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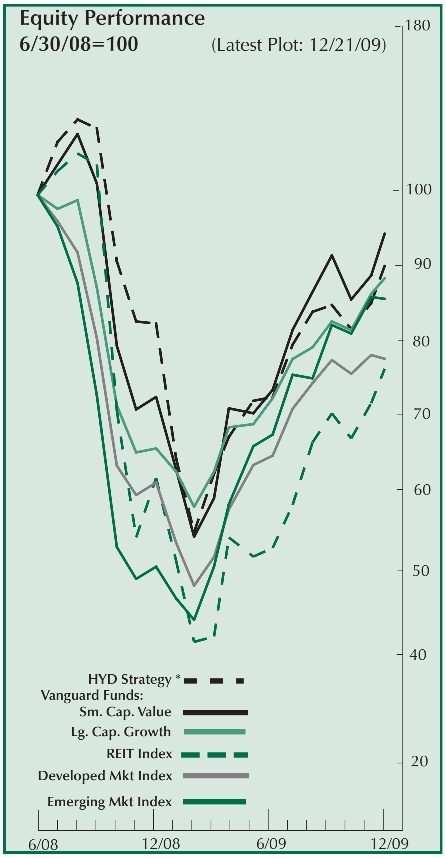

*** HYD is a hypothetical model based on back-tested results. See p.94 for full explanation.**

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Lessons of a Decade: Forecasting Follies

- *"Federal Reserve Chairman Alan Greenspan said the central bank is already developing plans for a world without Treasury securities and gave members of the bond industry something of a nudge to begin their own planning. . . . Mr. Greenspan expressed confidence that worker-productivity gains will continue, enabling the nation's debts to be paid off relatively soon."*

  Gregory Zuckerman, "Greenspan Encourages Bond-Market Professionals Prepare for World Without Government Debt." Wall Street Journal, **April 30, 2001**

U.S. Treasury: Total Public Debt Outstanding ($ Trillion)	
Sept. 30, 2000	5.674
Sept. 30, 2005	7.933
Sept. 30, 2009	11.910

Mr. Greenspan's exuberant turn-of-the-millennium forecast clearly missed the mark. But in fairness, the Fed Chairman was hardly alone. The decade yielded numerous erroneous predictions that should remind investors that forecasting developments in capital markets is a precarious business:

- *"On May 19 [2001], Apple will open a swanky new retail store—the first of as many as 110 nationwide—at Tyson's Corner Galleria mall outside Washington. . . Since PC retailing gross margins are normally 10% or less, Apple would have to sell $12 million a year per store to pay for the space. 'I give them two years before they're turning out the lights on a very painful and expensive mistake.'"*

  Quotation attributed to David A. Goldstein, president Channel Marketing Corp.

  Cliff Edwards, 'Sorry, Steve: Here's Why Apple Stores Won't Work" Business Week, **May 21, 2001**

Adjusted for splits, Apple shares that sold for $23 in April 2004 closed at $390.86 on December 18, 2009.

- *"Stick with storage . . long term, this simple fact is true: A company can postpone buying new PCs or upgrading its network, but it can't stop producing digital data. The stuff must be put somewhere, and it increasingly gets stored in many places . . . Buy EMC Corp. at $44 per share*

  "Amazon.com is the exact opposite [of eBay]; it faces—and has yet to solve—all the problems of offline retailers. Sell Amazon at $12 per share."

  Stephanie N. Mehta, "Ten Tech Trends to Bet On." Fortune, **March 19, 2001**.

EMC shares closed at $17.34 on December 18, 2009, down 60%, while Amazon shares closed at $128.48, up 907%.

- *"Washington Mutual's back-to-basics banking—and customer service—attracts the average Joe and leaves rivals in the dust. . . . That focus has served Washington Mutual and its shareholders well."*

  Jon Birger, "Leader of the Pack." Money, **July 2002**.

Washington Mutual was seized by federal regulators on September 25, 2008.

[1]We thank Weston Wellington of Dimensional Fund advisors for providing these excerpts.

THE ROTH CONVERSION AND TAX RISK

Tax year 2010 provides expanded opportunities if you are considering converting your traditional IRA to a Roth IRA account. This "conversion decision" hinges on many factors, including an unknown tradeoff between future federal income tax rates and rates levied currently. Though current federal spending certainly suggests the need for higher government revenues in the future, tax rates have been arguably as uncertain as the stock market itself. In the face of this heightened "tax risk," we suggest that investors consider a "tax diversification" strategy.

The Tax Increase Prevention and Reconciliation Act (TIPRA) of 2005 provides that beginning in 2010 investors will be able to convert all or part of their assets held in traditional IRA accounts to Roth IRA accounts, independent of their earnings. Previous restrictions, which prohibited conversions for those with modified adjusted gross income of $100,000 or more, will disappear[1]. In addition, for tax year 2010 only, taxpayers who convert may elect to spread any resulting taxable income equally across 2011 and 2012.

Many investors have prepared for retirement by making tax-deductible contributions to traditional IRAs, which were established by Congress in 1974. These accounts permit tax-deductible contributions, and allow tax free growth of earnings. Minimum withdrawals must be taken beginning no later than age 70 ½[2] and withdrawals of deductible contributions and earnings are fully taxable as ordinary income at the taxpayer's applicable marginal tax income tax rate.

Roth IRAs, established as part of the Taxpayer Relief Act of 1997, offer investors the opportunity to establish accounts funded with *after-tax* contributions that grow tax deferred, as they do in traditional IRAs, but unlike the traditional version, qualified distributions from Roth accounts can be taken *tax free* (see accompanying Box).

