

For the February 22, 2010

THE MARKETS

The Federal Reserve announced late Thursday that it would increase its discount rate, charged to banks for emergency loans, by a quarter point to 0.75 percent. The Fed cited improved conditions in financial markets that have decreased the need for government help as the reason for the surprise increase. The Fed said it would leave interest rates affecting consumer loans unchanged. Core inflation – which excludes food and energy costs – fell in January for the first time since December 1982. Overall inflation increased just 0.2 percent. The Commerce Department will release its January durable goods report on Thursday and its revised fourth-quarter gross domestic product report on Friday. For the week, the Dow gained 3.12 percent to close at 10,402.35. The S&P rose 3.19 percent to finish at 1,109.17, and the NASDAQ increased 2.76 percent to end the week at 2,243.87.

Returns Through 2/19/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	3.12	0.22	43.60	-3.93	1.91
NASDAQ Composite	2.76	-1.11	55.52	-3.49	1.74
S&P 500	3.19	-0.24	45.62	-6.59	0.49
BarCap US Agg Bond (TR)	-0.27	1.03	7.82	6.12	5.10
MSCI EAFE	1.71	-5.57	46.58	-9.21	2.13

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The S&P, excluding "1 Week" returns, is a reflection of return to an investor, by reinvesting dividends after the deduction of withholding tax.

Health Cost – Total U.S. health care spending was \$2.5 trillion in calendar year 2009, equal to \$6.85 billion of spending a day (Source: Centers for Medicare and Medicaid Services, BTN Research).

More Paid By The Top Group – In 1980, the top 1 percent of taxpayers paid 19.1 percent of all federal income tax (FIT), and the bottom 50 percent of taxpayers paid 7.1 percent of FIT. In 2007, the top 1 percent of taxpayers paid 40.4 percent of all FIT, and the bottom 50 percent of taxpayers paid 2.9 percent of FIT. Thus since 1980, the top 1 percent of taxpayers has gone from paying nearly three times the FIT of the bottom 50 percent of taxpayers to nearly 14 times as much (Source: Tax Foundation, BTN Research).

Middle Age – If you divide the U.S. population of 309 million into five-year increments (i.e., 0 to less than 5 years old, 5 to less than 10 years old, etc.), there are more Americans age 45-49 years old than any other five-year age group. The 23 million Americans just short of their 50th birthday comprise a group that is slightly larger than the 22 million Americans age 50-54 (Source: Census Bureau, BTN Research).

WEEKLY FOCUS – Watch Your Credit Card's Fine Print

The Credit Card Accountability, Responsibility and Disclosure (CARD) Act's final provisions take effect today. The law, enacted last May, sought to limit or eliminate many of the worst offenses by credit card issuers, such as retroactively raising interest rates on existing balances and double-billing cycles. Because issuers had almost nine months to digest the new rules, they've had plenty of time to look for creative ways to replace the lost revenue streams. To protect yourself, pay close attention to any mailings or statement enclosures from your credit card issuer that might contain the following pitfalls.

1. Annual fees – According to Lowcards.com, about 20 percent of credit cards have an annual fee, but that will likely increase. Many issuers have already added annual fees to formerly free cards, and you may not even be aware that you're paying them.
2. New fees – The CARD Act eliminated some fees, such as those charged to a card holder for being over the card's limit. Look for issuers to recoup the lost revenue by increasing other fees – like balance transfers, cash advances and late fees – and to introduce new fees, like account inactivity or paper statement fees. (CARD eliminated an issuer's ability to charge extra for payments made via phone or web.)
3. Variable rates – The CARD Act limits the amount and reasons that issuers can increase fixed interest rates, but it doesn't limit increases in rates tied to a variable like the prime rate. Watch for your fixed rate card to switch to a variable rate. In addition, CARD limits only interest rates on existing card holders; new credit cards are not subject to rate limits.
4. Devaluing rewards – Just like subprime home loans, free money is a thing of the past. Discover has already lowered its cash-back program from 1.5 percent of purchases to 1.25 percent. American Express has limited reward points accruals on late-paying accounts, unless the card holder pays a \$29 fee.

Credit cards can be an important source for emergency funds, but they should never be a resource for daily living expenses. Like any financial instrument, you need to be an informed and aware consumer. Take the time to read any notices or communications from your card issuer. If you have questions about how credit card balances can impact your lifestyle, please call us. We're always happy to help.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America. SAI# 303317