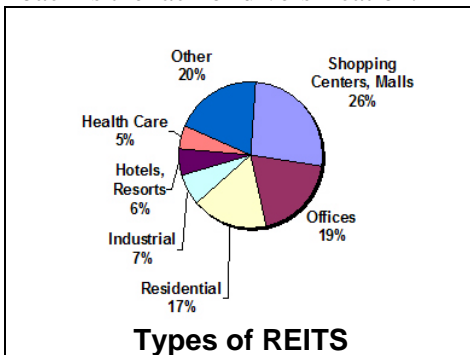


## Investing in real estate — the REIT advantage

Real estate offers an attractive supplement to traditional stock, bond and mutual fund investments. It's tangible and usually more stable than stock and bond prices and often has a low correlation with them.

You can invest directly in real estate via your personal residence or by buying rental property. Both offer the opportunity for capital appreciation and tax benefits, and rental units can also provide income. But rental property requires a lot of work to manage properly and carries risks

such as property damage and empty apartments. But the biggest drawback is the lack of diversification.



### Real Estate Investment Trusts

A REIT is a company that primarily invests in and manages real estate. In the U.S. a company choosing the REIT structure must by law distribute at least 90% of its earnings to shareholders (laws vary in other countries). In return, the REIT is not taxed on those earnings that are passed through to the investor, but the

Please see **The REIT advantage** on Page 2

### College plan tax break extended

Good news for investors in 529 College Savings Plans – President Bush has signed into law a permanent exclusion of plan income from federal taxes.

The exclusion was slated to expire in 2010, making it uncertain whether parents, grandparents or others who put money into the plans for college would receive much of a tax benefit.

In addition to the tax exclusion, the President made permanent other 529-plan benefits established in 2001. They include rules allowing same-beneficiary rollovers, elimination of state-imposed penalties on non-qualified distributions, 529 status for private-college prepaid tuition plans (also called Independent 529 Plans), and including first cousins as eligible members of the family.

### Check your beneficiaries

Improperly designating beneficiaries on a retirement account or insurance policy can be costly.

That's why we recommend checking beneficiaries on IRAs, 401(k)s, 403(b)s and life insurance and annuity policies every five years or so. It's simple to designate (or neglect to designate) a beneficiary, but it's not so simple to do it properly.

Your situation may change or your wishes may change, requiring a new beneficiary designation. Has a beneficiary died? Has there been a birth? Have you established a trust? Has there been an estrangement, or have you developed a new relationship with a charitable organization?

Any of these situations requires a thorough review of beneficiaries. Our advisors make it a part of their comprehensive financial planning process.

## DFA funds offer low-cost, passive investment option

Most people have never heard of Dimensional Fund Advisors (DFA) and their mutual funds. One reason is that DFA funds are not available to the general public. Rather, they're available only to clients of a select group of independent financial advisors – including Mentor Capital Management – and to certain institutions.

Advisors are given access to DFA funds if they offer to their clients, as an option, a passive investment solution. Passive investing is an

approach that acknowledges that markets generally are efficient, and that the most important investment



decisions are made during the asset-allocation process.

DFA has been in existence for more than 25 years and manages more than \$100 billion in assets. The

group's investment philosophy is based on a Nobel prize-winning approach rooted in rigorous academic and scientific research. This philosophy, put into practice, enables DFA to offer numerous mutual funds that provide what it believes to be the purest representation possible in certain asset classes – especially small-cap, micro-cap, and value – for both

Please see **Dimensional funds** on Page 2

**The REIT advantage**

Continued from Page 1

shareowner is taxed at ordinary income tax rates (rather than the lower qualified dividend rate). Because of this they are well suited to a tax-sheltered account such as an IRA.

A REIT may specialize in a particular type of investment (see pie chart) or may invest in multiple types. The latter are included in the “Other” category in the chart. They usually also invest over a wide geographic area, including outside the U.S.

Investors can buy individual REITs, which is similar to buying individual stocks, or purchase mutual funds or ETFs which hold a pool of REITs for even more diversification.

Mentor Capital frequently uses REITs and REIT funds – all of which are very liquid investments - as part of its asset-allocation process.

**Dimensional funds**

Continued from Page 1

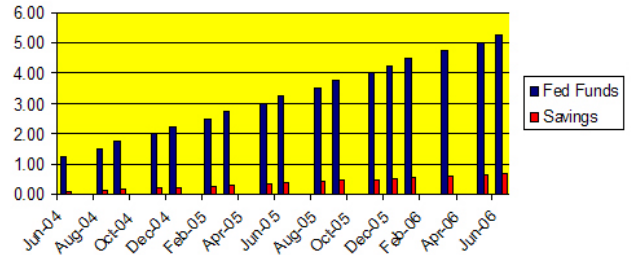
domestic and foreign stocks. In addition, DFA offers large-cap, tax-managed, and fixed-income funds as part of its passive strategy.

Studies have shown that expenses have a significant impact on an investor’s returns over the long run. DFA’s trading infrastructure enables it to minimize trading costs; as a result, its funds have expense ratios that are generally below industry averages. Exchange-traded funds, which are also a passive investment choice, offer even lower expenses. These savings accrue directly to the investor’s return.

If you would like to learn more about Dimensional Fund Advisors, their investment philosophy, and their funds, give us a call, or visit their website at [www.dfaus.com](http://www.dfaus.com).

**Bank interest rates lagging behind Fed rate**

While the Fed has raised its rate 17 times in the past 2 years, banks have barely budged on their savings account rates. More than ever, it pays to shop around. Alternatives include money market funds, CDs, and brokerage account money funds. Also, some Internet banks offer competitive yields. A good source for comparison is the Bank Rate web site ([bankrate.com](http://bankrate.com)) or contact Mentor for assistance.



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