Why Convert?

Converting from a traditional to a Roth IRA can be a tax-wise decision. Most notably, after age 59 ½ any withdrawal of funds held in the account for at least five years can be taken free of income taxes and penalties. Unlike a traditional IRA account, these withdrawals are completely discretionary; Roth account owners face no required minimum distributions in retirement, so the full balance can continue to grow tax free, undiminished by mandatory outflows.

Converting might be particularly appealing to investors who do not plan to rely heavily on their IRA nest egg in retirement, and who wish to leave a bequest to their heirs. Non-spouse beneficiaries of traditional IRAs must pay income taxes on distributions of non-deductible contributions and earnings in the account. But beneficiaries of Roth IRAs, though subject to required minimum distributions over their remaining actuarial lifetimes, can take qualified distributions tax free.

Roth Distributions

A *Qualified Distribution* from a Roth account is not subject to federal income taxes or penalties and includes any payment or distribution from your Roth IRA that meets the following requirements:

It is made after the 5-year period beginning with the first taxable year for which a contribution was made to a Roth IRA set up for your benefit, and the payment or distribution is:

1. Made on or after the date you reach age 59½,
2. Made because you are disabled,
3. Made to a beneficiary or to your estate after your death, or
4. Used to meet qualifying first time home-buyer expenses (up to a $10,000 lifetime limit).

Source: Internal Revenue Service (http://www.irs.gov/publications/p590/ch02.html)

The rules pertaining to distributions from converted Roth IRAs differ from rules that apply to contributory Roth IRAs. The tax implications of any post-conversion withdrawals can vary depending on several factors such as your age, whether you have met the five year holding period, and whether you own mulitple accounts or account(s) funded with non-deductible contributions. Investors considering a conversion should consult their accountant.

Pay Me Now or Pay Me Later

Conversion sounds great, but of course Uncle Sam isn't about to allow taxpayers to convert accounts that are merely tax-deferred to tax-free status without exacting a toll. The IRS essentially treats conversions as taxable distributions, so any portion of the amount converted that is attributable to deductible contributions or earnings will be taxed as ordinary income at the time of conversion.

For 2010 only, Uncle Sam has lightened the burden to some extent. For any conversions completed during 2010, investors have the option of recognizing all of the conversion income during 2010 or spreading the income equally over 2011 and 2012. Tax rates are currently slated to rise slightly in 2011, but Congress may well enact changes. For taxpayers willing to pay in 2010, any amount due will not payable until April 15, 2011, so investors can wait to see what rates will prevail before deciding. Under either scenario investors should evaluate whether the additional taxable income from the conversion will bump them into a higher tax bracket, and how this income might affect tax credits and charitable and medical deductions.

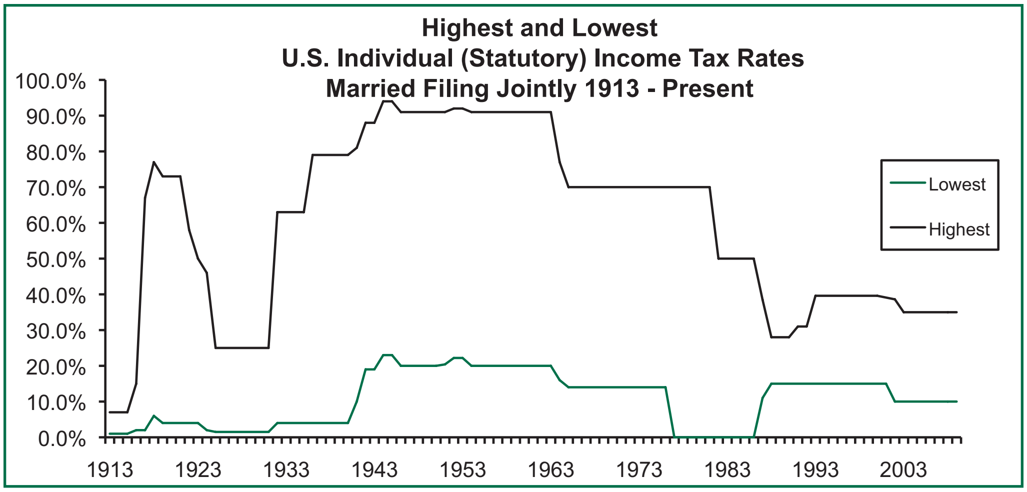
Costs and Benefits

There clearly is a trade-off to consider in deciding whether to convert from a traditional to a Roth IRA, but it is one that is not easy to quantify, and involves many factors.

The primary advantage of a Roth over a traditional IRA is that a Roth of-

[1]Married couples filing separately, previously denied the ability to convert regardless of income, will now be able to convert as well. In this article we refer to traditional IRA accounts, but investors may also convert SEP-IRA, SIMPLE IRAs and SARSEPs.

[2]Distributions taken prior to age 59 ½ are subject to taxation and penalties, with certain exceptions.



fers tax-free, versus tax-deferred growth of earnings. This advantage grows with time, so the longer an investor has before any anticipated withdrawals begin (i.e. the longer his investment time horizon) the greater is the advantage of conversion. This tax-free growth also means that the potential benefits of any conversion would be reduced to the extent that IRA assets are used to pay taxes generated by the conversion. Investors should therefore consider conversion only if adequate funds exist in taxable accounts to pay taxes due.

Perhaps the most significant variable in the conversion decision is the differential between applicable income tax rates today and future income tax rates. Unfortunately, it is also the most difficult variable to gauge.

