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	Q 3	YTD	1 YR	5 YR	10 YR
S&P 500	15.61	19.26	-6.91	1.02	-0.15
Russell 2000	19.28	22.43	-9.55	2.41	4.88
MSCI EAFE	19.52	29.58	3.80	6.57	2.97
BarCap US Agg Bon	3.74	5.72	10.56	5.13	6.30

MARKET COMMENTARY

The third quarter of 2009 continued to reward investors for being in the market. Both equity and fixed income portfolios gained solid ground with the S&P 500 up 15.61% and the BarCap Aggregate Bond index up 3.74% for the quarter. However, let us not forget,

this "run" in the market comes in the wake of the worst bear market since the Great Depression. Investors in the US equity market, as represented by the S&P 500, lost 57% from the October 2007 high to the March 2009 low. A loss of 57% can also be viewed as starting with \$100 and ending with \$43, resulting in a required 132% return to get back to the original \$100.

The S&P 500 has since recovered 56% from the March low. While an admirable recovery, the S&P 500 has much further to recover before hitting pre-financial crisis highs. The chart to the right gives an interesting perspective of the return needed in order to reach the 2007 peak. For example: if the S&P 500 took four years to recover to the peak, it would translate into four consecutive years of 12.8% gains, or a compounded return of 62%.

The million dollar question is, "Will the rally last?" Each day on television, CNBC showcases industry experts debating both sides of the question. Diversification among asset classes and the selection of quality managers in investors' portfolios are crucial as investors navigate through this tumultuous period. Miller/Russell understands that managing risk in portfolios is equally important. Our Investment Policy Committee has worked diligently in 2009 to identify portfolio risks and to proactively implement strategies to mitigate these risks. We continue to take the "risk first, return second" approach in guiding our clients' financial success.

FEATURE

ESTATE PLANNING BASICS: WILLS VS. TRUSTS

By T. James Lee, Partner (Director) of Fennemore Craig, P.C.

One of the most fundamental questions in estate planning is whether to use a will or a trust. Here are a few pointers that you may find helpful. Please note, however, that these are only generalizations based on Arizona law, and specific circumstances should be discussed with a professional legal advisor.

Why have a will or trust? The answer is that there is simply no way for anyone to enforce your intended plan if it is not contained in a legally enforceable document for transfers upon death. Family relationships can be forever strained, even over small amounts of property. In some circumstances, unintended tax consequences can result.

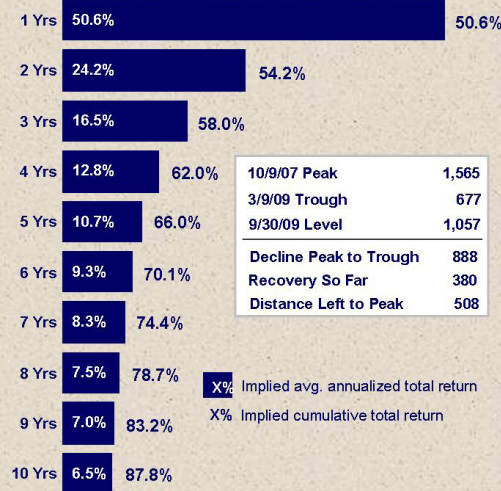
If you use a will, then upon your demise the recipients of your assets as designated under the will would typically be disclosed in the public record. If there is no will (and no trust or other valid mechanism), the property is distributed according to the state law of intestacy, and also becomes a matter of public record. (One who dies with a will is said to have died "testate." A deceased person without a will has died "intestate.") Unless other measures are taken (such as through joint tenancy or community property with right of survivorship, pay-on-death designations, or contractual beneficiaries), a probate proceeding at court will likely be required upon the death of the person executing the will.

Anyone wishing to avoid a probate should give serious

consideration to establishing a trust during his or her lifetime. A trust is like an empty vessel into which you "pour" your assets. You can revoke or modify this type of a trust at any time during your lifetime, provided that you are not legally incapacitated. During your lifetime, you receive all of the benefits of those assets (essentially as if you owned them in your name). By naming yourself as the trustee of the trust, you can manage all of the trust assets and make all trust decisions. Upon your incapacity, a successor trustee would then manage the assets for your benefit, thus avoiding the need for a conservatorship with the court. Upon your death, the assets are distributed by the trustee as directed in the trust instrument, bypassing probate court. With regard to a married couple with children, the trust can be set up so that upon the death of the first spouse, the trust remains revocable, or alternatively so that the decedent's portion of the trust becomes irrevocable. Often, the survivor stays in control as the sole trustee. A trust for a married couple can also provide a mechanism to maximize estate tax savings.

Therefore, among other things, a revocable living trust can help to maintain privacy (since a trust is generally not made a part of the public record), maximize estate tax savings, avoid the cost and hassle of a probate administration, and avoid the need for a conservatorship upon incapacity. In some instances a trust can also help provide financial protection for a child, and simplify administrative elements in dealing with financial institutions.

S&P 500 Index: Return Needed to Reach 2007 Peak
Analysis as of Sep. 30, 2009. Index has risen 56.3% since low of 677.



