



Warren Wall
CFP, CSA, MBA, Publisher

SENIOR FINANCES

COMPREHENSIVE FINANCIAL ADVICE FOR THE MATURE INVESTOR

First Quarter January – March 2006

Market & Investment Update

As many investors already know, it usually doesn't pay to play in the far end of the yield curve in a search for extra income. The end result in such attempts is a slightly higher return, but typically at the cost of significantly higher volatility. The current flatness of the interest rate yield curve puts even less pressure on investors to explore opportunities in longer term bonds. This certainly won't last forever. At the first sign of an economic slowdown, smart investors will start buying longer term bonds in anticipation of the end of Federal Reserve rate increases. In the meantime, income investors are much better off in shorter-term fixed investments or tactically managed bond funds like our Bond Allocation Program.

Meanwhile, the stock market is successfully climbing a wall of worry. After the major indexes en-

joyed the best quarterly performance in years, journalists are warning investors that reality will eventually catch up to equity valuations. With so many people worrying that the same worst-case scenario will come to fruition, my belief is that there probably isn't much chance of it coming true. The bottom line? Look for stocks to outperform again in the second quarter, while bond returns are likely to be less attractive.

Wall & Company managed programs "net-after fee" model results ending 3/31/06 are shown below:

	<u>DGPVA</u>	<u>WGO</u>	<u>WGOII</u>	<u>BBH-Stock</u>	<u>BBH-Bond</u>	<u>BAP</u>
First QTR	+7.26%	+4.88%	+7.72%	+ 10.02 %	+ .96%	+3.49%
2006 YTD	+7.26%	+4.88%	+7.72%	+ 10.02%	+ .96%	+3.49%

Disclosure: Past performance does not guarantee future results. Any investment has the potential for loss as well as gain. See Performance Report Disclosures on page 4 of this newsletter and the Wall & Company Form Adv Part II for investment program details.

Don't Get Pushed into a Higher Tax Bracket

This is a cautionary tale of one retiree who suffered a loss of income in her later years. Although the story is fictional, its lessons are significant and could save you and your spouse money at a time when you may need it most.

A few years ago, John and Mary Rodgers were enjoying a comfortable retirement together. Their annual income of \$80,000 from Social Security, pensions, and withdrawals from John's IRA was enough to cover their living expenses and allow them to pursue leisure activities such as travel, golf outings, and fine dining.

That changed when John unexpectedly passed away. Mary continued to receive the same pension income. She also inherited John's IRA and continued to withdraw the same amount of money each year to maintain her standard of living and leisure activities. However, as the years went by, she found that she actually had less money to spend, and had to scale back on some of her vacations, golf outings, nights out with friends, and other daily expenses.

She wonders, "What happened to the comfortable retirement I was living before John passed away?"

Why don't I have as much money now as I did when my husband was still alive?"

Unfortunately, Mary is now in a higher tax bracket, and more of her annual income is going to the government and not to her retirement.

	Married Filing Jointly	Single
Taxable Income	\$80,000	\$80,000
Tax Bracket (2005)	25%	28%
Taxes Due	\$13,330	\$16,906

Source: IRS 2005 Tax Rate Schedules; <http://www.irs.gov/formspubs/article/0,,id=133517,00.html>

Among the many unfortunate circumstances that may occur upon the death of a husband or a wife is that the surviving spouse could be pushed into a higher income tax bracket, even though his or her income level hasn't changed. While a surviving spouse like Mary may have some options to lower her income tax burden, one of the best times to find a solution to

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this problem is while both spouses are still alive.

If your situation is similar to John & Mary's, one possible solution that might help is to convert an existing traditional IRA to a Roth account. Although there is an income tax up front at the time of conversion, qualified distributions from the Roth IRA are free of federal income taxes, even if they are made by the surviving spouse. A qualified distribution is one in which the age and holding-period requirement have been satisfied (which are discussed below).