A Roth conversion grows more attractive to the extent that applicable future tax rates are expected to be favorable relative to tax rates an investor would confront if he were to convert in 2010. Generally, if the current income tax schedule were to remain unchanged, most investors could expect to fall into lower tax bracket in retirement; because they would no longer be working their taxable income will be reduced. This tendency reduces the appeal of converting to a Roth.

In reality, however, Congress never tires of tinkering with taxes, so the tax code, like the stock market, is in fact unpredictable. Various deductions, exemptions and marginal rates are inherently susceptible to shifting political winds, government expenditures and competing interests. Chart 1 depicts the variability in the highest and lowest statutory federal income tax rates over time.[3]

Many in the financial media have pointed out that federal spending is at unprecedented levels, which argues in favor of converting to a Roth because it portends higher income tax rates in the future. Generally this is a sound argument.

On the other hand, this line of reasoning assumes that withdrawals of earnings from Roth accounts will remain tax free in the future. While it may seem unlikely that a future Congress would renege on its promise of tax-free withdrawals, our view of history is long (and more skeptical than most in the financial media) and we submit that the government in fact has a long history of breaking such promises (see article entitled "Promises, Promises"). It is not inconceivable to us that Roth accounts may grow so large as to prove irresistible as a source of revenue to some future Congress. Alternatively, Congress might allow account holders to take tax-free withdrawals but curtail the current provision that extends this privilege to beneficiaries.

Similarly, Congress could resort to an alternative for raising revenues, such as a value added tax (VAT). A VAT could prove politically convenient by alleviating pressure to raise future income taxes; this would diminish the appeal of converting from a traditional to a Roth IRA.

[3]*Effective* marginal tax rates differ considerably from these statutory rates because of various deductions and credits, but effective rates are at least as unpredictable as statutory rates. Source: *Tax Foundation*

What's an Investor to do?

Readers should be wary of simplistic articles that argue stridently either for or against conversion. The many calculators that abound on the internet should also be applied with caution; they can provide a false sense of certainty to investors looking for a simple answer.

To repeat, the most significant variable in this decision is the direction of future federal income tax rates. Investors who are especially concerned that they will face higher rates in retirement are generally better served by converting, thereby "locking in" current rates. Conversely, those who expect to face lower rates will avoid conversion and the current taxes that would result.

In the face of these uncertainties, we suggest that investors consider a tax-diversification strategy. Every investor faces unique circumstances, so it is always prudent to consult an accountant. But most IRA owners should consider converting a *portion* of their IRA to the Roth variety. Moving some money to a tax-free Roth is a hedge against higher income taxes in the future, but should higher rates not come to fruition, and if the current conversion tax would prove prohibitive, investors can also maintain a reasonable balance in their existing traditional accounts.

PROMISES, PROMISES

In the accompanying article we raise the point that the U.S. tax code is hardly predictable; Congress has frequently reversed itself by increasing or reducing statutory rates, or by eliminating, expanding, or reducing various deductions and credits it had created previously.

It is striking to us that so many financial writers are nonetheless willing to assume that the tax treatment of Roth IRA accounts will remain unchanged. All in all, the widely embraced "opportunity" to convert from a traditional to a Roth IRA amounts to little more than a grand governmental promise to allow tax-free income in retirement (Roth IRA withdrawals) in exchange for the payment of taxes on traditional IRA contributions and conversions in the present.

Historically, investors have considered the U.S. Government among the best in the world for honoring its financial promises. But one has to ignore the ravages of even the comparatively low rates of U.S. inflation over the last 25 years to be able to make that statement. It is true that apart from post-World War II Germany and Switzerland no other country with minimal political risk or default risk has been competitive with the promises of the U.S. Government to investors for nearly a generation. Alas, relative measures of honor are of little use, especially to citizens with their life savings at stake.

Bad monetary and fiscal policy choices of the sort that usually lead to default on governmental promises to long-term investors ultimately stem from political interference in money and banking structures. For example, a decision to loosen traditional capital and reserve requirements or to relax bank supervisory guidelines in a fiat currency system often leads to investment bubbles or the overbuilding of real estate. Such decisions nearly always are politically driven.

Because of the political nature of decisions that erode or destroy the value of investors' holdings, including retirement funds such as IRAs, it is useful as a cautionary tale to review the track record of modern industrial economy governments in honoring their promises during the period since the "classical" gold standard arose in Europe in 1880 and in the United States in 1879. Here we describe only the most notable episodes in the steady erosion of the founding fathers' inherent promise of sound money.

In 1890, only a massive "lifeboat" operation mounted by the Bank of England prevented suspension of gold convertibility of the pound sterling when Argentina defaulted on bonds underwritten by Baring Brothers, an important British investment banking house. Like the Federal Reserve's rescue operation for Long-Term Capital Management in 1998, the Bank of England rounded up funding from the other commercial banks and investment houses to enable Barings to make good on its promises. This was the so-called "lifeboat."

In New York, panics that would have caused at least temporary suspension of gold convertibility at the banks occurred in 1884 and 1893. In those instances, formal suspension was avoided only by issuance of certificates by the New York Clearing House intended to serve some of the functions of currency outside the banking system.

In both London and New York, the authorities (a central bank in London, the bankers' association in New York) set themselves against the natural clearing forces of the banking market, which would have exacted dishonor and formal suspension of gold as the price for imprudence in lending and investing. Such stark dishonesty could have led to suspension of one's banking charter. Appropriate alternatives could have involved an adequate gold reserve or closer supervision of loans and investments, but investors were denied those protections. Instead investors were afforded only a tenuous "communal guarantee" of their holdings which unquestionably fell short of these expected protections but avoided, conveniently, the more obvious dishonor of overt suspension.

