

## What to Watch in 2011: Taxes, Interest Rates, and Deficit Reduction

~ FROM RUSSELL W. KETRON, CFP®



Hot off the press as I write this on the 69<sup>th</sup> anniversary of the bombing of Pearl Harbor. The headlines read: Obama, GOP make deal to extend the tax cuts. As always the details are being worked out, but it appears that the President and GOP are working on compromises to extend the expiring income tax cuts for all Americans, renew jobless benefits for the long-term unemployed, grant a one year reduction in Social Security taxes and they are discussing many other tax credits as well as the estate tax provisions. By the time we have our letter approved by compliance, printed and distributed to you; hopefully many of the areas in our main article below will have been settled.

The coming year is shaping up to be perhaps the most important in a decade in terms of policies affecting the U.S. economy. A host of issues related to tax laws, interest rates, and reducing the federal deficit are circling Washington, D.C., like jets waiting to land at Reagan National Airport. Here's a rundown of what to expect.

More quantitative easing: A

Federal Reserve initiative to stimulate the economy by purchasing government bonds is expected to continue through the first half of the year. Under the controversial program, dubbed QE2 because it is the Fed's second round of quantitative easing since 2008, the Fed will essentially create \$600 billion in new money and spend it over several months on Treasuries, mostly with maturities ranging from two to ten years. This is expected to push down longer-term interest rates, possibly to negative levels. The reduced rates may help encourage businesses to purchase capital goods and durable equipment; households may find that they are able to purchase automobiles, appliances, and other durable goods that were previously out of reach. Fed officials were also expecting the lower yields on government bonds to encourage investors to seek higher returns in riskier assets, such as stocks and corporate bonds, which could help push up prices for those assets.<sup>1</sup>

The Fed plans to spend about \$75 billion each month through June, but officials said

they may curtail the program if they see the economy improving or inflation rising above expectations.<sup>2-3</sup>

The Fed has undertaken QE2 because it already lowered the overnight federal funds rate, its favorite lever for economic adjustments, almost to zero. With no room left to cut short-term interest rates, the Fed has turned to reducing the spread between short-term and long-term interest rates. Quantitative easing has been the subject of widespread debate, with critics contending that it will cause inflation and weaken the dollar beyond a level that could be considered beneficial for the nation.

### A fight over deficit reduction:

Congress is likely to wrestle with recommendations from a White House bipartisan commission charged with finding ways to control federal deficits and reduce the national debt. The commission's final recommendations were due to Congress on December 1. In early reports, the commission's co-chairs were recommending dramatic cuts in domestic and military spending; raising the retirement age and reducing future Social Security benefits; and simplifying the tax code by abolishing the alternative minimum tax, reducing income tax rates, and also eliminating key tax deductions.<sup>4</sup>

### Inside this issue:

What to Watch in 2011: Taxes...	2
Elderhostel now Roadscolar	2
Glen's Market Watch	3
Clarity Unlimited	4
Clarity Unlimited ~ continued	5
Charity List	6

"If you can't beat your computer at chess, try kickboxing."  
 Anonymous

## Continued from page 1 ~ What to Watch in 2011: Taxes, Interest Rates, and Deficit Reduction ~ FROM RUSSELL W. KETRON, CFP®

### The future of U.S. tax laws:

After December 31, 2010, tax rates on income, capital gains, dividends, and inherited assets are slated to rise to levels that were in place prior to 2001. Congress was unable to pass any extensions of the lower rates before the midterm elections but was expected to take up the issue in a lame-duck session.

Even if the outgoing Congress is able to come to an agreement over the numerous tax provisions slated for expiration on December 31, it's possible that the new Congress could take up the issue again after it is seated in January. Many incoming members, especially in the House, rode to election victory on promises of extending the 2010 tax rates and

rolling back spending in Washington. If the outgoing Congress fails to address the expiration of the 2010 tax rates, or creates policies that don't satisfy a majority of the public, the new Congress may feel pressured to weigh in with its own tax legislation.

In light of the deficit commission's aggressive recommendations for tax reform, 2011 may be the most significant — and possibly the most contentious — year for U.S. tax policies since 2001 and 2003, when many of the soon-to-expire tax laws were enacted or amended. If big tax-law changes are forthcoming this year, it's important to view them in light of your overall

situation. Consider consulting with your tax advisor before you take any specific action.

