

For the Week of June 21, 2010

THE MARKETS

The Dow posted a second straight week of gains in excess of 2 percent last week, its strongest two-week stretch since November 2009. The two-week increase of 5.2 percent placed the index almost halfway back to its 2010 year-to-date high that it reached on April 26. Over the weekend, China announced that it would discontinue its informal policy of tying its currency to the U.S. dollar, a policy that has bolstered its export prices while keeping imported goods expensive for its consumers. In other news, the Fed begins its two-day meeting tomorrow (June 22) and is expected to keep interest rates at historic lows. For the week, the Dow gained 2.36 percent to close at 10,450.64. The S&P rose 2.39 percent to finish at 1,117.51, and the NASDAQ increased 2.95 percent to end the week at 2,309.80.

Returns Through 6/18/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	2.36	1.54	25.57	-5.78	2.34
NASDAQ Composite	2.95	1.79	27.77	-4.19	2.02
S&P 500	2.39	1.15	24.20	-7.91	0.40
BarCap US Agg Bond (TR)	0.20	4.37	9.99	7.40	5.49
MSCI EAFE	4.16	-8.70	12.71	-11.97	1.70

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.

The Money Companies – The 79 stocks in the S&P 500 that are “financial” companies have tripled in value (i.e., increasing 206 percent from \$523 billion to \$1.598 trillion) from the close of trading on Monday, March 9, 2009, (i.e., just over 15 months ago) to the end of Friday, June 11, 2010. Over the same 15-month period since the bear market bottomed on March 9, 2009, the S&P 500 stock index has increased only 61 percent. Both return calculations do not include the impact of reinvested dividends (Source: S&P, BTN Research).

Up Or Down – Since 1950, economic expansions have lasted six times as long as economic contractions. Economic expansions are defined as “trough to peak” periods, and economic contractions are defined as “peak to trough” periods. The average expansion has lasted 62 months while the average contraction has lasted 10 months (Source: National Bureau of Economic Research, BTN Research).

Be Careful – Revolving credit, which includes credit card debt, fell in April 2010, its 19th consecutive monthly decline. This total peaked in September 2008 and has fallen every month since then (Source: Federal Reserve, BTN Research).

WEEKLY FOCUS – Control Your Legacy with a Private Foundation

If your calendar has filled with worthy causes seeking your name and your wallet, consider channeling your time and money into a private family foundation.

Private family foundations aren't the sole domain of the Gates, Fords and Rockefellers. The estate planning industry's rule of thumb says a foundation needs an annual minimum of about \$25,000 from endowments, annual contributions or both available for making grants. This may be prohibitive to estates under \$2 million, but you certainly don't need the billions of dollars that Bill and Melinda Gates have put into their foundation.

You can establish a stand-by foundation, which is created to receive lifetime contributions or a major bequest, or a flow-through foundation, which converts appreciated property into cash and distributes the proceeds to public charities but does not build up an endowment. A flow-through foundation can provide capital gains tax benefits if you have highly-appreciated assets. Individuals may deduct cash and property contributions to a private foundation up to certain limits established by the tax laws. All contributions specified in a will are fully deductible for estate tax purposes.

Your foundation can be a non-operating foundation, meaning it makes grants to help fund the efforts of other organizations or individuals, or an operating foundation, which runs a facility or institution, such as a museum or research lab. Your foundation's purpose can be as broad as world hunger or as specific as modest scholarships to a local liberal arts college. Tax laws require private family foundations to distribute a minimum amount of assets each year and pay tax on investment income. However, as part of an overall retirement and estate plan, a private family foundation decreases the amount of taxable assets in your estate. You can make gifts to your foundation without affecting the annual gift tax exclusion or the gift tax credit.

Creating a foundation requires careful consideration and planning. We can work with your legal counsel and tax advisor to see how a private family foundation could work with your retirement and estate plans. If you'd like to learn more about establishing a private family foundation, please call our office.

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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.
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