Following a similar panic in 1907, the commercial banks persuaded Congress to grant emergency authorization for such clearing-house certificates to have legal tender status (Aldrich-Vreeland Act of 1908). An investor expecting to receive gold might not be happy receiving a paper certificate instead, but at least the New York Clearing House had some valuable assets with which to back its certificates.

"Historically, investors have considered the U.S. Government among the best in the world for honoring its financial promises. . . Alas, relative measures of honor are of little use, especially to citizens with their life savings at stake."

The 1907 panic set in motion commissions, studies, and political lobbying efforts that led to enactment of the Federal Reserve Act in 1913. Essentially, the remedies provided in emergencies under the 1908 statute were made permanently available in non-emergency circumstances through the new Federal Reserve Banks. Generally, those remedies enabled banks to discount and rediscount their own customers' obligations at Reserve Banks, effectively allowing the banks to obtain currency notes that were redeemable in gold in lieu of holding adequate gold reserves in their own vaults. The reader may judge whether Federal Reserve notes are adequate substitutes for gold.

To reassure investors that the Fed would operate prudently, it was required to hold a 25 percent gold reserve and explicitly was forbidden to acquire or underwrite U.S. Treasury obligations. Meanwhile, with the eruption of World War I in 1914, the United Kingdom and the European powers suspended gold convertibility and ended the "classical" gold standard era, 34 years after it began.

The United States eventually entered World War I in 1917, and under the First and Second Liberty Bond Acts that year, the Fed began to acquire and underwrite Treasury obligations (thereby establishing the modern form of currency inflation, exchanging central bank notes for Treasury debt). The governmental promise not to let the Fed underwrite the Treasury lasted for only four years.

To insure prudent conduct of the Federal Reserve's affairs, its original charter was granted for only 20 years, to expire in 1933. In 1927, arguing that the Fed's performance had been so good (reasonable men and women might quibble) that its charter should be made permanent, congressional sponsors of the McFadden Act bequeathed the modern Fed to the rest of us permanently. Thus, what may very well be the single worst example of a temporary federal program becoming permanent happened despite good contemporary evidence that the conduct of that program did not warrant a permanent extension, thereby thwarting congressional supervisory promises made to obtain the original enactment.

The United Kingdom resumed gold convertibility in 1925 but had to suspend again in 1931 in the face of spreading banking panics throughout Europe. President Herbert Hoover refused the request of a group of New York bankers for a governmental guarantee of their loans to Europe in June 1931 and forced them to agree to a standstill on international debt payments instead. Investors who were counting on foreign governments to honor their debts or on the United States to underwrite or guarantee those debts learned the perils of foreign investing the hard way.

Meanwhile, back in the United States, both private and public obligations frequently contained clauses promising repayment in gold at present standards of value (gold clauses). In March 1933, a presidential proclamation issued under dubious authority (the Trading with the Enemy Act of 1917, a wartime measure) effectively ended these promises by suspending domestic transactions in gold. Over the next year, the

Treasury gradually rounded up domestic holdings of monetary gold, eventually shipping the confiscated specie to Fort Knox. In the 1930s the U.S. Supreme Court sustained the gold roundups, the suspension of gold redemptions by the Treasury, the Fed, and the banks, as well as the abrogation of gold clauses in private contracts. In the 1960s U.S. redemptions of currency for silver and the circulation of silver coins were suspended permanently.

U.S. citizens were forbidden to own monetary gold privately from 1933 until 1974. The Treasury and Fed still will not pay out gold or silver to redeem Federal Reserve notes or the small amount of Treasury currency that still circulates.

If Congress and the Supreme Court would let clear monetary promises regarding gold and silver be abrogated, the investor has little hope of challenging some future abrogation of the present promise that Roth IRA accounts are exempt from income taxation. It would be a lesser breach of promise, and the greater breach already has occurred.

In Charles Gounod's operatic version of *Faust*, the devil (Mephistopheles) is asked why he travels so much, never staying in one place for very long. "Harsh necessity, madame," he replies ("Dure nécessité"). And we are reminded that necessity is the tyrant's plea.

It is a fair bet that a future Congress, observing vast quantities of Roth IRA investments whose income streams could yield significant federal revenues if taxed, would invoke the tyrant's necessity plea and tax them. The countervailing political force is the wrath of all the investors who thus would be wronged. But as the litany of prior breaches of governmental promises here shows, Congress usually does not hesitate to breach promises and to wrong investors when enough revenues are at stake.

THE DEATH-DEFYING DEATH TAX

Did You Know?

- Historically the estate and gift tax has accounted for only about 1 percent of federal tax receipts (the tax generated $28.4 billion in 2008).

- With proper planning, many estates can greatly reduce estate taxes due, but good planning comes at a price. It has been estimated that the "excess burden" posed by the cost of complying with the estate tax code is roughly equal to the revenues generated by the federal government[1]

[1] Andrew Chamberlain, Gerald Prante and Patrick Fleenor "Death and Taxes: The Economics of the Federal Estate Tax", *Special Report* Tax Foundation (May 2006 No. 142). Henry J. Aaron and Alicia H. Munnell "Reassessing the Role of Wealth Transfer Taxes." *National Tax Journal* (*June 1992*). Douglas Holtz-Eakin and Donald Marples, "Estate Taxes, Labor Supply, and Economic Efficiency." *Special Report*, American Council for Capital Formation (January 2001).

