

105 S. York St, Suite 450
Elmhurst, IL 60126
Voice: (630) 530-1191
Fax: (630) 530-1442


MENTOR
C A P I T A L

December 2009

Wealth Management Team: John Davis, CFP - Tom Adams, CPA - Dan Carey, CFP

Mentor Monthly Missive

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Mentor Capital Management Inc. would like to take this opportunity to wish everyone a safe and happy holiday season. We look forward to strengthening current relationships and welcoming new ones in the New Year. So, from John, Tom, Dan and Tammy: Merry Christmas, Happy Hanukkah, Happy Kwanza, and Happy New Year.



Selling off a good name

We used to think of AARP as a valiant crusader for senior citizens' rights.

With its recent push into hawking products for insurance companies like Genworth Financial, The Hartford, New York Life and others, it's become little more than another insurance peddler.

AARP says it is not in the insurance business. But materials on its web site and sent through the mail promoting life, health and long-term-care insurance make an effort to obscure that distinction. For example, the organization's web site refers to the "AARP Life Insurance Program from New York Life" and the "AARP Homeowner's Insurance Program from The Hartford."

We'd be more comfortable with AARP's arrangement – and we believe consumers would too - if it were more transparent. For example, we'd like to know:

- How much each insurance company pays for AARP's name, and how much AARP is paid when someone buys coverage through one of its partners;
- What criteria (other than a willingness to pay) AARP uses to choose the insurance companies that receive its endorsement;
- Whether a consumer buying insurance through the "AARP Auto Insurance Program from The Hartford," for example, pays the same rates as someone buying directly from Hartford;
- What "quality control oversight" AARP specifically performs for the insurance companies that it endorses.

Lacking answers to these questions, we're seriously considering canceling our AARP membership. We question the objectivity of an organization that spends so much time pushing other companies' products.



Start 2010 with a balanced portfolio

The end of each year is an ideal time to make sure that your plans for the future remain thorough and on track. Before moving onto 2010, it's a good idea to determine whether your mix of investments has changed significantly during the past year — and whether you may need to readjust your portfolio so that it continues to reflect your financial objectives in the New Year. Portfolio drift is a term that describes what happens when different investments in your portfolio grow at different rates, thereby changing the risk and return characteristics of your overall investment mix.

If your portfolio experienced drift in 2009 and needs to be rebalanced, there are different ways you can accomplish that goal. One strategy involves increasing ongoing contributions to the underweighted investment category until it once again reaches the level you desire. Another strategy involves selling some of the assets that have outperformed, and using the gains to

purchase additional shares of the investments that have become underweighted. Of course, you could also implement both strategies simultaneously until your asset allocation goals have been attained. Please contact Mentor Capital Management to discuss your investment and tax options.



Year end tax tips

We expect that 2009 will not go down in history as one of the most prosperous years for us or for our economy. However, that does not mean we have to forfeit all hope when it comes to saving money on taxes. With that in mind, here are some great steps you can take before year-end to blunt Uncle Sam's tax sword:

Tax Credits

Tax credits are more valuable than tax deductions, because they reduce your income tax liability dollar for dollar. Two prominent home credits are headlining the news currently: If you buy a new home, you may qualify for a tax credit of up to \$8,000. Taxpayers with income below \$125,000 (single) or \$225,000 (joint) may receive this credit for the purchase of a new home – if they have not owned a home in the past three years. (Lower income thresholds apply for homes bought before November 7, 2009)

A credit is also available for individuals who currently own a home. This new credit allows for the sale of a current residence and a purchase of a new residence. The maximum credit allowed is \$6,500.

You can also receive tax credits for installing Energy Star-compliant windows, doors, appliances and other items by Dec. 31.

Deductions

Because of the Cash for Clunkers program, taxpayers may benefit from a new deduction on Schedule A. For 2009, there is a separate deduction for sales taxes paid on the purchase of a new car, light truck, SUV, motorcycle or motor home.

The new deduction allows taxpayers to deduct state income taxes (if any) as well as sales taxes on the purchase of a new vehicle. (In prior years it was either, but not both.) If you deduct general sales taxes instead of state income taxes, you cannot separately deduct sales taxes paid on the vehicle purchase. The deduction is limited to state and local sales taxes paid on up to \$49,500 of the purchase price. The tax break completely phases out at \$135,000 (single filer) and \$260,000 (joint filers).

You can donate to charity. If you itemize, you can deduct donations of cash or property, within limits. If you are 70 ½ or older, you can donate up \$100,000 per year from your IRA to a qualified charity without paying any tax on the distribution. Another strategy is to donate appreciated stock from a taxable account. To the extent that your gain is long-term in nature, you can deduct the full market value of the position without incurring any tax liability.

Investments

You can offset capital gains by selling investments in which you have unrealized losses. Further, net losses of up to \$3,000 can be deducted against other income.

Consider contributing the maximum allowed to retirement accounts. Do you have a 401k? If so, contribute enough to get the maximum matching contribution from your company. Doing anything less is essentially throwing away free money. Do the same if you qualify for an IRA - traditional and Roth. You can make contributions for 2009 all the way through April 15, 2010. But know that if you defer payments, it is just less time to for your money to grow.



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