1–2) *The Wall Street Journal*, November 4, 2010

3) *The Washington Post*, November 4, 2010

4) *The New York Times*, November 10, 2010

For articles on other topics see our website at [www.ketronfinancial.com](http://www.ketronfinancial.com)

**“Given a choice between two theories, take the one which is funnier.” Anonymous**

## “Road Scholar - Adventures in Lifelong Learning” ~ Ruth Aguirre

It's always interesting to me how things tend to come in pairs. For the second time in as many months I heard about a program called “Elderhostel”. I Googled it and found out the new name for all the Elderhostel programs will now be “Road Scholar”. [Italic sections are quotes copied directly from the website.]

*“Beginning now, Elderhostel has extended the Road Scholar name, which was trademarked in 1992, to all of our learning adventures across the globe. We know that Road Scholar is a name that energizes all of our participants, from the new generation of 50-year-olds to our seasoned lifelong learners in their 80s. “Road” connotes a journey and real-world experience and “Scholar” reflects a deep appreciation for learning. Together, the words capture the heart of our program experience: learning from expert instructors enhanced by direct discovery of an idea, issue, subject or place. Our educational experiences range from snorkeling in the Great Barrier Reef with a marine biologist to immersion in the Oregon*

*Shakespeare Festival with a noted professor.” Both times I heard about the Elderhostel or Road Scholar program was from clients who highly recommended the program not only for its educational aspect but also for its affordability. Road Scholar is a not-for-profit educational travel organization.*

*“Except for the occasional meal on some programs, Road Scholar programs are all-inclusive. That means there are no extra “options,” no passing the bat for tips and no surprises. From lectures and field trips to gratuities and accommodations – the price you pay up front is the price you pay.”*

There are programs all over the world and also close to home. They have a search function on the website to see how close to home you can find many of their activities. The Bay Area alone was filled with options.

The programs are open to anyone over 40. Though anyone over 21 can attend they must be accompanied by someone 40 or older. *“Alongside local*

*and renowned experts, experience in-depth and behind-the-scenes learning opportunities, from cultural tours and study cruises to walking, biking and more.”*

I haven't decided which program to try first but the Carmel Valley—Monterey program looks fantastic.

Their programs range from activity levels 1 *“Participants must be able to handle their own luggage, climb a few stairs and get from sleeping accommodations to classrooms and dining rooms.”* all the way to activity level 7

*“Participants must have a high level of physical fitness and appropriate expertise in the program activities, and should expect full days of fast-paced, strenuous physical challenges.”*

There are too many programs to list here but check out the website at [www.road scholar.org](http://www.road scholar.org) or Call them at 1-800-454-5768 for more information on the Road Scholar tours.

## Glen's Market Watch

Where are we? What are the Trends?

How is business? It depends on what business you focus upon. The S&P 500 profitability is at an all time high. Corporate cash and short-term investment reserves are reportedly over one trillion dollars with twelve companies holding over \$275 Billion.

Microsoft	\$44.1 Billion
Cisco Systems	\$39.9 Billion
Berkshire Hathaway	\$34.4 Billion
Google	\$30.1 Billion
Apple	\$25.6 Billion
Johnson & Johnson	\$22.1 Billion
Intel	\$18.3 Billion
Chevron Oil	\$14.5 Billion
General Electric	\$12.9 Billion
Exxon Mobil	\$12.3 Billion
IBM	\$11.1 Billion
Wal-Mart	\$10.6 Billion

### Unemployment

Reported total unemployment is 9.3%. South Dakota 3.8%, Virginia is 6.8%, California 12.4%, Nevada 14.3%.

Unemployment by industry or class of worker (a few anomalies that might interest you) *November 2010* (Bureau of Labor Statistics):

Construction	18.8%
Agricultural	14.5%
Leisure and Hospitality	12.4%
Education & Health Serv.	5.9%
Government Workers	4.4%

### Interests Rates

Interest rates are going up. That means the value of debt instruments is declining. The cost of mortgages rising means the value of housing is under further downward pressure. Federal Reserve is putting more money in the economy. This is another effort to prime the pump. If that money flows as it did in the late 1990's the equity markets will rise, price earnings ratios will increase. That appears to be happening now.