Also, partial roll-overs can be used in some cases to help reduce the income taxes incurred on the conversion. For example, consider a situation where a taxpayer is holding \$100,000 in a traditional IRA and wants to convert this money over to a Roth account. Assuming the taxpayer converts \$20,000 each year for five years, the income tax will actually be spread out over a longer period. This strategy can also prevent the converted funds from being taxed at the higher 28-35% federal tax rates.

Unlike a traditional IRA, a Roth IRA has no minimum distribution requirements. Many retirees find this advantage useful in managing their income flow, and likewise their tax burden. With a traditional IRA, you are required to take minimum withdrawals from the



account by age 70½, even if you have other sufficient sources of income and do not need to withdraw the money. These requirements may push you or your surviving spouse into a higher tax bracket, with fewer options for reducing your tax burden.

However, before you consider a conversion, you should know that there is a five-year holding period rule that applies to amounts rolled over to the Roth account. Also, early withdrawals from a Roth IRA prior to age 59½ can be subject to federal income taxes as well as a 10% federal tax penalty. Therefore, a Roth may not be the best choice if you are already into your retirement and need to use your money now or in the near future. Although distributions are typically

free of federal income taxes, state income taxes might apply in some states. I always advise people to consult with their own qualified legal, tax, and financial advisor prior to making any financial decisions.

Before you convert a traditional IRA to a Roth, it is wise to review the benefits of each type of account and determine if a conversion would be appropriate for your current financial situation. Call my office for resources on Roth IRA conversions, or complete the enclosed reply coupon to request written information by mail.

Who's Working for You at Wall & Company



Mary Beth Ray – Marketing & Events Director, Service Team Assistant

Mary Beth comes to us after six years in television broadcasting. Some of the many hats she wears around the Wall & Company office include: coordinating all media-based projects, keeping our database system organized, helping clients with set appointments, answering questions for them and coordinating our investment workshops.

Thank You for Your Referrals

At Wall & Company, protecting your assets and seeing those assets continue to grow in all market conditions is our goal. We welcome the opportunity to serve individuals throughout our communities.

It's easy to refer family members, friends and professional associates to Wall & Company. Call us. Fax us. E-mail us. Write us. We promise to follow up promptly and to extend to your referrals the same concern for their long-term financial security that brought you to Wall & Company.

Again, thank you for your referrals and the confidence you have shown in our firm!

Will Your Beneficiaries Be Able to Manage the Wealth They Receive from Your Estate?

No one likes to think about it, but it's an important decision that all individuals should make: how to plan for the transfer of your assets when you die. Wills and trusts are critical tools for this function, designed to pass your wealth along to a surviving spouse or another generation as efficiently as possible. But do your beneficiaries have a plan as to how they'll manage the assets they will receive?

It's a good idea not only to plan for the transfer of your wealth but also to consider how that wealth will be managed once it is placed in your beneficiaries' hands. In some cases the designated beneficiary might not have the wherewithal to manage a large sum of money on their own. Therefore, you may want to establish instructions for the management of your inherited assets while you are alive. That way you can help ensure that your surviving spouse or other beneficiary will have financial support for the rest of his or her life.

One strategy you might consider for your beneficiaries: have the inherited IRA assets placed in a fixed immediate annuity. This could provide a lifetime guaranteed income for your surviving spouse or other beneficiary. Assets from an IRA can be transferred into an annuity tax-free, although income taxes will be due on distributions and are required to begin accord-

ing to the beneficiary's life expectancy.

An immediate annuity might work well for a beneficiary who is inexperienced in financial matters or would prefer the security that the guaranteed stream of income from the annuity would provide. Payments could be set up to pay for health insurance or long-term care insurance premiums. And additional riders can cover specialized needs, such as cost-of-living increases or a cash refund of the balance of the annuity to a designated beneficiary upon the death of the annuitant.

Please note that annuities are designed for long-term investing and ordinary federal income taxes and a 10% tax penalty will apply to withdrawals taken prior to age 59½.

