

For the Week of April 5, 2010

## THE MARKETS

The Dow rose for a fifth consecutive week, its longest string of gains in nearly a year, and on Wednesday ended its strongest first quarter since 1999. The Labor Department reported Thursday that new unemployment claims fell the prior week, and on Friday issued its report showing the addition of 162,000 jobs in March, compared to a loss of 14,000 jobs in February. The unemployment rate remains unchanged at 9.7 percent. Manufacturing in the U.S. increased at the fastest pace in more than five years, and consumer spending rose in February for the fifth consecutive month. For the week, the Dow gained 0.83 percent to close at 10,927.07, its highest level since September 2008. The S&P climbed 1.10 percent to finish at 1,178.10, and the NASDAQ rose 0.22 percent to end the week at 2,402.58.

Returns Through 4/2/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	0.83	5.50	44.95	-1.27	3.67
NASDAQ Composite	0.22	5.88	54.85	-0.26	3.89
S&P 500	1.10	6.17	48.40	-3.93	2.20
BarCap US Agg Bond (TR)	0.17	1.64	7.42	6.09	5.37
MSCI EAFE	2.26	2.17	45.58	-6.69	3.98

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.

**Getting Older** – Life expectancy at birth of Americans has increased by 10 years in the past 60 years, reaching 78.3 years today. Thus since 1950, life expectancy at birth has increased by 2 months every year (Source: Center for Disease Control, BTN Research).

**Less Than Half** – Only three in 10 retirees are “very confident” that they have done a good job preparing financially for their retirement years (Source: 2010 Retirement Confidence Survey, Employee Benefits Research Institute, BTN Research).

**Not Everyone Has It** – The deduction Americans receive for the home mortgage interest expense they pay reduces tax receipts taken in by the Internal Revenue Service by \$70 billion a year. Citizens of Canada and Britain do not have a deduction for home mortgage interest expense paid (Source: IRS, Newsweek, BTN Research).

**WEEKLY FOCUS – Happy Tax Freedom Day!**

The Tax Foundation each year calculates the date on which the average American has earned enough money to pay his or her tax obligation for the year. This year, “Tax Freedom Day” arrives on April 9 – one day later than in 2009 but more than two weeks earlier than 2007. When looking at the state tax burden, Alaska and Louisiana got to celebrate tax freedom on March 26 thanks to lower incomes and low state and local taxes, while Connecticut, with the highest income per capita in the country, will be the last to celebrate on April 27.

Three factors have driven the move to lower taxes and an earlier Tax Freedom Day in the past three years, according to the Tax Foundation:

- The recession has reduced tax collections faster than it has reduced income.
- The federal government has enacted large, albeit temporary, tax cuts for 2009 and 2010, as the previous administration did in 2008.
- Previous legislation repealed two significant tax laws for 2010 – the estate tax and the so-called PEP and Pease income tax provisions.

The lower tax burden, however, doesn’t reflect the growing deficit, which has to be financed at some point. Since Tax Freedom Day was first calculated in 1948, the difference between government spending and tax collections has increased to its highest point in 2009 and 2010. If the \$1.3 trillion federal budget deficit were included in the calculations, it would take Americans an additional 38 days of work to cover their tax burden, pushing Tax Freedom Day to May 17 this year.

The deficit burden could push Tax Freedom Day later in future years. Already, Americans will pay more in taxes in 2010 than they spend on food, clothing and housing combined. Taxes as a percentage of income have grown from just 5 percent a century ago to nearly 27 percent today, peaking at 33 percent in 2000.

Analysis and estimations of future tax trends and their impact on your earnings and savings have a significant impact on planning for your retirement. While no one has a crystal ball to predict tax levels during your retirement years, we can work closely with your accountant to manage your tax burden today, analyze various scenarios for the future and make recommendations for positioning your portfolio to mitigate tax impact. Call our office today to schedule a joint appointment with your tax professional.

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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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