For the moment, investors who thought they would never live to see estate taxes disappear have been proven wrong. Congress – through its own inaction – has managed to reduce the cost of dying to zero in 2010. But the estate tax is slated to re-emerge with a vengeance beginning in 2011 and there is support in Congress to bring the tax back to be applied retroactively in 2010.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the effective exemption for taxable estates (granted via application of the unified gift and estate tax credit) has increased gradually from $675,000 in 2001 to $3.5 million in 2009 and the maximum levy has fallen from 60 percent to 45 percent. Without modification EGTRRA would eliminate the tax entirely in 2010, but in 2011 it would not only re-emerge, but revert to a much lower $1 million exemption and a 55 percent maximum rate. The House of Representatives voted to make the 2009 parameters permanent in order to both preserve the estate tax and avoid a dramatic increase in 2011. But the Senate failed to act on the measure before year-end. So, as matters currently stand the estate tax will be repealed when the New Year begins.

The tentative elimination of the estate tax is not necessarily good news for heirs to estates in 2010. The estate tax allows heirs to calculate capital gains taxes on assets by applying a "stepped up" cost basis equal to the market value of the assets at the time of the donor's death, rather than the cost of those assets at the time they were purchased. For example, consider an investor who purchased shares of stock for $5,000 in 1980 and later died when the shares' market value had risen to $40,000. An heir to his estate who subsequently sold those shares for $42,000 would be liable for taxes on realized capital gains of only $2,000, rather than $37,000. But this unlimited step up will disappear with the repeal of the estate tax and might result in large capital gain taxes and considerable complexity for heirs. With repeal of the estate tax, an estate will still be able to apply a stepped up basis, but only up to $1.3 million of assets (potentially $4.3 million for surviving spouses). Furthermore, if records are poor, heirs may be hard pressed to establish an accurate cost basis for their inherited assets.

"It's a little less amusing when you hear your kids calling it 'the death tax.'"

Congress will almost certainly revisit the matter in 2010, and some members are eager to re-impose the estate tax, retroactive to January 1. However, it is expected that such a change will be challenged in court on constitutional grounds. Such litigation would only add to the uncertainty heirs must endure.

The current situation leaves estate planners and executors in a quandary. We have little insight regarding what may emerge from Congress with regard to the taxation of assets upon death, but if past is prologue complexity and uncertainty will never die.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of December 15, 2009

	Rank	Yield	Price	Status	—-Percent of Portfolio-— Value	No. Shares[1]
AT&T Corp.	1	5.94%	27.60	Buying	19.24%	15.59%
Verizon	2	5.76%	33.01	Holding**	17.11%	11.59%
Dupont	3	5.09%	32.19	Buying	16.94%	11.77%
Kraft	4	4.32%	26.83	Buying	1.52%	1.27%
Merck & Co.	5	4.00%	38.00	Holding	13.22%	7.78%
Pfizer	7	3.94%	18.29	Selling	10.44%	12.76%
General Electric	16	2.54%	15.75	Holding	6.32%	8.97%
Alcoa	26	0.82%	14.68.	Holding	8.06%	12.28%
Bank of America	29	0.26%	15.19	Selling	5.59%	8.23%
Citigroup	NA		3.56	Selling	1.56%	9.77%
Cash (6-mo. T-Bill)	NA				0.01%	--
					100.00	100.00

** Currently indicated purchases approximately equal to indicated purchases 18 months ago. 1 Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of shares of each stock as a percentage of the total number of shares in the entire portfolio.
Subscribers can find a full description of the strategy and methodology in the "Subscribers Only" (Log in required) section of our website: www.americaninvestment.com.

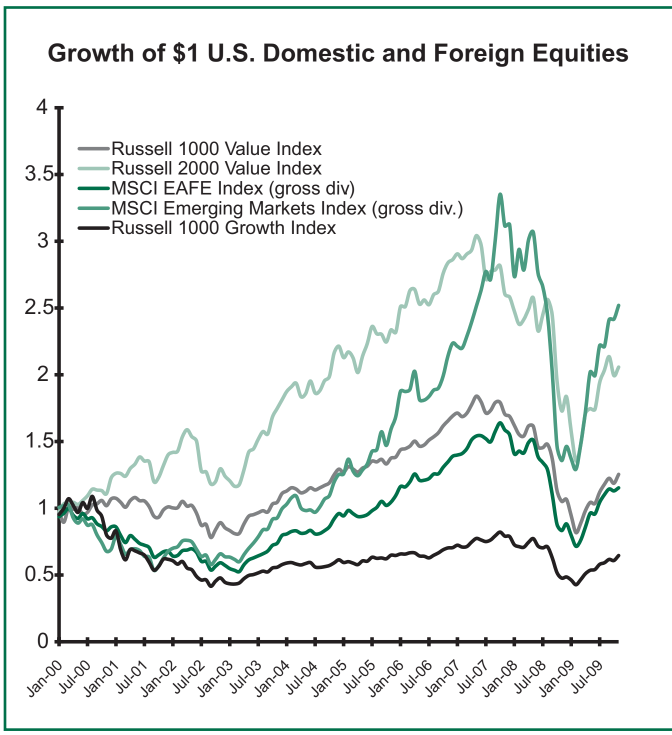
Hypothetical Total Returns: HYD and Relevant Indices (percent)