What happens when the Fed starts to remove liquidity from the economy? It could be a problem though the Fed understands the inherent risks; however, knowing the risks and soft economic landings are not the same thing.

### The Value of the Dollar

The value of the dollar has been rising. That means that the relative fear of the U.S. economy and the economies of parts of the world has shifted a little. European nations economic stability and relative impact one to another is the greater fear for now.

### Metals

Gold and silver fluctuate in an upward trend. Gold is an international fear monitor of sorts. Will the increase in domestic potential investment capital cause more money to seek gold or move away from the metal to seek stock market revaluation? This may be an interesting thing to watch. Rare earth gets press lately. It seems that China has cornered the market with well over 90% of the currently available assets.

They indicated that they would share these assets, and then withdrew that concession. These metals are highly significant in technology, defense, and other industries. China again shows that they are playing a world chess match and plan to win.

Big U.S. businesses and international businesses are outperforming and outmaneuvering the smaller businesses. I expect that this will be fodder for political debate.

What do I expect?

Do not hold me to this because cir-

cumstances may change. I think U.S. economy will improve at a low or moderate growth rate 1.5% to 3%. The domestic equity markets will improve at a rate much higher than the economic growth, meaning higher relative prices for profitable equities. Select nations in the world may continue to grow their economies at over 5% rates, some approaching 9%. World fear of terrorism and economic shocks continue.

Debt instruments may be less of a safe haven. The potential for damaging inflation could become public debate. Our government may seek to help the middle class but recognize that it is very difficult to revalue the purchasing power of their assets.

Congress could continue to be more accountable to their parties than to their districts. This last one may be too cynical. However, if we do not see an acceptable rate of middleclass recovery I think there will be increasing public manifestation of discontent.

For each of you I hope you will be healthy, with your assets and options growing. Best wishes for the new year. *Glen Calkins*

glen@protectedinvestors.com  
415-892-0928

*"This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is not indicative of future results."*

"My opinion is neither copyrighted nor trademarked, and it's price competitive. If you like, I'll trade for one of yours." **Anonymous**

## Clarity Unlimited - by Clara Chorley & Darren Jacklin

Organizations make mistakes because human beings work there, and human beings are, by their nature, imperfect. When mistakes are not cleared up completely there can be a residual of mis-trust, which impacts work effectiveness and efficiency. For example if John promises Mary a document by Wednesday and delivers it on the following Monday, this could impact Mary's deadlines and cause her doubt around whether she can count on John to honor his word and their agreements.

Many people have experiences similar to this and say nothing: Mary will hold onto the doubt and mis-trust, and think twice before asking John to help her again; and John won't say anything because perhaps he feels bad and doesn't want to look worse by owning the missed deadline. If Mary and John are the Accountant and COO of a company, or the Executive Assistant and CEO - this can lead to back-logs in work, missed deadlines, upset clients, and so forth. Not to mention the impact on Mary and John's working relationship.

The Four Part Apology is a great tool for addressing this. An easy four-step process that

"Happiness is a choice that requires effort at times."

Anonymous

everyone can walk through to clean up the inevitable mistakes that we all make.

### The Four Part Apology

1. Acknowledge: Take responsibility for what you've done. Use "I statements" to show that you're the one behind the action: "I acknowledge that I missed our deadline and that this impacted your work flow and efficiency."

2. Apologize: "I apologize for wasting your time, adding stress to your life, and making you look bad to your superior." The words "I apologize" are much more powerful than "sorry." How often have you heard a nonchalant "I'm sorry" or just "Sorry" as if that would fix everything.

3. Make it Right: Ask, "How can I make it right?" If the person doesn't have anything specific in mind, offer something to make up for what she missed when you cancelled. "I'd like to take you out for lunch" or "Is there a project I can help you with right now?" or "I'd like to let your boss know that I was the reason your other deadlines were missed." (this last one takes a lot of courage!)

4. Recommit: Show that you're following a plan to keep the upset from happening in the future. "From now on, if I set a deadline with you I will make it, and be in communication with you if there are any very real reasons that I cannot."

