

For the Week of February 1, 2010

THE MARKETS

The markets struggled last week amid concerns about the financial stability of Greece, Portugal and Spain combined with declines in technology stocks. On Friday, the Commerce Department released its report showing that the economy grew at a 5.7 percent annualized rate in the fourth quarter, the second straight quarterly increase and the fastest growth since 2003. Business spending on equipment and software fueled the increase, which analysts said will flatten as companies rebuild inventories and stimulus efforts run their course. The Commerce Department has also reported that consumer spending rose 0.2 percent in December, the third straight monthly increase in spending. On Thursday, the Senate approved a second term as Federal Reserve chairman for Ben Bernanke. For the week, the Dow lost 1.04 percent to close at 10,067.33. The S&P fell 1.62 percent to finish at 1,073.87, and the NASDAQ dropped 2.63 percent to end the week at 2,147.35.

Returns Through 1/29/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	-1.04	-3.32	29.83	-4.65	1.79
NASDAQ Composite	-2.63	-5.37	45.44	-4.48	0.81
S&P 500	-1.62	-3.60	33.14	-7.24	0318
BarCap US Agg Bond (TR)	0.05	1.53	8.51	6.60	5.16
MSCI EAFE	-3.51	-4.41	39.68	-7.65	2.99

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.

After The Bear Ends – There have been 10 bear markets (i.e., peak to trough drop of at least 20 percent) for the S&P 500 since 1957, the 10th bear market having bottomed just last March 2009. When reviewing the first and second year performances of the S&P 500 following the bear market lows since 1957, the best first-year performance for the stock index (up 58 percent) from a bear market low was followed by the worst second-year performance for the index (up 2 percent). Not surprisingly, the worst first-year performance for the stock index (up 23 percent) from a bear market low since 1957 was followed by the best second-year performance (up 25 percent) for the index. The results were calculated based upon the change of the raw index value and do not include the impact of reinvested dividends (Source: BTN Research).

Much Bigger – The market capitalization of the S&P 500 on Dec. 31, 2009, was \$9.9 trillion, exactly three times as large as the \$3.3 trillion market cap of the Dow Jones Industrial Average. The Dow Jones Industrial Average is a popular indicator of the stock market based on the average closing prices of 30 active U.S. stocks representative of the overall economy (Source: S&P, Dow Jones, BTN Research).

More At The Top – The four largest banks in the U.S. have 56 percent of all domestic bank assets. Ten years ago, the concentration of assets in the four largest banks was 35 percent (Source: Wall Street Journal, BTN Research).

WEEKLY FOCUS – Financial Planning for Nontraditional Families

Television in the 1950s and '60s gave us plenty of images of the “traditional” family – a married man and woman with biological children. Even back then, real life wasn't quite that clean cut, but U.S. laws typically assumed that model of a nuclear family.

Whether more prevalent or simply more public, nontraditional families have come further into the mainstream and may often find that the rules – from tax treatment to employee benefits to estate issues – do not exactly fit their needs. Even traditional families may find that subsequent generations create situations – through marriage, divorce, co-habitation or having children – that call for special estate planning considerations.

While a family may have a nontraditional structure, its financial needs will most likely be similar to those of traditional families – saving for college, planning for retirement, managing risk and transferring assets at death. The path to attaining those goals, however, may require creative thinking and a deeper level of knowledge about available tools.

For example, for a married couple, a spouse typically has health care and financial powers if the other spouse becomes ill. That's not the case for a non-married couple, which can create problems when hospitals or banks must follow privacy regulations and withhold information from the partner. An advanced health care directive and a financial power of attorney must be in place to ensure the competent spouse can continue to make decisions.

Our office can work with other professionals in accounting, legal and insurance to create financial plans and other important documents that fulfill the needs of nontraditional families. Call our office to schedule an appointment for you or your loved one.

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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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