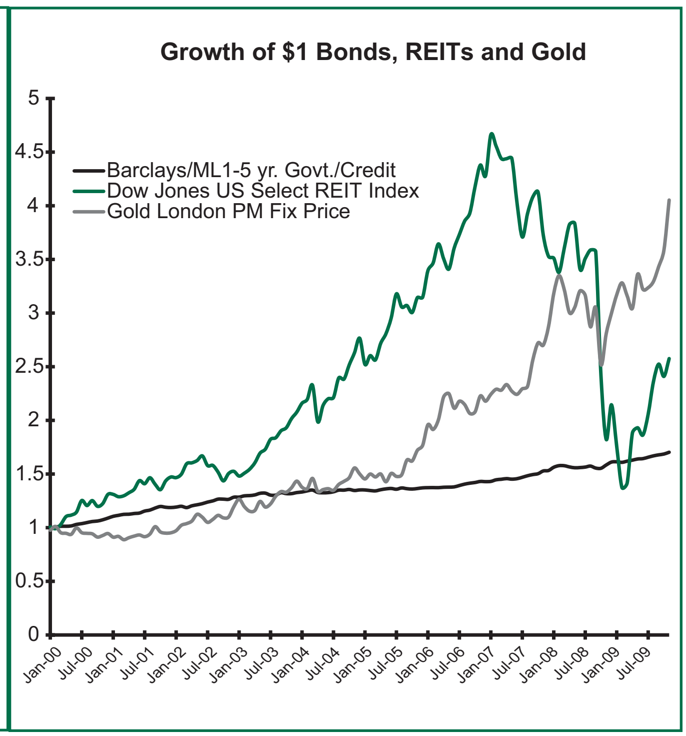
The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes) through November 30, 2009*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	5.72	4.17	1.91	5.65	12.31	15.59	18.16
Russell 1000 Value Index	5.64	19.24	0.05	2.34	8.86	12.04	14.91
Dow	6.93	21.05	2.46	1.77	9.54	NA	NA

*Data assume all purchases and sales at mid-month prices (+/–$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. The 5-, 10- and 20-year total returns are annualized, as is the standard deviation of those returns since January 1979, where available. Model HYD calculations are based on hypothetical trades following a very exacting stock-selection strategy, and are gross of any management fees. They do not reflect returns on actual investments or previous recommendations of AIS. Past performance may differ from future results. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results.

THE DECADE AT A GLANCE





RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	12/15/09	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing	**1,122.00**	1,104.00	826.00
Silver, London Spot Price	**17.18**	17.32	10.33
Copper, COMEX Spot Price	**3.08**	2.97	1.39
Crude Oil, W. Texas Int. Spot	**70.68**	76.34	44.50
Dow Jones Spot Index	**352.51**	340.05	247.80
Dow Jones-UBS Futures Index	**134.72**	131.68	112.64
Reuters-Jefferies CRB Index	**274.27**	269.12	225.70

Interest Rates (%)

U.S. Treasury bills -	91 day	**0.05**	0.07	0.04
	182 day	**0.17**	0.17	0.28
	52 week	**0.40**	0.30	0.47
U.S. Treasury bonds -	10 year	**4.52**	3.48	2.53
Corporates:				
High Quality -	10+ year	**5.33**	5.28	5.29
Medium Quality -	10+ year	**6.40**	6.40	8.63
Federal Reserve Discount Rate		**0.50**	0.50	1.25
New York Prime Rate		**3.25**	3.25	4.00
Euro Rates	3 month	**0.72**	0.72	3.38
Government bonds -	10 year	**3.09**	3.28	3.18
Swiss Rates -	3 month	**0.25**	0.26	1.14
Government bonds -	10 year	**1.83**	1.92	2.23

Exchange Rates ($)

British Pound	**1.623400**	1.665700	1.527800
Canadian Dollar	**0.941442**	0.952381	0.809717
Euro	**1.451400**	1.488600	1.366400
Japanese Yen	**0.011122**	0.011167	0.011028
South African Rand	**0.133905**	0.134407	0.098907
Swiss Franc	**0.959601**	0.986096	0.862813

Securities Markets

	12/15/09	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**1,107.93**	1,093.48	868.57
Dow Jones Industrial Average	**10,452.00**	10,270.47	8,564.53
Dow Jones Bond Average	**247.17**	246.33	199.35
Nasdaq Composite	**2,201.05**	2,167.88	1,508.34
Financial Times Gold Mines Index	**3,150.57**	3,317.37	2,185.04
FT EMEA (African) Gold Mines	**3,067.23**	3,152.38	1,893.30
FT Asia Pacific Gold Mines	**14,247.37**	14,334.59	8,343.64
FT Americas Gold Mines	**2,634.12**	2,818.94	1,963.18

Coin Prices ($)

	12/15/09	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**1,221.68**	1,133.78	828.88	8.88
Austrian 100-Corona (0.9803)	**1,130.93**	1,069.32	746.22	2.82
British Sovereign (0.2354)	**286.30**	271.20	184.65	8.40
Canadian Maple Leaf (1.00)	**1,201.80**	1,128.00	806.40	7.11
Mexican 50-Peso (1.2057)	**1,393.70**	1,317.80	919.90	3.02
Mexican Ounce (1.00)	**1,176.20**	1,113.20	763.00	4.83
S. African Krugerrand (1.00)	**1,198.78**	1,120.38	812.40	6.84
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,475.00**	1,462.50	1,055.00	35.88
Liberty (Type I-AU50)	**1,680.00**	1,580.00	1,100.00	54.76
Liberty (Type II-AU50)	**1,520.00**	1,437.50	1,050.00	40.02
Liberty (Type III-AU50)	**1,435.00**	1,387.50	1,010.00	32.19
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**12,850.00**	12,387.50	8,975.00	4.61
40% Silver Circ. (292 oz.)	**5,262.50**	5,062.50	3,025.00	4.90
Silver Dollars Circ.	**14,850.00**	14,175.00	12,000.00	11.73

