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Hello Everyone,

We have much to be thankful for as we conclude this holiday season and start a new decade in 2010. We also have much to remember about the last decade. Remember YTK? Remember the dot-com bubble burst? Remember when oil was $150 a barrel? Or when gas was over $4 a gallon? Remember Windows ME as a computer system? Remember when flat screen TV's were not the norm? Or when cell phones were twice the size with half the capabilities? Remember when the Euro did not exist as a currency? Or when the Red Sox hadn't won a World Series in 86 years?

We are excited for the future as we look back on all the advancements of the last decade. We are also thankful of all of our relationships with our clients and friends. Thank you for a wonderful 2009 and we wish you the best in 2010 and beyond!

If you are inspired to read more financial information, visit our Learning Center at www.EyeOnArgus.com.

Please feel free to suggest topics by sending your suggestion to Joy at joy@eyeonargus.com.

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Say Anything

The Curious Conundrum of Financial Journalism

A fair number of mildly interesting things happened in and around the financial world on Thursday, November 12—a day chosen, for the purposes of this essay, entirely at random.

The retailing behemoth (and bellwether of consumer behavior) Wal-Mart announced its earnings for the third quarter. They were up nine percent from the same period a year ago, and something like four percent above Wall Street's consensus earnings estimate.

New jobless claims fell again; they were down 12,000 from the previous week to 502,000, the lowest since January and well below the March peak of 674,000.

At a forum held at Columbia University, Warren Buffett said that "the financial panic is behind us," and Bill Gates noted that even in the country's "darkest hour," American businesses had still been innovating.

The price of crude oil fell about three percent, as U.S. inventories were reported to have risen more than expected on higher imports and weakened demand. The dollar, which had recently made a new fifteen-month low, also rallied, presumably contributing to the weakness in oil prices.

And the U.S. stock market, after reeling off six straight days of closing higher, went down about one percent on somewhat heavier volume.

Based on these diverse snippets of information, what do you suppose was the headline of financial journalism's market coverage the next morning (Friday the 13th, ominously enough)?

Well, different newspapers, cable channels, internet news sources, blogs and other noisemakers phrased it differently, from one to another, but in its essence it was: **Market Tumbles On Oil Fears**. The stories suggested that weak oil demand was a sign of weak (if not nonexistent) economic recovery, and that this news was the direct cause of a generalized decline in the price of equities.

There was no statistical or other convincing evidence of this alleged causality. But then again, that's how financial journalism defines being right: you can't prove they're wrong.

Be assured that had the market ***risen*** one percent on that day, financial journalism would have cheerfully reported, with nary an intellectual (much less moral) qualm: **Market Surges As Wal-Mart Beats Estimates.** Or **Market Surges As New Jobless Claims Fall.** Or **Market Surges On Positive Comments From Buffett, Gates.** Or even—for such is the depth of its cynicism—**Market Surges As Dollar Snaps Losing Streak**.

You see, on a day when the market goes down, there is only one causality of which anyone can really be sure: that there were more sellers than buyers ***for whatever complex of global reasons*** on that particular day. (The converse is equally true on a day when the market rises.) So, on November 12th, weak oil demand may indeed have been a reason some institutions were net

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sellers. The optimistic comments of Buffett and Gates, falling jobless claims and Wal-Mart earnings may have been reasons that some were net buyers. We can't know, and it doesn't matter. All we can say for sure is that, on this particular meaningless day (for any one day is always meaningless), the sellers outnumbered the buyers.

This is the pure, unvarnished truth. Which is exactly why financial journalism can't report it. Journalism isn't in the truth business; it's in the news business. And those are two entirely different things.

The essential nature of truth is that it's unchanged from day to day. But the twenty-third time that journalism repeated an unchanging truth—in this example, that the market went up or down because there was a surplus of sellers or buyers on that particular day—you would absorb that truth, and you'd stop needing to consume financial journalism. And this, above all else, is what journalism cannot allow to happen. So it will say anything: it will infer, and sell you, whatever illusory causality it chooses to make up that morning in order to create a market "news" narrative.

The ultimate goal of financial journalism isn't to help you become financially secure and independent. (It doesn't know you, and cares even less.) It is to get you to buy more financial journalism. This is another critical distinction, and one which most investors miss, to their sorrow.

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Financial independence is built over a lifetime by following a few simple rules—there probably can't be more than about a couple of dozen of them. (Just to name five: thrift, regular investment, long-term perspective, focusing on your goals rather than on the markets and not getting scared out of equities.) Again, the constant reiteration of these truths would be suicidal for financial journalism, as they would inevitably lead you eventually to stop consulting it altogether.

So it will headline, "Is this rally for real?" and try to get you to listen to (or read) four talking heads, two on either side of the question, then cut to a commercial. After which it will headline, "Is it too late to jump into gold?" and come back with four more talking heads. For you see, journalism's objectives aren't just different from yours. ***They're antithetical to yours.***

Those of us that live by looking in a crystal ball learn to eat a lot of broken glass.

- Peter Grandich, Chief Commentator, Agoracom

You need to think, plan and invest long-term. Journalism wants to keep your focus as short-term as is humanly possible—ideally, minute-to-minute—so you won't dare turn off that television.

