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Investor's Quarterly

Required Minimum Distributions are Back

by Nicole Pichon, Operations Specialist

Required Minimum Distributions (RMDs) are distributions from employer-sponsored retirement plans, including profit-sharing plans, 401(k)s and Roth 401(k)s, 403(b)s and 457(b)s. Last year the government elected to suspend RMDs in an effort to help alleviate some of the tax strain for investors 70½ and older. The one-year suspension only applied to distributions due in 2009.

This year, RMDs are back. The requirement also applies to traditional IRAs and SEPs, SARSEPs and SIMPLE IRAs. Account owners are subject to RMDs the year they attain age 70½. The amount of the distribution is based on the prior year's 12/31 account balance and life expectancy estimates according to IRS mortality tables. While account owners are responsible for taking the correct distribu-

tion amount each year, we are happy to assist you with your specific calculation.

Failure to take your RMD in the tax year it is due can result in significant tax penalties. If you have questions, suspended your RMD in 2009, or if you are now subject to RMD requirements, please call our office to ensure that you will be in compliance for 2010.



Mark Smith Selected for Advisor Hall of Fame



Mark Smith was one of five financial advisors in the U.S. named to *Research Magazine's* Advisor Hall of Fame in December 2009. He was the only Colorado advisor selected.

According to the publication, those selected have passed a rigorous screening, have a minimum of 15 years in the industry, acquired substantial assets under management, demonstrate superior client service, and have earned recognition from their peers and the broader community.

In addition to managing a top wealth advisory practice, Mark is committed to help students overcome financial challenges and obtain educational goals. Raised by a single mother who worked two waitress jobs to support her family, Mark received scholarships that helped him complete a college education. As a result, he is strongly committed to helping others, especially children of low-income, single-parent families.

He established scholarships for college students who wish to pursue accounting and financial planning at Denver's Metropolitan State University and Arapahoe Community College, the University of Iowa, and at Iowa Central Community College, where he delivered the commencement address in 2007. Congratulations, Mark!

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Staff Profile: Drew Harper, Operations Specialist



What are your job responsibilities?

My responsibilities include developing retirement analyses for clients, preparing investment recommendations, financial plan preparation, and client portfolio reviews.

How did you become interested in the personal financial planning profession, and what led you to MJS?

Upon graduation, I started in financial services as a financial planning professional with a local financial planning firm here in Englewood, then I was fortunate to have been brought on board with M.J. Smith and Associates this year.

How do you enjoy spending your personal time?

I spend time outdoors enjoying all Colorado has to offer, taking trips, running, and skiing. Also, I enjoy music, spending time with family and friends, and volunteering.

What are the most rewarding aspects of your job?

I greatly enjoy working with our clients and developing an understanding of their individual goals and desires. The desire to help clients understand how to reach their goals and dreams is very rewarding, both personally and professionally.

McKenzie Ray Helps Metro Youth

By day, McKenzie Ray is an Operations Specialist at M.J. Smith and Associates. But one evening a week she volunteers to help at-risk-youth learn to snowboard. McKenzie is a volunteer with the Denver Metro Chill program. The program was created to reward at-risk-youth for making positive and empowering decisions.

Every Thursday evening McKenzie leaves the office and heads up to Echo Mountain with a group of 25-45 youngsters, ages 11-18, for fun in the snow. McKenzie started her volunteer efforts in early January. When asked how she feels about the program, she said, "It's an incredible program that not only benefits the kids, but it has been a wonderful experience for me as well. It's incredibly fulfilling to see the kids having so much fun snowboarding while learning powerful life lessons."

Federal Reserve, TARP Profit in 2009

by James Osborne, MBA, CFP®, Financial Representative

The 2009 calendar year was a successful and profitable period for two separate arms of the U.S. government. Last year the Federal Reserve, which is the central bank of the United States, returned the highest-ever recorded profit in 96 years. Primarily through investments in U.S. government debt and mortgage-related security purchases, the Federal Reserve earned and returned to the U.S. Treasury roughly \$46.1 billion in 2009. Unlike many government agencies, the Fed funds its own operations and returns any profits to the Treasury on an annual basis. In January, Fed Chairman Ben Bernanke was reconfirmed by the U.S. Senate for another term.

Additionally, in December 2009 the Treasury announced that the Troubled Asset Relief Program, or TARP, had generated at least \$16 billion in profit since the program's inception. Nearly all of the large money center banks have now repaid TARP funds, including Citigroup, Bank of America, JP Morgan Chase, Wells Fargo and Goldman Sachs. Profits from the TARP program are a result of interest paid on loans granted to recipient banks, as well as from



the sale of preferred stock and warrants granted as a part of the loan. In January, the non-partisan Congressional Budget Office projected an additional profit of \$7 billion from the sale of preferred stock shares from the Capital Purchase Program, a segment of the TARP program. At this time, the Treasury Department does not anticipate fully drawing on the \$700 billion that was

initially authorized for TARP. While there are still large amounts of loans outstanding, the CBO has revised their long-term projections for the total cost of TARP to be significantly lower than the initial assumptions.