Our challenge to you is that when you're asked "How can I make this right with you?" - you genuinely come up with something that would make you feel better and like you can move on. Give the other person a chance to win. Just watch how the trust in your relationships grows, and how this impacts every area of life. It takes courage to say 'I did something wrong and I apologize' - and the rewards are measurable. Work will become more fun and rewarding as a greater team spirit emerges.

### **BIO**

Darren Jacklin and Clara Chorley have worked internationally as corporate trainers and team builders with small, mid-size and large organizations - including over 130 Fortune 500. They're passionate about bringing efficiency and effectiveness to the workplace through teaching powerful communication and organizational strategies.

### **Clara Chorley is skilled at helping others:**

- Get out of their own way: move through Fear of change, criticism, failure, success... procrastination; deepen Authenticity
- Gain laser-sharp Clarity: of wants, needs and Purpose
- Go for what they Really want: get into Action

~ Continued on page 5

## continued from page 4 ~ Clarity Unlimited

**Result?** Clara's clients get what they really want out of life – and much, much more...

Clara Chorley is an award-winning speaker, private coach, author and founder of Clarity Unlimited – an organization committed to empowering men and women globally to clarify their Purpose, own their leadership, and express their innate gifts in the world.

Clara Chorley has a passion for uncovering the common threads of Successful Men and Women. After working with hundreds of men and women from 34 countries and 3 continents, she has successfully outlined steps that will guide anyone to the discovery and expression of their true, authentic gifts and Life Purpose. She has been found to be able to uncover how people sabotage their gifts; specific steps that will transform failure to success; and how to access true, unlimited potential. Clara coaches life skills and tools, and shows how to integrate them into daily personal and professional practice – to ensure the highest likelihood of Life Success for any man or woman, no matter where he/she is in his/her personal evolution.

Born in Birmingham, England, Clara has lived in Honolulu, Hawaii where she acquired her BA in Speech/Communications and worked as an organizational specialist, writer, and editor. Clara moved to San Francisco in 2005. She has

worked and lived in India, Romania and Rwanda working with disadvantaged populations; and has traveled to over 34 countries. Clara is a published writer, editor and contributor to the book: *15 Winning Ways to Better Living*. (Sherman Texas: 15 Winning Ways Book Series, 2009). She is in high demand as a speaker and coach.

In her private life she thrives on physical fitness, yoga, dancing, reading, travel, horseback riding and socializing with friends.

Clara brings rare qualities of open-mindedness, directness, laser-sharp clarity and a sense of humor to her work supporting men and women to lead richer lives. She lives what she teaches.

**Darren Jacklin is called a Mega Manifestor.** Tell Darren what you really, really, REALLY want in your personal or professional life and he can show you how to get it!

For more than a decade, Darren Jacklin has dedicated his life to discovering the most advanced principles for producing accelerated change.

A world-class professional speaker, corporate trainer, and author he has motivated and inspired personnel from more than 130 Fortune 500 companies such as Microsoft, AT&T, Black & Decker, Barclays Bank, Air Canada, as well as high school and professional athletes from more than 36 countries. His goal is to

increase performance and production and to achieve more rounded, successful lives through a cooperative environment.

Darren's humanitarian efforts have lead him to join forces with his friend Caleb Espinoza, to found a unique educational project in Peru. Both of them are currently working arduously in establishing a non-profit society to build a higher educational centre in the central region of Peru. The project will be complete by Thursday, March 01, 2012.

Clara Chorley's email & website:  
[info@clarityunlimited.com](mailto:info@clarityunlimited.com)  
[www.clarityunlimited.com](http://www.clarityunlimited.com)

Darren Jacklin's email & website:  
[info@ideapartyevent.com](mailto:info@ideapartyevent.com)  
[www.IdeaPartyEvent.com](http://www.IdeaPartyEvent.com)

### Bad Predictions

"A man has been arrested in New York for attempting to extort funds from ignorant and superstitious people by exhibiting a device which he says will convey the human voice any distance over metallic wires so that it will be heard by the listener at the other end. He calls this instrument a telephone. Well-informed people know that it is impossible to transmit the human voice over wires."

