment taxes. The result is a significant tax savings.

The IRS is very much aware of the potential for abuse by taxpayers paying unreasonably high or low salaries. In the example above, if the IRS determined that your salary was set low to avoid taxes, you could face a reclassification of all or part of your \$140,000 S corporation dividends as wages subject to payroll taxes. The key: Pay reasonable and well-documented salaries.

- ✚ So what is "reasonable"? Determining whether wages are reasonable involves many factors, including the nature of the services performed, the responsibilities involved, the time spent, the size and complexity of the business, prevailing economic conditions, compensation paid by comparable firms for comparable services, and salaries paid in prior years. There are no hard and fast rules, and there is no definition of "reasonable" in the tax law. To analyze this strategy for your particular business situation, give us a call.

Tax Advice Disclosure: To ensure compliance with requirements imposed by the IRS under Circular 230, we inform you that any U.S. federal tax advice contained in this communication (including any attachments), unless specifically stated otherwise, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties or (ii) promoting, marketing or recommending to another party any tax-related transaction(s) or matter(s) addressed herein. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

College Strategist

Paying for College Without Going Broke

January is "FAFSA" Season

Federal student aid is financial assistance that's available through the U.S. Department of Education's Office of Federal Student Aid.

Federal student aid covers school expenses such as tuition and fees, room and board, books and supplies, and transportation. There are three categories of federal student aid: grants, loans and work-study. Grants provide financial aid that does not have to be repaid. Loans provide borrowed money that must be repaid with interest. Work-study allows students to earn money to help pay for education expenses while enrolled in school. Your financial aid "package" -- the amount a school awards you -- is likely to include funds from all three categories of federal student aid programs.

The Free Application for Federal Student Aid (**FAFSA**) is the form used by virtually all two and four-year colleges, universities and career schools for the awarding of federal student aid. Many states (including California) also use the FAFSA to award aid from their programs. Many private schools require you to complete the FAFSA

and additional applications such as the PROFILE.



The data on your FAFSA is used to calculate an Expected Family Contribution

(EFC). The EFC is an indicator of your family's financial strength to pay for education after high school. Your school will subtract your EFC from your total cost of attendance. The result is your financial need.

The EFC is not the amount of money that your family must provide. Rather, you should think of the EFC as an index that colleges use to determine how much financial aid you would receive if you were to attend their school. Your application results are transmitted to the school(s) listed on your FAFSA, and the school(s) uses the EFC amount to determine the amount of financial aid that you are eligible to receive.

If you need help with financial strategies to lower your family's EFC, or would like more information about college financial aid programs, contact our office at 576-8700. It is important to implement any EFC reduction strategies prior to the FAFSA deadlines. The FAFSA **priority filing deadline** for the 2010-11 school year is February 15, 2010.

For more information, or to complete the FAFSA electronically, go to **www.FAFSA.ed.gov**

Financial Strategy of the Month

“Here’s an idea I think will save you money!”

A Survival Guide for Caregivers

A book by a geriatrician who cared for her own mother offers insights and advice for caregivers. Her best advice: Don’t go it alone.

The first rule of rescue is “Save yourself first.” That is, don’t let your rescue efforts land you in so much trouble that you yourself need to be rescued. It’s a rule that can be applied to many situations in life, including one that growing numbers of Americans face nowadays: serving as a caregiver to aging parents or other family members.

Caregiving can extract a huge toll on caregivers—emotional, financial, physical, and social. Most advice on the subject focuses on the needs of the persons being cared for. In contrast, *To Survive Caregiving* (Infinity Publishing, \$18.95) is mainly a guide for caregivers on how to take care of themselves—so that they don’t wind up needing to be rescued. To judge by the many stories in the book, the latter happens all too often.

The subtitle of the book is *A Daughter’s Experience, A Doctor’s Advice on Finding Hope, Help, and Health*. The author, **Cheryl E. Woodson, M.D.**, is a geriatrician with years of professional experience caring for older adults, who also spent 10 years caring for her mother, who had Alzheimer’s disease.

Like many caregivers, Dr. Woodson struggled to keep a balance in the rest of her life during this period, trying to maintain a professional career and raise her own young children while tending to the needs of a parent who lived hundreds of miles away.

The best advice in the book: Don’t go it alone. Get help from family and friends. Don’t rule out assisted living, day care, respite care, and nursing homes. Have a geriatrician review the older person’s situation. The tendency in many families is for one person to step in and try to do it all. Many caregivers are reluctant to reach out, and the message of Dr. Woodson’s book is that this is a mistake, one that can end in disaster for the caregiver, the cared-for, or both.

