

For the Week of August 16, 2010

THE MARKETS

Economic data out last week pointed to a slow down in the recovery, according to Reuters. After a sharp drop in July, consumer sentiment as measured by the Thomson Reuters/University of Michigan Survey has stabilized, and business inventories rose slightly more than expected in June, according to the Commerce Department. Retail sales, along with the overall July Consumer Price Index, rebounded in July but at a more modest pace than in past months. Following its meeting on Tuesday, the Federal Reserve issued its statement that the recovery has indeed slowed, something it has only hinted at after previous meetings. Markets responded with their worst weekly performance in the past six weeks. The Dow lost 3.21 percent to close at 10,303.15. The S&P fell 3.71 percent to finish at 1,079.25, and the NASDAQ declined 5.02 percent to end the week at 2,173.48.

Returns Through 8/13/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	-3.21	0.47	12.66	-5.32	2.10
NASDAQ Composite	-5.02	-4.22	8.17	-5.09	0.15
S&P 500	-3.71	-2.02	8.74	-7.36	-0.51
BarCap US Agg Bond (TR)	0.29	7.07	9.40	7.79	6.03
MSCI EAFE	-4.73	-6.51	1.63	-9.83	0.95

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.

Planning Ahead – The national personal savings rate in the United States was 6.4 percent in June 2010, its highest level since June 2009. The rate was just 1.8 percent in June 2007 (Source: Bureau of Economic Analysis, BTN Research).

Rural to Urban – In 1880 (i.e., 130 years ago), 72 percent of Americans lived on farms. In 1920 (i.e., 90 years ago), 50 percent of Americans lived on farms. In 2010, just 2 percent of Americans live on farms (Source: Social Security, Environmental Protection Agency, BTN Research).

Low Rates – As of the end of July 2010, the yield on the 10-year Treasury note was 2.91 percent, less than half of the 6.04 percent yield from July 31, 2000, and almost one-third of the 8.36 percent yield from July 31, 1990 (Source: Treasury Department, BTN Research).

WEEKLY FOCUS – Factoring Home Care into Your Long-Term Care Plan

In working with clients on their retirement plan, we find that, understandably, many have a goal of staying in their own home for as long as possible before considering an assisted-living or nursing home. And that can make financial sense considering that the cost of in-home care is rising at a slower pace than assisted living or nursing care, according to a recent Genworth Financial study – 1.7 percent over the past five years, compared to 6.7 percent for assisted living and 4.5 percent for private room nursing care.

At the same time, many states are facing severe budget cuts, and according to the Center on Budget and Policy Priorities, at least 25 states have cut programs for meal deliveries, housekeeping help and programs for family caregivers – the kinds of programs that allow seniors to stay in their homes longer. On average, states spend just 25 percent of their long-term care budgets on home and community-based care, according to a July 21, 2010, article in the *New York Times*.

Clearly to meet the goal of staying independent as long as possible, retirees need to consider costs for in-home care and how to cover them. Long-term care insurance may be one option, yet a 2009 report from the American Association for Long Term Care Insurance found that many consumers associate long-term care primarily with nursing home care. While nursing home care definitely ranks at the high end of the long-term care cost spectrum, long-term care insurance (LTCI) may also help cover the cost of in-home services from nurses' aides, home health aides and therapists or services in an assisted living facility.

Health care costs, including long-term care services provided in the home or in an assisted or skilled facility, can greatly impact your retirement finances. A 2009 study from the Center for Retirement Research at Boston College found that 47 percent of middle-income adults and 42 percent of high-income adults are at risk for a lower standard of living in retirement. Those rates would be even higher if they took healthcare and long-term care into account, the center said.

Your retirement plans should include a thorough analysis of potential risks, including the risk of a health condition requiring long-term care for you or your spouse. Call our office to schedule an initial review or update of your retirement plan.

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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# 306332