Sommers Financial Management
PO Box 1552
St. Helens, OR 97051

First Class Stamp

Address Label

The best things in life are not free—ask any poor person.

"Every piece of property is worth something, even if it's nothing more than keeping the sunlight out of hell."

"BOTH BULLS AND BEARS CAN MAKE MONEY IN THE MARKET, BUT HOGS GET SLAUGHTERED."

"Innovations in the financial market are subject to the Iron Law of Unintended Consequences."

"INVESTORS WHO FOLLOW THE HERD ARE SURE TO STEP IN A LOT OF COW PIES."

—Excerpts from "Money Doesn't Grow on Trees"- Breck Speed and Mark Dutton

ETF Extra — IQ Hedge Multi-Strategy Tracker (QAI—27.20)

The IQ Hedge Multi-Strategy Tracker ETF seeks to track, before fees and expenses, the performance of the IQ Hedge Multi-Strategy Index. The Index attempts to replicate the risk-adjusted return characteristics of hedge funds using multiple hedge fund investment styles, including long/short equity, global macro, market neutral, event-driven, fixed income arbitrage, and emerging markets. The Fund does not invest in hedge funds and the Index does not include hedge funds as components. The Fund is not suitable for all investors.

- Seeks performance similar to overall hedge fund universe
- Seeks low correlation to equity markets
- Low fees
- Intra-day liquidity
- Portfolio transparency – holdings available daily
- No manager-specific risk – Fund tracks rules-based index

QAI's Notable Statistics

% Short (Russell 2000 Futures):	9.68 %
One Year Return	9.73 %
Annual Expense Ratio:	0.75 %
Total Assets in the Fund:	$ 86.8 mil

Top 5 Holdings:

18.6 %	iShares Investment Grade Bond (LQD)
15.1 %	iShares MSCI Emerging Markets (EEM)
14.0 %	iShares 1-3 year Treasury (SHY)
8.7 %	PowerShares DB G10 Currency (DBV)
7.0 %	Vanguard Emerging Markets (VWO)

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Money Matter$

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Ph. (503) 397-1545 www.sommersfinancial.com

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2010—The Year of the Roth Conversion Quandary (Thanks, W.)

By Adam Sommers

Hidden back in the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA) that George W. Bush signed into law was a bonus for high income earners that comes to fruition this year. In short, income restrictions on converting retirement savings from a traditional, tax-deferred IRA to a tax-free Roth IRA are lifted—but for 2010 only. You've no-doubt heard about this latent bone thrown to W's buddies on television, talk radio, or seen it blasted on the cover of a financial publication like *Money* magazine.

The biggest point I want to get across is that **for the majority of folks like you and me, this is a non-event, except for one little piece: the ability to spread the tax-consequence over two years**. Unless you have an "adjusted gross income" over $100,000, 2010 doesn't offer anything other than that little nugget. However, due to the massive coverage of the topic in the financial news, I thought I should share my two cents with you.

My guess is that this option offered to high earners whereby they pay tax today rather than in retirement was instituted to fill the IRS income gap arising from the repeal of what republicans call the "death tax" and democrats the "estate tax" in 2010. Come 2011, the tax on estates after death returns, and the ability for high income folks to convert IRAs to Roth IRAs goes away—convenient for the IRS coffers.

The bottom line is **if you are a high earner, 2010 is the year in which you have to make a decision to convert**. **For the rest of us, the option to convert to a Roth is always available**—we just must decide if we want to bite the tax bullet today to enjoy tax-free investments forever.

There is no right answer when considering converting. You'd have to know the year of your death, your rate of return, and future tax brackets. Only then could we calculate the expected benefit. However; for some investors, a decision is easier to reach: tax free—forever—is alluring.

One strategy might be a partial conversion, giving yourself what I call "tax-diversification" in retirement. You are able to choose your tax bracket if you have enough assets stashed in both traditional and Roth IRAs. The danger here is the conversion must be done by 12/31, but the tax calculation is figured based on a formula of values on 12/31, so you can't know the exact cost of a partial conversion.

Another reason you might consider converting is if you're going to leave your retirement assets to the next generation: Roth IRAs have no requirements to begin distributions at age 70.5, and are tax-free to the beneficiaries—not the case with traditional IRAs.

If you and your tax advisor decide to proceed with a conversion, make sure you have cash set aside to pay the taxes over the next year or two, rather than having it withheld from the conversion—because the withholding will be treated as a taxable withdrawal as well—and if you're not 59.5—subject to a 10% penalty.