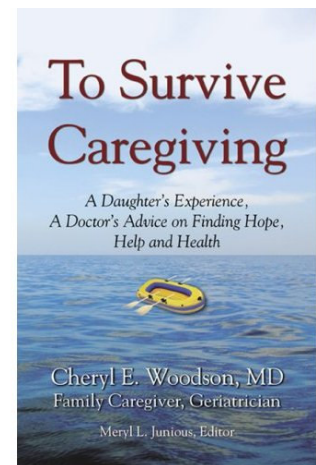
There are 10 chapters: The Crisis in Caregiving, Get Help From Professionals; Get Help From Family and Friends; Protect the Primary Resource – Hey That’s YOU!; When Eldercare Puts Other Relationships at Risk When The Doctor Says It’s Not Safe For Your Loved One To...; The Nursing Home Decision; End of Life Care; We Deal With Grief; and, The Failure of Public Policy. There is also a useful reference guide with the names, websites, and phone numbers of caregiver resources and support.

The book includes many stories about real caregivers. They are often depressing (“Mrs. F suffered a stroke that affected her memory and partially paralyzed one leg . . . Daughter V took so much time off work to care for her that she lost her job. . .). But they do shine a light on the very real problems that caregivers face.

The point of Dr. Woodson’s book is that even though these situations are often unavoidably difficult, there are things caregivers can do to help them make better decisions, give better care, and protect their own health and finances.

The chapter on the failure of public policy is excellent. Any caregiver will eventually wonder why the health care system seems so poorly equipped to address the needs of the chronically ill and their families. The answer is that it was never designed to do this. When Medicare was designed in the 1960s, there was little chronic illness. The demographics have changed enormously, but the system has lagged behind. We need more geriatricians, but the financial incentives drive medical students into other, more lucrative specialties. The author also discusses the “myth” of assisted-living facilities. They have proliferated in recent years, but are ill-equipped to provide the level of care people expect.

Dr. Woodson is primarily a doctor, not an author. The book, which was self-published, could have benefited from sharper editing. Still, given the huge toll that caregiving can take, financial and otherwise, it is a worthwhile investment for anyone providing such care.



Montgomery Taylor, CPA

Client Benefits:

1. Expert tax-saving advice as a regular part of your income tax preparation
2. Professional Service Warranty that guarantees you the largest tax refund possible with the lowest tax liability
3. Your tax returns completed within five business days of when you provide all necessary data
4. Your phone calls returned promptly (any time of year), always within 24 hours
5. Help with allocating your 401(k) investment funds
6. Monthly ClientAdvisor Newsletter
7. Professional online tax advice anytime ~ monty@taxwiseadvisor.com

**Platinum Tax Maintenance Program
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3. W-4 review to be sure your withholding is correct
4. Audit assistance in the event you are subject to an audit for the 2009 year, limited to four hours of service at no additional expense
5. Answer all IRS notices and correspondence you receive for 2009 tax year
6. Answer FTB notices and correspondence including Head of Household Audit Letter for 2009
7. 1 additional copy of tax year 2009 tax return
8. \$50 discount on our fall tax planning appointments scheduled through our appointment desk
9. One FREE Re-Run (prior to e-file) of your 2009 Return, in case of corrected 1099, new info, etc.

**Montgomery Taylor & Company, LLC,
Registered Investment Advisor
Client Benefits:**

1. Independent, unbiased, investment advice on a fee-only basis (no commissions)
2. Investment management for any account size (no minimums)
3. Monthly account statements directly from Fidelity Investments
4. Quarterly performance reports and consultation meetings
5. Tax-sensitive investing strategies integrated with your financial planning
6. Monthly ClientAdvisor Newsletter
7. Weekly Economic Update e-mail communication

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Client Benefits:**

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4. Complete your FAFSA Forms
5. Complete your CSS Profile Forms
6. Appeal/Negotiate Better Awards
7. Monthly Cash for College Newsletter
8. Monthly ClientAdvisor Newsletter
9. Weekly "Tip of the Week" E-Mails



Notes from Monty's private money management file...

For most of December the broad markets have been trading at resistance levels—not the best time to step in and buy new positions. I've been waiting for a pullback in the market to buy additional stock positions at a lower risk entrance point. During the low volume holiday weeks at the end of the month, the market has been drifting higher, so the wait goes on and we are sitting with excess cash.

