

For the Week of August 30, 2010

THE MARKETS

Equities markets rallied on Friday after Fed Chairman Ben Bernanke said the central bank would take further measures if necessary to aid the U.S. economic recovery. Those measures include purchasing long-term securities to expand its \$2 trillion balance sheet, keeping its benchmark interest rate near zero and reducing the interest rate it pays banks on their reserve deposits. Bernanke's comments, made at the Fed's annual conference, offset the Commerce Department's gross domestic product (GDP) revision for the second quarter to 1.6 percent from an earlier estimate of 2.4 percent. Analysts had expected second quarter GDP to be revised down to 1.4 percent. For the week, the Dow lost 0.58 percent to close at 10,150.65. The S&P fell 0.62 percent to finish at 1,064.59, and the NASDAQ declined 1.20 percent to end the week at 2,153.63.

Returns Through 8/27/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	-0.58	-0.84	8.87	-5.98	2.21
NASDAQ Composite	-1.20	-5.09	6.21	-5.61	0.31
S&P 500	-0.62	-3.26	5.36	-8.06	-0.37
BarCap US Agg Bond (TR)	-0.11	7.21	8.96	7.48	5.99
MSCI EAFE	-0.18	-7.84	-1.15	-10.37	1.02

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.

Not Much – The maximum Social Security retirement benefit that could be earned by an individual reaching full retirement age in the year 2010 (i.e., at age 66 years) is \$2,346 a month or an annualized \$28,152 (Source: Social Security Administration, BTN Research).

Fewer – Nearly four in five retirees (79 percent) surveyed in 2007 were "very" or "somewhat" confident that they would have a "comfortable" retirement. Only three in five retirees (60 percent) feel that way in 2010 (Source: Employee Benefits Research Institute Retirement Survey, BTN Research).

Not In Every Country – The deduction Americans receive for the home mortgage interest expense they pay reduces the tax receipts taken in by the Internal Revenue Service by \$127 billion a year. Citizens of Britain had a deduction for home mortgage interest expense paid until 1999 when the deduction was eliminated from their tax code (Source: Internal Revenue Service, BTN Research).

WEEKLY FOCUS – Medicare Part D: Less May Be More

Premiums for Medicare prescription drug coverage, known as “Part D,” will increase only about \$1 to an average of about \$30 a month in 2011, according to the U.S. Centers for Medicare and Medicaid Services. By contrast, AARP reported last week that retail prices for brand-name prescriptions widely used by Medicare recipients rose 8.3 percent in 2009, far beyond the rate of general inflation.

With more than 1,600 Medicare Part D plans offered by insurers in 2010, evaluating benefits and premiums can be overwhelming for recipients. According to the Associated Press, Medicare has taken steps to make the selection process easier by notifying insurers they will no longer be able to offer more than one “basic” drug plan in a location. The new healthcare law also attempts to shrink the doughnut hole – a gap in coverage between limits during which patients must pay all of their prescription drug expenses out of pocket – by giving \$250 rebates to Part D recipients who hit the gap.

Part D premiums and prescription expenses are just part of the retirement healthcare picture. The Center for Retirement Research at Boston College found that a typical married couple at age 65 faces health care expenses of \$197,000 through the rest of their lives – an amount that rises to \$260,000 when including nursing home costs. A 2008 study by the Employee Benefit Research Institute estimated that a couple who retired that year at age 65 would need \$635,000 in savings to cover Medigap supplemental coverage premiums, Medicare Part B and Part D premiums and out of pocket expenses. For those retiring in 2018, that amount increased to more than \$1 million.

Planning for health care costs – including understanding the intricacies of government-funded programs like Medicare – is an important part of estimating your financial needs during retirement. If you or a loved one has had a change in your health condition that may affect your financial needs, please contact our office so we can talk.

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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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