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1122 per ounce and silver at $17.18 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker	*Market Prices ($)*			*12-Month ($)*		*Latest Dividend*	*Record*		*Indicated*	
	Symbol	*12/15/09*	*11/13/09*	*12/15/08*	*High*	*Low*	*Amount ($)*	*Date*	*Paid*	*Annual Dividend ($)*	*Yield† (%)*
AT&T (New)	T	27.60	26.25	27.13	29.46	21.62	0.410	10/09/09	11/2/09	1.640	5.94
Verizon	VZ	33.01	30.13	32.30	34.76	26.10	0.475	10/09/09	11/2/09	1.900	5.76
Dupont	DD	32.19	34.31	26.17	35.62 *H*	16.05	0.410	11/13/09	12/14/09	1.640	5.09
Kraft	KFT	26.83	26.91	26.74	29.84	20.81	0.290	9/30/09	10/14/09	1.160	4.32
Merck	MRK	38.00	33.10	26.60	38.00 *H*	20.05	0.380	12/15/09	1/8/10	1.520	4.00
Pfizer	PFE	18.29	17.59	16.63	18.99 *H*	11.62	0.180	2/05/10	3/2/10	0.720	3.94
McDonald's	MCD	62.00	63.58	60.69	64.75 *H*	50.44	0.550	12/01/09	12/15/09	2.200	3.55
Chevron	CVX	77.37	77.94	78.21	80.06	56.12	0.680	11/18/09	12/10/09	2.720	3.52
Home Depot, Inc.	HD	29.02	27.34	23.41	29.21 *H*	17.49	0.225	12/03/09	12/17/09	0.900	3.10
Johnson & Johnson	JNJ	64.74	61.43	57.81	65.41 *H*	46.25	0.490	11/24/09	12/8/09	1.960	3.03
Boeing	BA	55.67	50.68	38.74	56.56 *H*	29.05	0.420	2/05/10	3/5/10	1.680	3.02
Caterpillar	CAT	58.20	58.78	42.21	61.28	21.71	0.420	1/20/10	2/20/10	1.680	2.89
Procter and Gamble	PG	62.12	61.61	59.36	63.48	43.93	0.440	10/23/09	11/16/09	1.760	2.83
Intel Corp	INTC	19.80	19.82	14.59	21.27	12.05	0.140	11/07/09	12/1/09	0.560	2.83
Coca-Cola	KO	59.06	56.46	44.97	59.45 *H*	37.44	0.410	12/01/09	12/15/09	1.640	2.78
Travellers	TRV	50.41	53.28	40.05	54.47	33.07	0.330	12/10/09	12/31/09	1.320	2.62
General Electric	GE	15.75	15.66	16.95	18.13	5.73	0.100	12/28/09	1/25/10	0.400	2.54
3M Company	MMM	82.70	77.32	55.63	82.93 *H*	40.87	0.510	11/20/09	12/12/09	2.040	2.47
Exxon Mobil	XOM	69.17	72.47	79.95	83.64	61.86	0.420	11/12/09	12/10/09	1.680	2.43
United Tech.	UTX	70.25	67.99	49.63	70.30 *H*	37.40	0.385	11/20/09	12/10/09	1.540	2.19
Wal-Mart Stores	WMT	53.98	53.20	54.71	57.51	46.25	0.273	12/11/09	1/4/10	1.090	2.02
American Express	AXP	40.96	40.35	19.34	42.25 *H*	9.71	0.180	1/11/10	2/10/10	0.720	1.76
Microsoft Corp.	MSFT	30.02	29.63	19.04	30.37 *H*	14.87	0.130	2/18/10	3/11/10	0.520	1.73
IBM	IBM	128.49	127.03	82.77	129.98 *H*	79.68	0.550	11/10/09	12/10/09	2.200	1.71
Walt Disney	DIS	32.18	30.44	22.77	32.33 *H*	15.14	0.350	12/14/09	1/19/10	0.350	1.09
Alcoa	AA	14.68	13.18	9.91	15.11	4.97	0.030	11/06/09	11/25/09	0.120	0.82
Hewlett-Packard	HPQ	50.99	49.91	34.82	51.43 *H*	25.39	0.080	12/16/09	1/6/10	0.320	0.63
J P Morgan	JPM	40.86	42.90	28.63	47.47	14.96	0.050	1/06/10	1/31/10	0.200	0.49
Bank of America	BAC	15.19	15.98	14.11	19.10	2.53	0.010	12/04/09	12/24/09	0.040	0.26
Cisco	CSCO	23.48	23.71	16.84	24.83	13.61	0.000			0.000	0.00

