


2010 Recap & 2011 Outlook

Buckingham Financial Group, Inc.
Buckingham Capital Management, Inc.
Weston & Company CPAs, LLC

**What's a
Financial
Advisor
to do?**



Income Taxes...
Estate Planning...
Market Conditions...

Buckingham Financial Group, Inc.

- Company Update
 - Weston & Company CPAs, LLC
- 6 Certified Financial Planners (CFP)
- 5 Certified Public Accountants (CPA)
 - 1 CPA Candidate
- 1 Chartered Financial Analyst (CFA)
 - 2 CFA Candidates

Gerald V. Krach, CPA

Partner
Weston & Company CPAs, LLC
(Locations in Dayton & Columbus)

Congress' Unfinished
Business Leads to Uncertainty



If "Con" is the opposite of "Pro"
does that make "Congress" the
opposite of "Progress?"

The following are the "Unfinished Issues" facing a post-
election lame duck Congress before the end of 2010.

Unfinished Issue 1
Tax Rates

<u>Present Law</u>	<u>Revision to old law</u>
10%	15%
15%	28%
25%	31%
28%	36%
33%	39.6%
35%	

Prediction: The existing lower rates will remain for the year 2011. All bets off for 2012 and beyond.

Unfinished Issue 2
Tax Rates on Capital Gains & Dividends

- Capital Gains
 - Current Law: Rate of zero for lower bracket incomes. Maximum rate of 15% for all others
 - Revision to old law: Rate of 5% for lower bracket incomes. Maximum rate of 20% for all others.

Unfinished Issue 2
Tax Rates on Capital Gains & Dividends

- Dividends
 - Current Law: Rate of zero for lower bracket incomes. Maximum rate of 15% for all others
 - Revision to old law: Taxed at ordinary income tax rate (no break).

Prediction: The existing lower rates will remain for the year 2011. All bets off for 2012 and beyond.

Unfinished Issue 3
Alternative Minimum Tax Patch

- Each year Congress “patches” the AMT exemption amount to prevent millions of taxpayers from paying this additional add-on tax. Congress has yet to provide the patch for the 2010 year let alone the 2011 year.

Prediction: The lame duck congress will create the patch necessary to save middle class taxpayers for the 2010 tax year.

Unfinished Issue 4
Child Tax Credit

- Current law allows for a CREDIT of \$1,000 per qualifying child in the household.
- Without an extension the credit will drop to \$500 per qualifying child.

Prediction: Congress will extend the credit for 2011.

Unfinished Issue 5
Making Work Pay Tax Credit

- This credit, born from the stimulus act, is worth between \$400 and \$800 to those who have earned income.

Prediction: Congress will NOT extend the credit for 2011. The stimulus act was hotly debated. Should Republicans have a good showing during the elections then this credit will not be extended.

Unfinished Issue 6
Higher Education Tax Credits

- The \$2,500/ year American Opportunity credit for college will revert back to the lower tax credits of the Hope and Lifetime Learning Credits.

Prediction: Congress will not let this benefit die and will extend the credit for 2011.

The American Opportunity credit is more straightforward than the other two credits it replaced. Common sense hopefully prevails and the credit stays as is.

Unfinished Issues 7, 8 & 9

- Real Estate Tax Deduction for Non-Itemizers
- Sales Tax Deductions
- Charitable Gifting from IRA

All three of these tax favorable benefits expired at the end of 2009.

Prediction: The first two will probably be extended through 2010. The last item will not.

Unfinished Issue 10
Estate Tax aka The Death Tax

- The Bush tax cuts completely repealed the tax during the year 2010.
- The tax cut is going to “sunset” at the end of 2010. Under current law the estate exemption for someone passing away changes from “unlimited” in 2010 to \$1 million in 2011.
- The tax rate on estates over \$3 million will be 55%. Current top rate is 45%.

Prediction: The estate tax exemption will be revised from the \$1 million amount to \$3.5 million.

Tid-Bits

- Release of federal income tax data for 2008
- Congress' definition of "wealthy"
 - AGI > \$113,799 – Top 10% of households – Pays 69.94% of all taxes paid
 - AGI > \$159,619 – Top 5% of households – Pays 58.72% of all taxes paid
 - AGI > \$380,354 – Top 1% of households – Pays 38.02% of all taxes paid

Tid-Bits

- The uncertainty of the tax laws will affect the withholding tables of the companies that calculate payroll. If the Bush tax cuts are not extended then the tables must be adjusted to withhold more tax. That will lead to lower net paychecks for everyone, not just those with incomes over \$250,000.