The ETFs purchased for the Green Label Portfolio are up 17% since their July 27, purchase date. The best performer has been iShares Latin America (ILF) with a gain of 24.8%, while the worst performer is iShares Sweden Index (EWD) with a loss of 1.6%.

This new portfolio has been in operation for one year now! As stated in the beginning, this portfolio seeks to obtain an absolute-return. This is an innovative strategy because it focuses on pursuing returns while still managing risk. As a result, an absolute-return strategy takes a different approach than traditional strategies, which are based on broad exposure to stock and bond markets. While these traditional strategies historically have helped investors build wealth over the long term, they also expose investors to significant market volatility and periods of negative performance.

The fundamental goal of an absolute-return strategy is different – rather than trying to outperform a traditional benchmark of stocks and bonds, the strategy pursues positive returns with less volatility over time, no matter what is happening in financial markets.

An absolute-return strategy focuses on your primary concern – achieving a positive real return, one that enhances your purchasing power. I have designed this portfolio because of the nearly unprecedented challenges that current financial markets face.

This portfolio was created in the wake of the financial crisis of 2008, with the economy in recession and talks of depression. For this reason, I was purposely slow to increase exposure to stocks in 2009. This of course means we lagged the major market indices. However, we have achieved an absolute-return for 2009. We are also positioned to do well in the coming year—no matter what happens in the economy.

There are those stock analyst and economist which believe that the 2009 stock market rise was merely a short-term rally, in an otherwise longer-term bear market. Who could argue with the idea that the massive Treasury bail-outs and the Fed money printing of 2009, won't come back to haunt us? With this possibility on the horizon and my objective of protecting your assets, I firmly believe that this Green Label Portfolio is the place to be.



Monty's Money Message

Monty started his career in financial services about 30 years ago as a Stockbroker. He then became a Certified Public Accountant, Certified Financial Planner, Certified IRA Distribution Specialist and Registered Investment Advisor. With all these years of experience, he has a wealth of information to share with you about money and how you can prosper. Monty recently received the "America's Top Financial Planners" award of excellence from the Consumers' Research Council of America. Monty was selected from among his peers based upon years of experience, formal education and specialized professional certifications and designations achieved.

Are You Getting Your Dollar's Worth?

"In 1909, the US federal government had an annual budget of \$US 0.8 Billion. With this it governed a population of just over 90 million people. The cost of government was about \$9 per capita. In 2009, the US federal government has an annual budget of \$US 3,550 Billion. With this it governs a population of just over 300 million people. That's a cost of about \$11,675 per capita." ~ quoted from the Australian newsletter, "The Privateer"



Our national policy has become a 'give your kid everything' policy at the expense of the few producers who are left. And, given the reality of our economic situation, our policies, like the movie, are dumb and getting dumber. We're creating a nation of dependent, dysfunctional adults, and our national policies are quickly eroding the value of work and entrepreneurship. It's flat out dangerous.

I bring this up now due to the fact that the healthcare debate is raging. When/if healthcare is passed, it will add to the number of the dependent and dysfunctional, like so many other government programs have done. That will result in the further shrinking of the productivity pool. (Don't get me wrong. This isn't about Obama. I think McCain would do similar.)

Here is what government will never admit, even though many in positions of authority understand it. 5% of the population will always be the wealthiest and the top 20% will always control most of the wealth **no matter what government does**. The proverbial 80% - 20% rule is alive and well and proves itself every day in many different areas.



I forgot the University that did the study and all the details but the gist of the study was this: you could redistribute all the wealth in the country

equally today and within a 5 year time frame 5% of the population will be the wealthiest and most all the wealth will be held by the top 20%.

That is something to think about – even in inflation adjusted dollars, we're spending irrational amounts of money, money that is quickly being devalued by the money printing presses stuck in overdrive, backed by nothing more than the future production of our children and grandchildren.

Begs the question: If we're spending 1,297% more per capita than we did 100 years ago to govern, are we that much better off than we were? I think not.

Neither does the rest of the world judging from what the markets think of the US Dollar. All year long, as you can see from the chart below, the US Dollar has been sinking. And, even though the chart shows a recovery in the last four weeks, I believe that recovery will be a bear market rally and the ultimate direction of the US Dollar will continue down.

When reviewing the chart of the dollar index below, notice the extent of the decline. I view that as a clear 'no confidence' vote by the rest of the world. Russia and China have both called for a new world reserve currency.