You need to line up your savings and investing program with your most cherished lifetime (and even transgenerational) financial goals. Journalism wants you trading, chasing hot trends, and jumping in and out of the markets, so you won't dare turn off that television.

You need to maintain your basic, fundamental and above all American long-term optimism—which is just another word for realism—or else you're in danger of getting scared out of the market. Journalism wants you petrified—of double digit unemployment, the "jobless recovery," inflation, deflation, swine flu, or whatever apocalypse *du jour* they're selling today … so you won't dare to turn off that television.

Turn off that television. Because financial journalism just ain't your friend. If you're really looking for a friend, go have a quiet cup of coffee with your financial advisor.

What Is an IRA?

What is a Roth IRA?

Roth IRAs are tax-favored financial vehicles that enable investors to save money for retirement. They differ from traditional IRAs in that taxpayers cannot deduct contributions made to a Roth. However, qualified Roth IRA distributions in retirement are free of federal income tax and aren't included in a taxpayer's gross income. That can be advantageous, especially if the account owner is in a higher tax bracket in retirement or taxes are higher in the future.

A Roth IRA is subject to the same contribution limits as a traditional IRA ($5,000 in 2009). Special "catch-up" contributions enable those nearing retirement (age 50 and older) to save at an accelerated rate by contributing $1,000 more than the regular annual limits.

Another way in which Roth IRAs can be advantageous is that investors can contribute to a Roth after age 70½ as long as they have earned income, and they don't have to begin taking mandatory distributions due to age, as they do with traditional IRAs.

What is a Traditional IRA?

Traditional individual retirement accounts (IRAs) can be a good way to save for retirement. If you do not participate in an employer-sponsored retirement plan or would like to supplement that plan, then a traditional IRA could work for you.

One of the benefits of a traditional IRA is the potential for tax-deductible contributions. In 2009, you may be eligible to make a tax-deductible contribution of up to $5,000 ($6,000 if you are 50 or older). Contribution limits are indexed annually for inflation.

Not everyone contributing to a traditional IRA is eligible for a tax deduction. If you are an active participant in a qualified workplace retirement plan — such as a 401(k) or a simplified employee pension plan — your IRA deduction may be reduced or eliminated, based on your income. Please consult with a qualified tax advisor to determine your eligibility.

The funds in a traditional IRA accumulate tax deferred, which means you do not have to pay taxes until you start receiving distributions in retirement, a time when you might be in a lower tax bracket. Withdrawals are taxed as ordinary income. If taken prior to age 59½, withdrawals may also be subject to a 10% federal income tax penalty. Exceptions to this early-withdrawal penalty include distributions resulting from disability, unemployment, and qualified first home expenses ($10,000 lifetime limit), as well as distributions used to pay higher-education expenses.

The information in this article is not intended to be tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor.

Tax Changes

The newly-enacted American Recovery and Reinvestment Act (ARRA) has provided several tax changes. The following are the major changes for this year's tax returns:

- Congress has extended and expanded the home-buyer tax credit and added a repeat buyer credit. The credit is extended through 4/30/10 and the income limitations have increased. Repeat buyer's credit requires homeowner to have lived in their current home for more than 5 consecutive years.
- The IRS changed the mileage rates: business mileage to 55 cents, medical/moving mileage to 24 cents, and charitable mileage to 14 cents per mile.
- Deduction for state & local sales taxes paid on qualified new vehicle purchases made after 2/16/09 and before 1/1/10.
- More taxpayers will be eligible for the Child Tax Credit due to the decrease in calculation of the taxpayer's earned income.
- The first $2,400 of unemployment benefits received in 2009 is tax free.
- The 15% tax rate for qualified dividends and capital gains has been extended to 2010. Similarly, the rate for those in the two lower tax brackets will stay at 0% for 2009 and 2010. These lower rates are scheduled to increase to 20% or higher in 2011! Monitor the return on your capital investments to take advantage of these lower rates before they increase!
- Energy tax credit of up to $1,500 for the costs of making improvements to your principal residence is available for 2009 & 2010.

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Courtesy of Troy Ginzer at TAG Accounting. He can be reached at troy@tagcpa.net

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Excellence is Defined by the Success of Our Clients

The Best Rolled Sugar Cookies

Yield 5 dozen

Ingredients

1 1/2 cups unsalted butter, softened
1 cup powdered (confectioners) sugar
1 cup white sugar
4 eggs
2 teaspoon vanilla extract
5 cups all-purpose flour
2 teaspoons baking powder
1 teaspoon salt

Directions

1. In a large bowl, cream together butter and sugar until smooth. Beat in eggs and vanilla. Stir in the flour, baking powder, and salt. Cover, and chill dough for at least one hour (or overnight).
2. Preheat oven to 400 degrees F (200 degrees C). Roll out dough on floured surface 1/4 to 1/2 inch thick. Cut into shapes with any cookie cutter. Place cookies 1 inch apart on ungreased cookie sheets (or use parchment paper).
3. Bake 6 to 7 minutes in preheated oven. Cool completely. Decorate with frosting and sprinkles!

Recipe courtesy of Michelle at DISH Catering. She can be reached at mhoxworth@comcast.net