Annuity benefits and guarantees are based upon the claims-paying ability and financial strength of the underlying insurance company and are not government insured. Additionally, one should remember that surrender charges could apply to early withdrawals and are often based upon the time the insured has been invested in the annuity. Annuity surrender schedules also vary from company to company.

If you are looking for ways to pass property to your heirs in an efficient manner, please complete and return the enclosed coupon. You'll also receive a free estimate on your possible estate tax liability.

Why Joint Ownership Can Put Your Assets at Risk

Probate is the legal process of wrapping up a person's affairs, paying their bills, and distributing their assets. And it is not uncommon for this to take several months to go through the court system. The expenses involved can potentially include property appraisal, executor fees, court costs, plus legal and accounting fees. The amount varies depending on your state and community.

To avoid this burden on their loved ones, seniors frequently transfer assets into joint-tenancy ownership with their intended beneficiaries. Although this strategy can reduce settlement costs by eliminating probate, it could open up another set of problems.

Assets held in joint-tenancy automatically go to the surviving owner when you die. However, while you are alive, the joint owner can legally withdraw part or all of the money in the account without your permission. In addition, if he or she gets into financial or legal trouble, the property could be at risk to creditor claims.

Rather than making a beneficiary a joint owner of your property to simply avoid probate, you might consider another idea.

An individual can own certain assets and list a beneficiary. At the owner's death, the assets pass to the named beneficiary and avoid probate. While you are alive, your beneficiary does not have access to your account. You can change beneficiaries at anytime, and you might even be allowed to name a contingent beneficiary.

A Payable on Death (P.O.D.) registration applies to bank, savings and loan, and credit union accounts, as well as United States savings bonds. A Transfer on Death (T.O.D.) registration is used for securities such as stocks, bonds, and mutual funds (but only if the securities firm allows it). With both of the above, the beneficiary receives the funds by offering proof of identity and a copy of your death certificate, regardless of the provisions in your will. Please note that the assets will still be included in your estate when you pass away. Estates that exceed \$1.5 million are subject to federal estate taxes.

If you are looking for ways to pass property to your heirs in an efficient manner, please complete and return the enclosed coupon.

PERFORMANCE REPORT

WALLCO DYNAMIC ASSET ALLOCATION ILLUSTRATIONS

First Quarter – Ending 3/31/06 (Total Returns Net After Maximum Fees)

Hypothetical Asset Allocations (Net after Maximum Management Fees)	2006 1st Qtr %	2006 YTD %	2005 %
Aggressive Growth Allocation 50% World Growth Opportunity (WGO) 50% Better Buy & Hold-Stock (BBH-S)	7.45%	7.45%	9.17%
Capital Growth Allocation 40% World Growth Opportunity (WGO) 10% Bond Allocation Program (BAP) 40% Better Buy & Hold-Stock (BBH-S) 10% Better Buy & Hold-Bond (BBH-B)	6.41%	6.41%	7.56%
Balanced Growth Allocation 30% World Growth Opportunity (WGO) 20% Bond Allocation Program (BAP) 30% Better Buy & Hold-Stock (BBH-S) 20% Better Buy & Hold-Bond (BBH-B)	5.36%	5.36%	5.96%
Conservative Allocation 20% World Growth Opportunity (WGO) 30% Bond Allocation Program (BAP) 20% Better Buy & Hold-Stock (BBH-S) 30% Better Buy & Hold-Bond (BBH-B)	4.32%	4.32%	4.33%
Preservation Allocation 10% World Growth Opportunity (WGO) 40% Bond Allocation Program (BAP) 10% Better Buy & Hold-Stock (BBH-S) 40% Better Buy & Hold-Bond (BBH-B)	3.27%	3.27%	2.73%
MARKET INDICES			
S & P 500 Composite Index (without dividends)	3.73%	3.73%	3.00%
Lehman Brothers Aggregate Bond Index	-.65%	-.65%	2.43%
US Treasury Bill (3 months)	---	1.01%	3.13%

IMPORTANT DISCLOSURE INFORMATION W. Wall & Company, Inc. ("WCI") performance results represent the actual results of the four different existing WCI managed model programs (WGO, BBH-S, BBH-B, and BAP) in various hypothetical asset allocations during the corresponding time period. The performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, the maximum investment management fee that would have been charged by WCI during the corresponding time period, and the separate fees assessed directly by each unaffiliated mutual fund holding that comprised each portfolio. WCI utilizes its four model account programs to monitor how existing client in these programs may have performed. As of 3/31/06, Wall & Company's BBH-S and BBH-B model accounts were the only customers of the BBH-S and BBH-B investment programs.

Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal either the WCI performance results reflected or any corresponding historical index. The composition/percentage weighting of each corresponding WCI index (i.e. S&P, Lehman Bond, or MSCI) is also disclosed. For example, the S&P 500 Composite Index (the "S&P") is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. Standard & Poor's chooses the member companies for the S&P based on market size, liquidity, and industry group representation. Included are the common stocks of industrial, financial, utility, and transportation companies. The historical performance results of the S&P (and those of or all indices) do not reflect the deduction of transaction and custodial charges, nor the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical S&P performance results (and those of all other indices) are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a WCI portfolio performance meets, or continues to meet, his/her investment objective(s). A corresponding description of the other comparative indices, including the Lehman Brothers Aggregate Bond Index (i.e., a fixed income index) is available from WCI upon request. It **should not** be assumed that WCI account holdings will correspond directly to any such comparative index. **Please Note:** The WCI hypothetical performance results do not reflect the impact of taxes. WCI's model investment programs generally involve an above-average turnover, which could negatively impact upon any net after-tax gain experienced by an individual client in a taxable account.

For reasons including variances in portfolio account holdings, variances in the investment management fee incurred, market fluctuation, the date on which a client engaged WCI's investment management services, and any account contributions or withdrawals, the performance of a specific client's account may have varied substantially from the indicated WCI composite model portfolio performance results. In addition, the underlying individual mutual funds which have comprised, and that continue to comprise, the model programs are subject to change at the discretion of WCI. Historical information pertaining to the underlying mutual funds and changes thereto is available from WCI upon request.

The hypothetical allocation results have inherent limitations, including: (1) the hypothetical results do not reflect the results of actual trading using client assets, and, (2) for various reasons (including the reasons indicated above), WCI's clients may have experienced investment results during the corresponding time periods that were materially different from those portrayed in the model.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise WCI immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by WCI) will be either suitable or profitable for a client's or prospective client's portfolio. Accordingly, no client or prospective client should assume that the above model portfolios (or any component thereof) serve as the receipt of, or a substitute for, personalized advice from WFI, or from any other investment professional.

All performance results have been compiled solely by WCI utilizing the performance results reported by each respective mutual fund (and other holdings) that comprised the portfolio, are unaudited, and have not been independently verified. WCI also maintains all information supporting the performance results in accordance with regulatory requirements. Information pertaining to WCI's advisory operations, services, and fees is set forth in WCI's current disclosure statement, a copy of which is available from WCI upon request.

Report created 4/7/06

Will Long-Term Care Bills Force You To “Spend Down” Your Wealth?

How would you pay for nursing home care or other types of long-term medical care? Many people believe that Medicare will cover the bills. But the fact is Medicare only pays a portion of your long-term care expenses – and that’s only for short-term skilled care and for the first 100 days. With the average nursing home stay lasting 2½ years, it is no wonder that many people start out paying for much of their long-term care expenses out of their own pocket.

How will decisions about planning and paying for long-term medical care impact you? Let’s consider some of the issues you could potentially face by looking at a hypothetical couple:

John and Mary are both in their 60’s, happy and healthy, with two grown children. They have sufficient funds to maintain their current standard of living throughout retirement, and intend to leave some of this wealth to their children after John and Mary pass away.

Mary’s parents are still alive, are in their 80’s, and have lived in a nursing home for the past year. All of the money that they had put away is going toward their nursing home expenses. Eventually, they will have spent their entire life savings on long-term health care, and will have to fall back on Medicaid or their own children to pay these bills.