Finally, **if you decide after you convert that you'd rather go back to the way things were, you have until October 15th of the next year** to "re-characterize"— your "safety blanket" of sorts in case your Roth value plummets within the first year, and minimizes the expected benefit of future tax-exemption. We have a strategy for this—it's too complex for this space—give me a call to discuss it.

Five-Year Avg. Annual Returns

• Dow Jones Industrial 30 Average:	0.7 %
• S&P 500 Large Company Index:	- 0.2 %
• NASDAQ Composite Index:	4.0 %
• Russell 2000 Small Company Index:	2.1 %
• SFM's 'MODEL 25' PORTFOLIO:	9.6 %

(see inside the newsletter for updates to the Model Portfolio)

SFM's Model AGGRESSIVE STOCK Only Portfolio

Company Name	Risk Grade	P/E Ratio	Growth Rate	Payback Yield
Abbot Laboratories	A-	11.6	12%	8%
Accenture	B	12.1	11%	14%
Amgen	B	10.7	9%	10%
AstraZeneca	B	7.1	0%	11%
Buckle	F	11.6	11%	9%
Cherokee	C	10.0	2%	10%
Diamond Offshore	B	9.1	16%	16%
Endo Pharmaceuticals	C	7.3	10%	13%
Ensco International	C	9.9	16%	19%
Federated Investors	C	10.8	8%	8%
Forest Laboratories	C	8.8	5%	16%
Gilead Sciences	A+	12.6	14%	9%
Google	C	16.8	22%	50%
IBM	A+	9.9	10%	7%
J2 Global	C	11.3	10%	12%
Johnson & Johnson	A+	11.8	7%	8%
Microsoft	A-	13.0	11%	9%
Noble Energy	C	8.0	13%	21%
NetEase	C	14.5	16%	10%
NutriSystem	D	12.5	16%	10%
Oracle	A-	13.1	14%	8%
Philippine Long Distance	C	10.5	7%	7%
Qualcomm	A-	20.3	20%	10%
Taiwan Semiconductor	A-	14.9	15%	8%
World Acceptance	F	6.29	11%	11%
Averages:	**B-**	**11.4**	**11%**	**13%**

SFM AGGRESSIVE Stock Portfolio vs. Relevant Benchmarks

	SFM Aggressive	Russell 2000 Index	Nasdaq Index
3 Month Return:	**1.9 %**	7.0 %	5.7 %
12 Month Return:	**58.8 %**	60.5 %	56.9 %
3 Year Average Annual:	**- 4.6 %**	- 5.1 %	- 0.3 %
5 Year Average Annual:	**N/A**	2.1 %	4.0 %
ROR Since 4/1/2007:	**- 4.6 %**	- 5.1 %	- 0.3 %

SFM's Model CONSERVATIVE INCOME STOCK Only Portfolio

Company Name	Risk Grade	P/E Ratio	Div. Yield	Payback Yield
Abbot Laboratories	A-	11.6	2.5%	8%
Accenture	B	12.1	1.8%	14%
AstraZeneca	B	7.1	2.6%	11%
Colgate-Palmolive	A-	15.1	2.1%	6%
Campbell's Soup	A-	12.4	2.8%	6%
Chevron-Texaco	A-	9.6	3.7%	7%
Federated Investors	C	10.8	3.7%	8%
Gilead Sciences	A+	12.6	0.8%	9%
Hershey	A-	14.7	2.8%	4%
IBM	A+	9.9	1.7%	7%
Johnson & Johnson	A+	11.8	3.0%	8%
Kellogg	A-	12.7	2.8%	5%
Coca Cola	A-	15.5	3.0%	6%
Lockheed Martin	A-	9.9	2.9%	6%
McDonald's	A-	13.6	3.3%	7%
Altria Group	A-	9.4	6.7%	6%
Microsoft	A-	13.0	1.8%	9%
Pepsi	A-	14.8	2.7%	6%
Pfizer	A-	7.7	3.7%	10%
Procter & Gamble	A-	14.2	2.8%	6%
AT&T	B+	9.5	6.2%	5%
Taiwan Semiconductor	A-	14.9	3.5%	8%
Verizon	B+	10.0	6.2%	3%
Windstream	A-	9.9	8.9%	3%
Walmart	A+	12.5	2.0%	6%
Averages:	**A-**	**11.8**	**3.4%**	**7%**

SFM Conservative INCOME Stock Portfolio vs. A Relevant Benchmark

	SFM Income	Dow Jones Industrial Avg.
3 Month Return:	**2.9 %**	4.1 %
12 Month Return:	**32.2 %**	42.7 %
3 Year Average Annual:	**- 2.6 %**	- 4.0 %
5 Year Average Annual:	**N/A**	0.7 %
ROR Since 4/1/2007:	**- 2.6 %**	- 4.0 %

