Market Report

Family Investors Company

265 South Avenue, Fanwood, New Jersey 07023
Phone: (908) 322-1800 Email: info@familyinvestors.com
Visit our website at: www.familyinvestors.com

Winter, 2006

Happy New Year to our clients and friends!

There were 75.8 million Americans born between 1946 and 1964. This year, there will be one person turning 60 years of age every 10 seconds, and ending….? This is the **largest AND** the **most affluent generation** of Americans who ever lived.

If you are one of the "Baby Boomers," where are you in terms of retirement income? Do you know how much you will need? Are you investing and saving enough to retire comfortably? Social Security will only provide a fraction of the monthly income you will need. You will have to fund your retirement the longest of any generation that has ever lived.

Call our office and speak to your representative. We can give you a free **retirement income needs analysis**. Ensure your golden years are free of financial worries.

Future Happenings

Family Investors Company will host several seminars in the early part of 2006. All seminars will begin at 7PM and will be held at our office location. Admission is free but a reservation is required. Call 908.322.1800 or email info@familyinvestors.com to reserve your place. Bring a friend.

Tuesday, February 28th, **Steve Goldberg** will present **"Long-Term Care."** Research shows nearly half of all Americans will need long-term care at some point in their lives.

The following week on Tuesday, March 7th, **Steve Goldberg** will discuss **"Medicare Prescription Drug Coverage."** What is the cost and what are your options?

On Tuesday, March 14th, **Anthony Cavallo, JD, CPA**, will offer advice on a **"Estate and Elder Law Issues."** Mr. Cavallo also shares some insight on Page 4 of this Market Report.

Tidbits

Family Investors Company once again hosted the children of A Special Place at Children's Specialized Hospital in the office. Scooby Doo (Darraugh Valli) paid a visit.

Bill Achtel

Bill Achtel and Mickey Achtel, niece Jackie Reckseit, and daughter, Ellen Spivak, at Bill's Client Appreciation Dinner on Tuesday, November 1st.

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Perspectives/Information

Identity theft is on the rise. Be vigilant and keep your personal information private.

If you believe you have been a victim of identity theft, take the following 4 steps IMMEDIATELY:

1. Place a fraud alert on your credit reports and view your credit reports. Contact the toll-free fraud number of any of the three consumer reporting companies below to place a fraud alert on your credit report. You only need to contact one of the three companies to place an alert.

Equifax - 1-800-525-6285
Experian - 1-888-397-3742
Trans Union - 1-800-680-7289

2. Close the accounts you know, or believe, have been tampered with or opened fraudulently. If the identity thief has made charges or debits on your accounts, or on fraudulently opened accounts, ask the company for the forms to dispute those transactions.

3. File a report with your local police or the police in the community where the identity theft took place. Then, get a copy of the police report or at the very least, the number of the report. It can help you deal with creditors who need proof of the crime. If the police are reluctant to take your report, ask to file a "Miscellaneous Incidents" report, or try another jurisdiction, like your state police. You also can check with your state Attorney General's office to find out if state law requires the police to take reports for identity theft. Check the Blue Pages of your telephone directory for the phone number or check www.naag.org for a list of state Attorneys General.

4. File a complaint with the Federal Trade Commission. You can file a complaint online at www.consumer.gov/idtheft, or call the FTC's Identity Theft Hotline, toll-free: 1-877-IDTHEFT (438-4338); TTY: 1-866-653-4261; or write: Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580

Compliance Chat

Diana Cilluffo

The NASD Conduct Rule 2280 requires investment firms to annually inform clients of the availability of the NASD's Public Disclosure program regarding investment firms and individual representatives. You can check the background of the investment firms and the registered representatives with whom you do business by calling the NASD at their toll free number: 1-800-289-9999 or via the internet at www.nasd.com. There is also a brochure available detailing the Public Disclosure Program. Family Investors Company urges you to take advantage of this free service.

THE LIGHTER SIDE

Always laugh when you can. It's cheap medicine.

Experience is not what happens to a person; it is what a person does with what happens to them.

Advice is what we ask for when we already know the answer but wish we didn't.

Remember, today is the tomorrow you worried about yesterday.

Things don't change; we change.

Family Chatter

Fred Chemidlin and wife, Barbara, celebrated Barbara's 60th birthday in October. In addition, Fred continued to travel to churches with his tithing ministry **Darraugh Valli** and husband, Peter, spent the holidays at home with their twins, entertaining friends and family. **Peter Chemidlin**, wife, Joan, and their children vacationed at Disneyworld. In addition, they enjoyed time with Joan's family, visiting from Iowa, for the Thanksgiving holiday. **Edna Trujillo**, husband, Luis, and their children vacationed in Florida and celebrated New Years there. **Joe Chemidlin** and wife, Valerie, welcomed their 14th grandchild, Maura O'Hare. **Matt Chemidlin** and his family enjoyed the holiday school break . **Steve Goldberg**'s son, Andrew, a senior at Scotch Plains-Fanwood High School, was inducted as a member of the National Honor Society. **Bill Achtel** and wife, Mickey, spent the holidays at home enjoying the company of family and friends.