Tid-Bits

- Retirement plan contributions for 2011 are as follows:
 - 401(k) plans \$16,500...over age 50 catch up add \$5,500
 - IRAs \$5,000...over age 50 catch up add \$1,000
- The IRS processed 132 million 2009 tax returns through May 2010. 23.7 million (7.1%) contained some kind of error. The Inspector General's Office blames "poor controls" at the IRS level for nearly \$111 million erroneous refunds.

Tid-Bits

- The IRS will no longer be mailing tax forms to taxpayers. The availability of the documents on-line or through a paid preparer have motivated the IRS to scrap the mailings.

Linda S. Berning, CFA

President & Chief Investment Strategist
Buckingham Capital Management, Inc.

Year-To-Date 2010 Market Statistics

October 31, 2010

INDEX	YTD	1 YEAR
S&P 500	7.8%	16.5%
DJIA	9.0%	17.6%
Russell 2000	13.6%	26.6%
Russell Midcap	15.3%	27.7%
EAFE	2.3%	5.5%
Emerging Markets	11.6%	21.0%
BarCap Aggregate Bonds	8.3%	8.0%
BarCap Intermediate Bonds	8.0%	7.8%
3 Month U.S. Treasury Bills	0.1%	0.1%

Path of Normalization

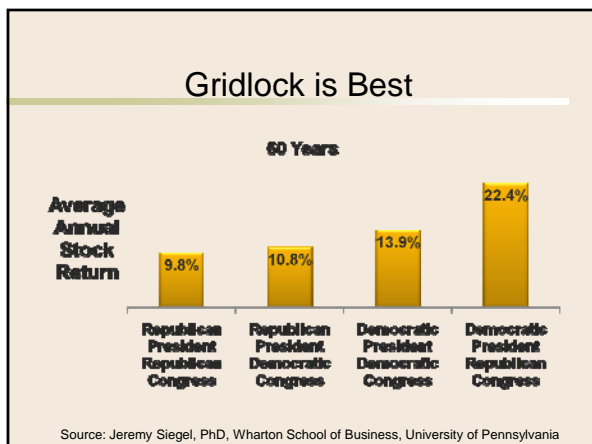
	2008 Highs	11-2008	11-2009	11-2010
BDI	11,793 (record)	838	3,393	2,707
3 Month LIBOR	4.82%	2.15%	0.27%	0.29%
TED Spread	463 bp (record)	196 bp	22 bp	18 bp
Oil	\$147.25 (record)	\$58.24	\$78.51	\$81.43
Gasoline	\$4.10	\$2.17	\$2.68	\$2.80

Is Gridlock Best?

1926 – 2000

	<u>Gridlock</u>	<u>Harmony</u>
S&P 500	13.6%	12.8%
Small Cap Stocks	11.4%	23.5%

Source: Robert R. Johnson, Senior Managing Director at the CFA Institute, 2006, Journal of Portfolio Management



Midterm Elections

Positive for Stocks
1950 through 2009

	1-YR Post Election Average Return	Entire Period Average Annual Return
Large Cap Stocks	23.4%	11.0%
Small Cap Stocks	31.2%	13.5%

Wall of Worry

- High Unemployment
- Housing
- Fiscal Stimulus Unlikely
- QE2
- Bullish Sentiment

Signs of Strength

- Small Business Sentiment
- Small Business Loans
- Private Employment Trends
- Weak Dollar
- Corporate Refinancing
- Corporate Cash

Long Term Dynamics

Total Return = Income + Appreciation

When Interest Rates Fall → Bond Prices Rise

- Bond Fund Investing Up 27.8% YTD
- Historical Bond Returns Unlikely
- Average Equity Yields = Bond Yields

Conclusions

- Cash Doesn't Pay
- Bond Allocation
 - Stay short to intermediate
 - Corporates
 - Foreign
- Equity Allocation
 - High quality, large cap
 - Yield matters
 - Emerging markets

Jay A. Buckingham, CFP

CEO – Managing Principal
Buckingham Financial Group, Inc.

2010 Election

- Newly Elected
 - Cut Spending
 - Create Jobs

2011 Financial Planning



Investor Beware

- Low Interest Rates / Lack Of Liquidity
- Foreclosures/Rental Market
- Bond Mutual Funds
- Reverse Mortgages

Thank You For Attending

And the lucky winners are....

Buckingham Financial Group, Inc.
Buckingham Capital Management, Inc.
Weston & Company CPAs, LLC