Current Events

- Congratulations to James Osborne, MBA, Financial Representative. He successfully passed the CERTIFIED FINANCIAL PLANNER™ exam. The CFP® designation reflects rigorous professional standards and adherence to the principles of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence when dealing with clients.
- Mark Smith, CFP®, CPA/PFS, CIMA®, is participating in the Advanced Planners' Study Group, which includes higher level discussions of wealth management issues being faced by a group of experienced advisors around the nation.
- Welcome Drew Harper, who joined the MJS team as a Operations Specialist.
- The Investment Management Consultants' Association selected M.J. Smith and Associates to manage their funds. With more than 7,500 members, the IMCA sets standards and practices for the investment management consulting profession and provides investment consultants with the credentials and tools required to best serve their clients.
- Tom Jacobsen, MBA, Operations Manager, will attend a Raymond James conference in Philadelphia in March.

Economic & Market Overview

by Brian D. Eilers, MBA, CFP®, CIMA®



The worst calendar decade ever for stocks finished on a high note. From the bottom on March 9, 2009 the Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) gained 59.28% (not including dividends), and posted its best calendar year since 2003. Even more impressive, the NASDAQ Composite (an unmanaged index of securities traded on the NASDAQ system) and the S&P 500 (an unmanaged index of 500 widely held stocks) increased 78.87% and 64.83%, respectively, in the same time frame. As high as these numbers seem, strong market rebounds are not uncommon immediately following deep bear market periods. You only need to go back to 2003 to see a similar big bounce in stocks globally after the dismal '00-'02 market environment.

Turning to a new calendar, there are additional signs that the U.S. and global economies are in recovery mode, although very few economists are predicting a rapid road to recovery. That being said, key economic indicators continue to improve, consumer spending and personal incomes rose in October and November, and the Institute for Supply Management's manufacturing index has shown growth for five consecutive months. This manufacturing growth was duplicated worldwide in major markets in Europe and Asia. The Federal Reserve continues to keep interest rates at record lows, but has hinted that rates will rise when they perceive that the economy is on stronger footing and that inflation is a concern once more. The housing market figures

continue to bounce around between good and bad, which is a strong indication that a bottom is forming. New home sales were down 11.3% in November after rising in October. Existing home sales rose 9.9% for October and 7.4% in November; however, pending homes sales, after rising nine straight months, fell in December.

If there is a lesson to be learned from the last nine months, it's that it is so important during volatile economic and market conditions



to stay the course with your investment plan. We understand that this can be extremely difficult to do when our emotions get the best of us, especially when the news is so bleak and the crisis is "different this time." Keep in mind that all

crises our country has faced in the past have come at us from different angles and have been caused by different circumstances, but problems ultimately lead to solutions, which in turn lead to economic and market growth again. We appreciate your patience over the last few years of market turmoil.

Estate Tax Update: Protect Your Family and Your Assets

By Clint Thomas, MSF, CFP®, Financial Representative



It's 2010, and the temporary, one-year repeal of the federal estate tax is in effect. The failure of Congress to either extend the 2009 estate tax rules into 2010 or enact a permanent estate tax law has created several unfortunate consequences. Here are some things you need to know to protect your family and your assets.

- Both the federal estate tax and the federal generation-skipping transfer tax (a separate tax on property given to grandchildren, great-grandchildren, etc.) are repealed for 2010 (unless Congress enacts legislation to reinstate them, retroactive to January 1, 2010 or otherwise).
- Both taxes are scheduled to return in 2011 at levels that applied prior to 2001; that means a \$1 million exemption and a top tax rate of 55% (in 2009, the exemption was \$3.5 million and the top rate was 45%).

- The federal gift tax remains in effect with a \$1 million lifetime exemption, and the top tax rate is 35%.
- The step-up in basis rule that allowed heirs to inherit property with a fair market value as of the date of death of the decedent has been modified. For 2010, the basis for inherited property is the lesser of the decedent's basis (carryover basis) or its fair market value on the date of death. But \$1.3 million of estate property is afforded a step-up in basis, and up to \$3 million of property passing to a surviving spouse receives a step-up as well.

While the rhetoric from Washington indicates that legislation—or at least a temporary fix on the estate issue—will be passed this year, there are no guarantees. If your estate plan assumed that an estate tax would be imposed in 2010, it may no longer carry out your intentions, it may not provide adequately for your spouse, and it may not meet your overall tax objectives. We recommend discussing the possible need to revise your will, trust and other estate planning documents with your estate planning attorney.

Raymond James Statements among Industry's Best

by Nicole Pichon, Operations Specialist

Raymond James' client brokerage statements recently caught the eye of independent measurement expert DALBAR. The Raymond James design was ranked fourth, up from sixth, in a field of 17 firm competitors in 2009.

Having earned a total score of 85.28, the statement design was deemed "excellent" and positioned us ahead of firms such as UBS, Merrill Lynch, LPL and Fidelity. The statement was judged on its ability to meet basic investor and advisor needs as well as regulatory requirements. This produced a high score in the "primary content" category. In addition, the statement scored high marks in the "calculated to be understood

category" which measures statement features that strongly impact investors' ability to access and understand important information.

While attaining high marks from DALBAR is an honor worth mentioning, Raymond James continues to work with advisors and clients to identify and improve statement features and functionality. If you have comments or feedback on how Raymond James can further improve their statements, please contact Nicole Pichon in our office at Nicole.Pichon@raymondjames.com

How to Reach Us

Please note that we are not able to initiate security or investment purchases or sales via e-mail or voice mail. You must speak directly to a representative of our office for any trades to occur. For other communications, our e-mail addresses and phone extensions follow. Our phone number is 303.768.0007.

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