**News item in a New York newspaper, 1868.**

# 2010 CHARITABLE CONTRIBUTION LIST

By KETRON FINANCIAL, LLC

*We would like to thank those clients and friends who participated in our charitable matching program for 2010. There is a growing awareness in our clients who see philanthropy as supporting their own personal, family and social values and not for personal gain.*

*Special thanks are due to those clients who have set up and/or continue to contribute additional assets to their Charitable Remainder Trusts and Donor-Advised Funds. These are excellent ways to pass on family values and encourage the ongoing need for stewardship and philanthropy.*

*We thought you would enjoy seeing the variety of the charitable gifting beneficiaries shared by Ketrone Financial, LLC, Russ, and our clients this last year.*

AFRICAN AMERICAN HISTORICAL CUL. SOC.	KGO RADIO THANKGIVING CHARITIES/KQED	OXFAM AMERICA
ALL SAINTS LUTHERAN CHURCH	LARKIN STREET YOUTH SERVICES	PACIFIC COAST AIR MUSEUM
AMERICAN RED CROSS	LIFESAVERS, INC. WILD HORSE RESCUE	PENNIES FOR PEACE; C/O CENTRAL ASIA INST.
AMERICAN FRIENDS SERVICE COMMITTEE	LITA, INC.	PREGNANCY RESOURCES CENTER
BAY AREA ELECTRIC RAILROAD ASSOC.	MARIN COUNCIL BOY SCOUTS	PROJECT AMIGO
ALAMEDA CTY. COMMUNITY FOOD BANK	MARIN FOOD BANK	PREBYTERIAN CHURCH OF NOVATO
BAD RAP	MARIN HUMANE SOCIETY	PT. REYES NATIONAL SEASHORE ASSOC.
BOY SCOUTS OF AMERICA	MARIN MUSEUM OF THE AMERICAN INDIAN	ROTARY CLUB OF NOVATO
CITIZENS AGAINST GOVERNMENT WASTE	MARIN RELEAF	ROTARY FOUNDATION
DISABLED AMERICAN VETS	MARIN SHAKESPEARE COMPANY	SALVATION ARMY
COVENANT HOUSE	MARIN SYMPHONY	SAN MARIN HIGH SCHOOL VARIOUS PROG.
FRIENDS IN SONOMA HELPING—F.I.S.H.	MARYSVILLE COLLEGE	ST. JUDES CHILDRENS HOSPITAL
GLIDE MEMORIAL	MEALS ON WHEELS OF SOLANO COUNTY	ST. LABRE INDIAN SCHOOL
HARTLAND SEMINARY	MEN IN MISSION/ALL SAINTS LUTHERAN	ST. VINCENT DE PAUL SOCIETY OF MARIN
HEIFER INTERNATIONAL	NAPA HIGH ALUMNI ASSOCIATION	U.S. FUND FOR UNICEF
HUMAN RIGHTS WATCH	NAPA FOOD BANK	UNIVERSITY OF CA, S.F. FOUNDATION
HOSPICE OF ARIZONA & PETALUMA	NOVATO HUMAN NEEDS CENTER	UNIVERSITY OF MICHIGAN
HOSPICE BY THE BAY	NOVATO ROTARY ENDOWMENT	VARIOUS ROTARY CLUBS & PROJECTS
HUCKLEBERRY HOUSE	MOUNTAIN PLAY ASSOCIATION	VINE VILLAGE, INC.
HYDROCEPHALUS ASSOCIATION	NOVATO THEATER COMPANY	VILLAGE LEAGUE
INJURED MARINE SEMPER FI FUND	NOVATO HIGH SCHOOL VARIOUS PROG.	WILD CARE

## Bad Predictions

“What, sir, would you make a ship sail against the wind and currents by lighting a bonfire under her deck? I pray you, excuse me, I have not the time to listen to such nonsense.”

**Napoleon Bonaparte, when told of Robert Fulton's steamboat, 1800s.**

1701 Novato Blvd Ste 204  
Novato, CA 94947



Phone: (415) 892-0928  
Fax: (415) 898-2441  
Toll Free: (800) 748-6338  
[www.ketronefinancial.com](http://www.ketronefinancial.com)

*Quality Lives Through Intelligent, Informed,  
Financial, and Lifetime Planning Decisions.*

Please share with your  
friends.  
We're on the Web at :  
[www.ketronefinancial.com](http://www.ketronefinancial.com)