* See the Recommended HYD Portfolio table on page 94 for current recommendations. † Based on indicated dividends and market price as of 12/15/09.
Extra dividends are not included in annual yields. *H* New 52-week high. *L* New 52-week low. (s) All data adjusted for splits and spin-offs. 12-month data begins 12/16/08.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense (%)	Sharpe Ratio	Turnover (%)	P/B	12 Mo. Yield (%)	Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
		Descriptive Quarterly Statistics, as of 9/30/09							*Annualized Returns (%), as of 11/30/09*					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[2]	2.8 Yrs.	1130	0.10	na	101	--	3.07	7.39	--	--	6.28	--	--
Vanguard Short-Term Bond Index	VBISX	2.8 Yrs.	1130	0.19	1.29	101	--	3.03	7.31	5.99	4.76	6.23	4.59	3.37
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.0 Yrs.	535	0.20	na	67	--	4.04	13.05	--	--	11.48	--	--
iShares Barclays 1-3 Year Treasury	SHY[1]	2.0 Yrs.	53	0.15	1.28	37	--	2.69	1.91	5.05	4.13	1.13	3.84	2.92
Vanguard Limited-Term Tax-Exempt	VMLTX	2.6 Yrs.	1057	0.15	0.70	23	--	2.82	6.23	4.22	3.52	6.23	4.22	3.52
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP	9.0 Yrs.	29	0.20	0.37	10	--	3.90	19.71	6.51	5.32	18.43	4.89	3.60
Vanguard Inflation-Protected Securities	VIPSX	9.1 Yrs.	26	0.20	0.33	28	--	0.15	19.26	6.27	5.21	19.19	5.00	3.69
Real Estate														
Vanguard REIT Index	VNQ[2]	2.8 B.	99	0.11	-0.18	10	1.2	5.58	42.19	-14.41	0.26	39.12	-15.68	-1.18
Vanguard REIT Index	VGSIX[3]	2.8 B.	100	0.21	-0.18	10	1.2	4.52	42.11	-14.50	0.17	39.08	-15.74	-1.26
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	33.3 B.	447	0.10	-0.38	27	1.5	2.99	20.30	-8.04	0.59	19.67	-8.46	0.16
Vanguard Value Index	VIVAX	33.3 B.	447	0.21	-0.39	27	1.5	2.87	20.20	-8.13	0.49	19.59	-8.53	0.08
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.2 B.	1312	0.60	-0.33	25	1.3	0.86	20.86	-13.56	--	20.49	-13.72	--
Vanguard Small-Cap Value Index	VBR[2]	0.9 B.	1025	0.11	-0.15	30	1.0	2.43	28.69	-8.07	0.18	27.84	-8.55	-0.28
Vanguard Small-Cap Value Index	VISVX	0.9 B.	1025	0.23	-0.15	30	1.0	2.29	28.52	-8.20	0.07	27.72	-8.64	-0.37
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	33.2 B.	625	0.20	-0.16	22	3.5	1.42	35.23	-2.19	1.63	34.57	-3.16	1.40
Vanguard Growth Index	VIGRX	32.6 B.	429	0.23	-0.16	27	3.1	1.09	33.42	-2.86	1.70	33.16	-3.01	1.54
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	21.0 B.	3382	0.07	-0.26	5	1.9	2.02	27.56	-5.54	1.17	27.10	-5.83	0.87
Fidelity Spartan Total Market Index	FSTMX[4]	22.4 B.	3144	0.10	-0.26	3	2.0	2.11	27.03	-5.74	1.09	na	na	na
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	26.5 B.	553	0.40	-0.14	37	2.1	2.20	34.92	-4.53	--	34.06	-4.82	--
iShares MSCI Value Index	EFV[1]	33.8 B.	533	0.40	-0.13	28	1.2	2.54	40.10	-6.63	--	38.96	-7.16	--
Vanguard Europe Pacific Index	VEA[2]	25.3 B.	945	0.11	--	16	1.3	2.72	37.88	--	--	37.43	--	--
Vanguard Tax-Managed International	VTMGX[5]	25.4 B.	945	0.15	-0.11	16	1.3	2.63	36.46	-5.44	4.43	36.02	-5.68	4.20
Vanguard Developed Markets Index	VDMIX[6]	28.0 B.	970	0.00	-0.12	13	1.4	4.20	37.59	-5.36	4.22	36.24	-6.00	3.61
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	16.8 B.	778	0.20	0.32	20	2.0	3.07	84.23	5.18	--	82.88	4.72	--
Vanguard Emerging Market Index	VEIEX[7]	16.8 B.	778	0.32	0.32	20	2.0	2.89	82.61	4.80	14.74	81.34	4.37	14.36
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	0.81	0.00		0.00	44.14	21.74	--	44.14	21.74	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	0.81	0.00		0.00	43.77	21.57	--	43.77	21.57	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	12/15/09	Month Earlier	Year Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Distributions Frequency	Yield (%)
Anglogold Ltd., ADR †	AU	**41.38**	44.70	26.29	47.52	22.50	0.1266	Semiannual	0.3059
Barrick Gold Corp.	ABX	**39.10**	42.89	32.92	48.02	25.54	0.3400	Semiannual	0.8696
Gold Fileds Ltd.	GFI	**13.79**	14.45	9.64	15.88	7.42	0.1319	Semiannual	0.9565
Goldcorp, Inc. †	GG	**39.45**	44.07	29.34	46.24	23.02	0.1530	Monthly	0.3878
Newmont Mining	NEM	**50.59**	50.99	37.70	56.45	34.40	0.4000	Quarterly	0.7907

Data provided by the funds and Morningstar. [1]Exchange Traded Fund, traded on NYSE. [2]Exchange Traded Fund, traded on AMEX. [3]1% fee for redemption in 1 yr. [4]0.5% fee for redemption in 90 days. [5]1% fee for redemption in 5 yrs. [6]2% fee for redemption in 60 days. [7]0.5% fee for purchase and 0.5% fee for redemption. * Calculated using the highest individual federal income tax rates in effect at the time of each distribution and do not reflect the impact of state and local taxes and individual tax situations. † Dividend shown is after 15% Canadian tax withholding.

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