Source: Standard & Poor's, J.P. Morgan Asset Management. (Left chart) Data assumes 2.5% annualized dividend yield. Implied values reflect the average geometric total returns required for the S&P 500 to reach its 10/9/07 peak of 1,565 over each stated time period. Chart is for illustrative purposes only. Past performance does not guarantee future results. (Right chart) A bear market is defined as a peak-to-trough decline in the S&P 500 index (price only) of 20% or more. The bull run data reflect the market expansion from the bear market low to the subsequent market peak. All returns are S&P 500 Index returns and do not include dividends. *Most recent bear market is through market low of 3/9/09.

RETIREMENT PLANNING

ROTH IRA CONVERSIONS

by Russell Bucklew, CFP®, Investment Counselor

Why is the financial press buzzing with information and articles about Roth IRA conversions? Traditional IRA owners that prefer the tax-free advantage of Roth IRA withdrawals may convert an existing Traditional IRA to a Roth IRA, and the conversion is taxable as ordinary income. Currently, taxpayers may convert only if their modified adjusted gross income is under \$100,000. However, starting in 2010, all taxpayers regardless of the amount of their adjusted gross income (AGI) may convert a Traditional IRA to a Roth IRA.

Why so much excitement about the prospect of paying income tax now rather than when distributed? First, if you convert in 2010, the tax can be paid in two installments at a later time (in 2011 and 2012) with no tax due in 2010. However, you can elect to pay the tax in 2010. This may make sense if the current Bush tax cuts are not extended beyond 2010 or if you expect significantly higher income in 2011 and 2012. Taxes on conversions made after 2010 must be paid in the year of conversion. While deferral benefits postpone some of the pain, one who converts is still paying taxes earlier than the distribution requirement with a Traditional IRA.

Because many investors experienced losses in their portfolios over the last two years, this may be an ideal time for them to consider converting a Traditional IRA to a Roth IRA and paying tax on the lower market value. Additionally, the conversion allows investors to completely escape income tax on all future appreciation.

QUALIFIED RETIREMENT PLANS: EGTRRA Restatement

EGTRRA is an acronym for the Economic Growth and Tax Relief Reconciliation Act which was signed into law by President Bush on June 7, 2001. EGTRRA included a large number of changes to qualified retirement plans over the past few years.

When congress enacts significant changes to the law, the IRS requires retirement plan sponsors to rewrite (restate) their plan document to reflect these law changes. Going forward, the IRS will likely require a document restatement every five to six years.

If you sponsor a qualified retirement plan (e.g. 401(k), 403(b), Profit Sharing, Money Purchase plan) you have probably already received information and instructions (or will very soon) regarding the EGTRRA restatement.

The EGTRRA restatement is required to be completed no later than April 30, 2010. Note that Defined Benefit and Cash Balance plans are not required to be restated at this time.

If you have any questions regarding the EGTRRA restatement for your retirement plan, you should contact your plan document provider (e.g. recordkeeper, ERISA counsel, CPA, etc.). Feel free to contact Miller/Russell if you need additional assistance.

There are a variety of factors that determine whether converting a Traditional IRA to a Roth IRA makes sense. Factors that favor converting include:

1. You will not use funds from the IRA to pay the taxes.
2. You expect your future marginal tax rate (or your beneficiary's) to be equal to or greater than your current marginal tax rate.
3. You won't take withdrawals from your Roth IRA for many years.
4. Since you aren't required to withdraw funds from a Roth IRA, even after age 70½, your Roth IRA balance will continue to grow tax-free.
5. You want to leave your IRA balance to heirs. Income tax can potentially be avoided on the future appreciation by converting to a Roth IRA, paying the tax on the converted value now, and passing the assets to heirs.

It is important to consider how a Roth IRA conversion may be beneficial to you. Miller/Russell's investment counselors are armed with information to discuss the pros and cons of different strategies. Because each individual's circumstances differ, we encourage you to discuss the merits of a conversion with your tax advisor. We look forward to helping you as we navigate the ever-changing tax and regulatory environment.

IRA CHARITABLE ROLLOVER

Part of the Emergency Economic Stabilization Act of 2008 has important provisions relating to charitable giving. It extends through 2009 the provision from the Pension Protection Act of 2006 which allows one to contribute funds from an IRA to charity without paying federal income tax on withdrawal.

The law provides that through 2009, an owner of a Traditional or Roth IRA, who is 70½ or older, may instruct the trustee to distribute directly to a public charity up to \$100,000 without the distribution being included in taxable income.

To qualify for IRA rollover treatment, the donor must direct the IRA manager to transfer funds directly to the charity by December 31, 2009. The donee must be a tax-exempt organization to which deductible contributions can be made. Donor advised funds and supporting organizations are not eligible. The gift must be outright. Rollovers to a planned gift annuity or a charitable remainder trust do not qualify. Neither do outright distributions from employer-sponsored retirement plans, such as SIMPLE IRAs, 401(k)s, and 403(b)s. State and local tax law treatment of the rollover varies so please check with your tax advisor before you initiate an IRA charitable rollover.

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