Mary sees what has happened to her parents and doesn’t want the same circumstances to affect her and John’s independence. She realizes that long-term costs for two individuals would possibly jeopardize the wealth they have accumulated, as well as their retirement goals. What options do John

and Mary have?

Medicare might cover a small part of their expenses, but John and Mary would bear the responsibility for the remainder. And they might not qualify for Medicaid until they have spent down their assets to the level required by law. This could leave them with little to live on if they no longer needed the special care. Plus it could reduce or eliminate any hope of helping their children.

For John and Mary, long-term care insurance could provide a suitable solution. A long-term care policy can possibly be written to address many specific medical concerns they may have, such as a family history of Alzheimer’s or other congenital diseases. Plus, they can review different plans to find a premium that would fit into their retirement budget. Long-term care insurance can be an effective means of remaining independent, preserving your wealth, and avoiding the potential need to spend down your assets under the Medicaid rules.

For a no-obligation proposal on a long-term care plan based on rates in your community, please complete the enclosed reply coupon and return it to my office.

Note: Long-term care insurance is subject to medical underwriting, and benefits will vary based among other things upon your age, health, and premiums. Fees and other expenses apply with the purchase of long-term care insurance, and surrender charges may be applicable on money withdrawn after the policy purchase. Insurance benefits and premiums do vary from company to company. Insurance guarantees are subject to the claims-paying ability of the issuing company.

CD Maturing? Don’t Count on Your Bank to Call You

Sometimes people put funds into CDs instead of fixed annuities because they think their money is more liquid in the bank’s product. But have you ever thought about what happens when your CD is ready to mature? Most banks will send a notice in the mail giving you five to seven days to decide what to do with your CD. If you don’t move quickly, they’ll roll your money into a new CD, sometimes at a lower interest rate, and the withdraw penalty starts all over again.

Fixed annuities have penalties for early surrender, too. But they don’t continually punish you for the privilege of holding your money. Once an annuity’s surrender penalty period is over, it is never re-established. And, unlike CDs, you can withdrawal 10% from an annuity each year without a paying surrender charge. Furthermore, some annuity companies will let

you spread out the withdrawals on a monthly, quarterly, or semi-annual basis.

And since we’re talking about CDs, let’s spend a moment on taxes. The earnings on your CDs are taxable every year. And it doesn’t matter whether you have used the income or allowed it to accumulate in the account. On the other hand, the interest that you reinvest in your fixed annuities grows tax-deferred. In addition, the IRS will give you a tax break by not requiring you to include tax deferred earnings in the provisional income calculations against your Social Security benefits.

Don’t wait for that notice to come in the mail. Before your CDs mature, return the coupon so we can meet and discuss how a fixed annuity can possibly offer the liquidity you may need, provide a source of income, and save you money on taxes.

Valuable **FREE** Information

For more information on the items mentioned in the newsletter, please complete and mail in this form to Wall & Company at the address shown below or call Mary Beth at **828-651-9617** or toll-free at **888-253-9141**.

Please contact me regarding these items mentioned in your newsletter (free info - no handling charges):

- Send me a copy of Wall & Company's current written disclosure statement, Form ADV Part II, detailing their advisory services and fees.
- I would like information on Roth IRA conversions.
- I am looking for ways to pass property to my heirs in an efficient manner.
- Please provide me with a no-obligation proposal on a long-term care plan.
- I would like to discuss how a fixed annuity can possibly offer the liquidity I may need, provide a source of income, and save me money on taxes.

I would like to have a copy of these booklets (enclose \$1 each for shipping and handling):

- Seven Ways Retirees Can Cut Taxes
- IRA Distribution Mistakes and How to Avoid Them
- Avoid Mistakes in Buying Long-Term Care Insurance
- Annuity Owner Opportunities (a must read if you own an annuity)
- Mistakes in Selecting Mutual Funds

Name _____

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I think these people would like to receive your newsletter and an invitation to your next public presentation:

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Name _____

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