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Dear Client:

We hope that you are enjoying the beautiful spring weather; the bitter winter is behind us and so is the tax filing dead line. In the last few months, the U.S. economy has further strengthened but not without continued fear of an uncertain future. March marked the one year anniversary of last year's U.S. stock market's bottom in 2009. As painful as that period was for most investors, it was also the beginning of the end of the worst we had seen. The Dow has climbed from 10,000 to more than 11,000 points within the last six months. As of the writing of this newsletter, the debt crisis of Greece has rocked the global market sending the Dow Jones and S&P on a roller coaster ride. Although the recovery plan created by IMF has calmed things to a great deal, it has left most investors in dismay.

Where are we headed now?

Looking back, the 70% rebound in the market from Mid-March of 2009 represented a period of extraordinary returns. The path ahead, however, does not appear as easy. Although the market has continued to gain since the beginning of this year, the progress has been choppy and the trend is likely to be the same in the near future. It is important to understand the current economic environment in order to realize the challenges that lie ahead and to be realistic in your expectations. The economists and experts do not always agree on their guidance, but there is a general consensus that there appears to be forks in the path ahead related to the economy, inflation and the stock market returns.

There are two distinct possibilities in the economic fork: A typical robust recovery or a double dip recession. The fading government stimulus, consumers with heavy burdened debt, and tight lending conditions to small business owners are factors tilting towards a double dip recession. On the other hand, companies are restocking their inventories and employers are slowly rehiring laid off workers as the activity is accelerating leading to an improving economy. The outlook will remain fuzzy for a while. Although consumer spending and retail sales have slightly increased, the consumer confidence level remains low, and investors frame of mind and emotions are often key factors in recovery as well.

Inflation prediction is another fork in the road. An aggressively loose monetary policy, as well as rapid growth in the emerging market s resulting in higher commodity prices, could lead to a high inflationary environment. On the other hand, high unemployment, low capacity utilization, and banks holding onto cash rather than lending it, may continue to keep the inflation at a lower level. In the same way, the stock market also faces a fork in the road. The economic, valuation and sentiment indicators are not pointing towards a strong continuous recovery. Although the short term corporate earnings expectations are very positive, the long term earnings expectations are near 15-year lows.

The U.S. dollar has been showing strength again. If this trend continues, it could give the Federal Reserve enough room to be less aggressive on inflation and the ultimate tightening that we know is just around the corner. Although we do not expect the Federal Reserve to raise the short-term rates anytime soon, longer-term rates are

rising. The monumental national debt and the need for the U.S. Treasury to raise \$1.4 trillion, has resulted in the recent bond auctions meeting a heavy supply in the market. The foreign buyers, however, are not attracted to the low yields on the U.S. government securities forcing the long term yields to rise.

On the international front, several countries continue to face debt crisis. From wealthy countries as Dubai, who needed to be bailed out, and European countries such as Greece, Spain and Portugal, they are looking to the European Union and International Monetary Fund to rescue them. The S&P has lowered the ratings of Greece to "Junk" status and the investors fear that a loan default could threaten the stability of the Euro, and in turn, the global economic recovery. As seen in the last few days in this global economy, one country's economic crisis can affect the economy of the entire world.

In the coming weeks and months ahead, we will continue to be educated on the impact of the Healthcare Reform Bill; we will know more about the government's criminal investigation of giant financial institutions and the financial reform bill to protect the consumers. We will also find out about the possible increase in income tax rates. Each of these will have some impact on the economy in general.

We are aware of the frustration and vulnerability experienced by most investors in these uncertain times. We are continuing to provide the best solutions suitable to your individual situation. We encourage you to communicate with us for your financial, as well as life planning needs. Please also visit our website www.rajputsps.com periodically for important information. We have provided additional information on various planning matters on the attached pages.

We wish you a wonderful summer.

Sincerely,



Minoti H. Rajput, CFP®



Mehul S. Mistry, CFP®

P.S. We consider the recommendation of others to our firm the highest compliment we could ever receive. If you know someone who would benefit in working with an experienced group of financial advisors, please let us know.

The opinions and forecasts expressed are those of Minoti Rajput and Mehul Mistry and may not actually come to pass. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security or investment plan. Past performance does not guarantee future results. The Dow Jones Industrial Average is considered representative of the general state of the stock market. It is a price-weighted index computed by summing the prices of the 30 companies and then dividing that total by an adjusted value to reflect stock splits over the years. The S&P 500 Index is considered the most accurate reflection of the U.S. stock market today. It is a large capitalization market-weighted index where each company's stock market value affects the index in direct proportion of the company's market value relative to the total market value of the index. Indices are unmanaged, statistical composites and their performance may be materially different than that of individual investments or your portfolios. It is not possible to invest directly in an index.

Social Security:

Beneficiaries of Social Security depend on the annual cost-of-living (COLA) adjustment increase on an annual basis to offset the rapidly rising expense of everyday living. In 2010, for the first time since COLAs began in 1975, the 51 million social security beneficiaries did not receive this increase. The COLA increase was not given because it is tied to the year -to-year change in the Consumer Price Index for 2009, which showed a decrease of 1.5%. This is ironic, since the largest expenses of the seniors have NOT decreased, especially the health care and the prescription drug costs which have continued to grow at a rate faster than inflation.

Social security has provided some inflation protection in the past, but for most retirees on fixed pensions, the rest of the increase usually comes from equity investments. Despite the recent market declines, retired investors will need to focus on longer life expectancies and a reasonable amount of equity exposure to maintain their standard of living.

Retirement/ Investment Planning

***Roth IRA conversions:** This has been a much talked about topic for 2010. There are several benefits to converting a traditional IRA to a Roth IRA. It is important to weigh all the pros and cons before making a final decision. On one hand, this conversion will create a large income tax outlay which can be spread over two years, but on the other hand; Roth IRA distributions will be income tax free down the road. In addition, the Roth IRA does not require a Required Minimum Distribution at age 70 ½. Please check our website www.rajputsp.com for detailed information on Roth IRA conversions or call us to discuss this matter.

Estate Planning

The much awaited change in the estate tax rules is still up in the air. As per the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001(EGTRRA), beginning January 1, 2010, the estate and generation – skipping taxes have been repealed for one year. In addition, the step-up in basis of appreciated assets at death is eliminated, although it does allow some basis adjustment relief if certain conditions are met.

Congress is likely to reinstate the estate tax retroactively to January 1, 2010, and the carry over basis scheme may not be relevant. If Congress does nothing, the carryover basis issue will be a concern for the estates of decedents who pass away in 2010. We will be in touch with you as soon as Congress announces any changes. It will be important to review your estate planning documents to determine if the revision of the EGTRRA has any impact on your plan.

Foreign Bank Accounts

Several of our clients hold bank or investment accounts outside of the U.S. in countries they continue to have ties. The IRS has always had a disclosure requirement for these accounts, although investors may not have always been aware of the rules of disclosure. It is now important to report all accounts in excess of \$10,000. Please check with your tax accountant for further details. You can also visit the IRS link for further information.

<http://www.irs.gov/newsroom/article/0,,id=210027,00.html>