SFM's ORIGINAL "Model 25" STOCK Only Portfolio

Company Name	Value Grade	Cash Flow	Risk Grade	Market Cap
Apple, Inc.	D	A-	B+	Mega
Abbot Laboratories	B-	B-	A-	Large
Accenture	A-	A-	B	Large
AstraZeneca	C	A-	B	Large
Cherokee	B-	A+	C	Micro
Campbell's Soup	B-	C	A-	Mid
Chevron-Texaco	A+	C	A-	Mega
Diamond Offshore	A-	A-	B	Mid
Ensco International	A-	A-	C	Mid
Federated Investors	A-	A-	C	Small
Gilead Sciences	D	A+	A+	Large
IBM	B+	A-	A+	Mega
Johnson & Johnson	B-	B+	A+	Mega
Lockheed Martin	A-	C	A-	Large
McDonald's	C	B-	A-	Large
Altria	A-	C	A-	Large
Microsoft	C	A-	A-	Mega
Noble Corp	A-	A-	C	Mid
Oracle	D	A-	A-	Large
Pfizer	C	C	A-	Mega
Procter & Gamble	B-	C	A-	Mega
Phillipine Long Distance	A-	A-	C	Mid
Qualcomm	D	B+	A-	Large
Taiwan Semiconductor	B-	A-	A-	Large
ExxonMobil	A-	C	A+	Mega

SFM ORIGINAL Model "25" Portfolio vs. A Relevant Benchmark

	SFM Model 25	S&P 500 Index
3 Month Return:	**2.4 %**	4.9 %
12 Month Return:	**37.4 %**	46.6 %
3 Year Average Annual:	**3.7 %**	- 5.9 %
5 Year Average Annual:	**9.6 %**	- 0.2 %
ROR Since 6/1/2003:	**15.9 %**	3.1 %

Commentary & Ramblings
by an Anonymous Retired SFM Client

Have you ever heard it said that the older you get, the lower income requirement you'll have? Even our trusted financial guru, Adam, has said that you can usually survive in retirement on 60 to 80% of your pre-retirement income. Supposedly, as we age through retirement, we need less money because we reduce costly activities: we travel less, and we partake in less activities and hobbies. Well, I say that is simply not true. Although I agree that over time, we have less hobbies and do less traveling, I refute the accepted "wisdom" about needing less income in retirement. Do you want to know why?

As I clean out the science projects in my fridge (out of sight, out of mind), I calculate the money I have wasted. Tomorrow I will head out to various stores to replace those things that I lately cannot find—though are for sure *somewhere* in my house. Hence, I will purchase my fourth nail clipper, second flashlight, and third measuring tape.

Speaking of shopping, don't forget about those inefficient shopping trips I now must take. I don't know about you, but my multi-tasking skills have disappeared. For example, I'll drive right by the bank—needing cash—on my way to the post office. In retirement I now seem to have a one-and-only-one-task mind. I am a mono-tasker; so much for saving gas money.

All I can say is I'm really glad there's that handset locator beepy-button-thingy on my cordless landline phone. Years ago, I thought it was *pathetic* that someone might actually need to use this feature. Ahhh...that was when I was young and had a sharp mind. Just like my mother said to me, I now say to Adam, "you just wait...you'll see." What does this have to do with money? Nothing—I digress.

Back to the money: I should also mention all the money I spend lately on memory supplement pills. They may be spendy, but what is the alternative? Then again, each day I *forget* to take my pill—whoo-hoo! — I save some money. Now that's a smart savings plan!

Reading is a great hobby of mine. I frequent my local library. It's a full-time job just to manage my borrowed books and avoid paying fines. My friend and I have a secret code word: "twirling". Some days that is all that I do. Back and forth all around the house, getting nothing done. Doing life in retirement is a job in itself. Good thing I don't have a real job—I don't have time. My day-planner is so large I need a suitcase to haul it around. Not because I'm *that* busy—well then again, I *am* in fact that busy. I am writing everything down; do you know how time consuming that is? And people wonder what we retired folks do all day. A scattered life is definitely more expensive than an efficient one.

So maybe next time Adam sits down with you to discuss your future retirement income needs, you'll recall my plight, and consider requiring at least 100% of your pre-retirement income for your golden years. I think working another year or two, or saving a bit more each month—based on my experience—will definitely pay off for you.