

For the Week of May 3, 2010

THE MARKETS

Continued signs of economic recovery pushed the markets to a third straight month of gains. Last week, the Labor Department reported that job claims had fallen to the lowest level in four weeks, the Conference Board reported the consumer confidence index hit its highest level since September 2008, and the Commerce Department said the economy grew at a 3.2 percent pace in the first quarter. Corporate earnings reports have been strong as well, with almost 80 percent of the S&P 500 companies beating estimates so far, according to Reuters. The major indexes fell last week amid fraud charges against Goldman Sachs and concerns over sovereign debt defaults in Greece, Spain and Portugal. For the week, the Dow lost 1.71 percent to close at 11,008.61. The S&P declined 2.49 percent to finish at 1,186.69, and the NASDAQ dropped 2.73 percent to end the week at 2,461.19.

Returns Through 4/30/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	-1.71	6.42	38.69	-2.85	4.24
NASDAQ Composite	-2.73	8.46	43.32	-0.85	5.07
S&P 500	-2.49	7.05	38.84	-5.05	2.63
BarCap US Agg Bond (TR)	0.26	2.60	8.21	6.36	5.33
MSCI EAFE	-1.79	-0.96	34.43	-8.91	3.86

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.

TARP – The Emergency Economic Stabilization Act of 2008, the bill that established the Troubled Asset Relief Program (TARP), was signed into law by President Bush on Oct. 3, 2008, or 1 ½ years ago. The \$700 billion government rescue plan was originally designed to buy toxic (i.e., troubled) mortgages and securities. Just over a month later (Nov. 12, 2008), the Treasury Department reversed course and decided to instead accelerate its plan to inject capital directly into financial companies. The total cost of TARP has since been revised downward to \$117 billion or just 17 percent of the original \$700 billion cost (Source: Treasury Department, Congressional Budget Office, BTN Research).

Another Baby Boom – The total number of births in America in 2007 was 4.3 million, the highest number of births ever in our country for a single calendar year. The total surpassed the previous high set in 1957 (Source: National Vital Statistics Report, BTN Research).

What to Do? – Two out of every three American workers (66 percent) who are employed by corporations that provide a pre-tax retirement plan believe they could work and save funds until age 65 and still not have sufficient assets accumulated to provide their desired retirement lifestyle (Source: Transamerica Retirement Survey, BTN Research).

WEEKLY FOCUS – Is 70 the New 65?

When Sun Life Financial issued the results of its latest retirement attitudes survey late last year, the number of respondents who said they plan to work full-time past age 67 reached a new high of 28 percent – compared to 19 percent the prior year. The biggest reason was to earn enough money to maintain their lifestyle in retirement (84 percent). Staying mentally engaged and loving their career, however, also ranked high at 81 percent and 65 percent respectively.

For the past decade or longer, we've been hearing "50 is the new 40" or "60 is the new 50" – pick your measurement – meaning that thanks to improved health care, Americans are living longer and maintaining their activity levels later in life. With that increased longevity comes the concern of a longer retirement requiring more assets to sustain a quality of life. Consider that when Social Security was created and the full-retirement age set at 65 for a man, the average life span for men was *less* than 65 years.

Try as our nation might, the burden of stretching the Social Security dollars of today's workers across the growing needs of today's retirees has reached unsustainable levels. Faced with longer retirement, many Americans have stepped up their plans for saving – and those plans will increasingly include working longer than the traditional retirement age. And as unpopular as it might be, increasing the retirement age to 70 or even older remains one possibility for improving Social Security's viability.

Definitions of "working longer" span the spectrum, from remaining in the full-time career you've been in for decades to seeking perhaps a less stressful or more rewarding job in another field to working part-time or as a consultant to add some flexibility to your schedule. We can help you explore the impact each of those options may have on your retirement planning. Call our office to schedule an appointment.

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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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