YOU HAVE UNTIL APRIL 15TH TO FULLY FUND YOUR 2005 IRA CONTRIBUTION.

Economic Outlook

American manufacturing jobs are continually being lost to cheaper overseas labor. The loss of 30,000+ jobs at General Motors (and the resulting unemployment) gives rise to the idea that good old American ingenuity is a thing of the past. The premier auto company is in deep financial trouble. Why? Because other countries are building the proverbial "better mousetrap" while building it cheaper and more fuel efficient.

Home heating costs are probably shocking most of our readers. Typically, an average family has spent $1,500 per year in home utility bills. The US Department of Energy has a website: http://www.eere.energy.gov/consumer/tips/ with valuable information to save 10% to 50% on energy costs.

Natural disasters this past year have woven a trail of devastation all around the world. Rebuilding from the devastation of Hurricane Katrina and the midwest tornados will cost us all, whether it be for a new hot water heater or building materials for your home improvement project. Increased demand for these products will result in higher prices and a lack of supply in less disaster prone areas.

What is your economic outlook for 2006? Will holiday shopping bills prevent you from investing for your retirement?

Mutual Funds - Facts and Fancy

- Some clients are using a "fund of funds" as a method to better diversify their investment holdings. A fund of fund invests in other mutual funds with the objective to achieve greater diversification than a traditional mutual fund. If this is of interest to you, contact your registered representative.

- Some mutual fund companies offer age specific packaged portfolios of mutual funds based on risk tolerance with automatic portfolio rebalancing each year. Generally, there is an increased initial investment amount. We will be happy to help you explore your options with this type of product.

- At age 70 1/2, you will be required to begin taking distributions from your traditional IRA. Keeping assets consolidated can benefit you as the mutual fund company will calculate your required minimum distribution.

- Maximize your 401(k) contributions in 2006. We can help you make the right choices from the funds that are available to you.

Investment Idea

Steve Goldberg

We all work hard to accumulate assets to enable us to have a comfortable retirement and hopefully have some left to leave to our children. We do all the right things to accumulate assets. We invest into IRAs and 401(k)s, we diversify our investments, and we take an appropriate amount of risk. But do we consider the catastrophic effect that the need for long term care can have on our retirement plans?

Long term care, whether at home, in an assisted living facility, or in a nursing home can cost up to or **in excess of $100,000** per year. A retirement plan that ignores this possibility is incomplete. Without planning, tough decisions will have to be made on an emergency basis, and the necessary funds may not be readily available to provide the required care.

If you or a loved one is concerned about how the need for long term care will impact retirement plans, please call our office.

Holiday Closings

Our office and the New York Stock Exchange will be closed on **Monday, January 16th** in honor of Martin Luther King Day and the office will be closed **Monday, February 20th** for Presidents' Day. The office may also be closed on the Saturday of a holiday weekend. A sign is always posted on the front door as a reminder. If in doubt, please call our office.

Email Addresses

Email addresses are no longer available in the Market Report or on the Family Investors Company website. The email addresses which have been published in the past are, however, still valid. When in doubt, you can always email:

info@familyinvestors.com

Savings Bonds

If you have old US Savings Bonds and are unsure of the value, bring them (or copies of them) to our office. We will be happy to prepare an inventory for you with the approximate value and interest earned.

Our usual office hours are from 9AM until 5PM Monday through Friday. The office is open on Saturday from 9AM until 12 Noon, and additional hours are **always** available by appointment. We understand the needs of working people and want to be accessible to you **at your convenience**.

The easy to use Net Worth statement form is included with this Market Report. Call your representative today and make an appointment to complete this form together. Consider it your **annual "financial checkup."**

Income Tax Refunds

You can check on the status of your federal income tax refund by calling toll-free 800 829-1040 or online at www.irs.gov. You will need your Social Security number, your filing status and the amount of your refund. File early and make sure your IRA is fully funded for 2005.

Do You Really Need a Will?

Anthony Cavallo, JD, CPA

Many people believe they don't need a will. But how common are the more common reasons for not preparing a will?

Your estate is too small. Some believe that if their estate won't be subject to estates taxes (in 2005, your taxable estate must be over $1,500,000 before estate taxes would be owed for federal estate tax purposes, and $675,000 for New Jersey estate tax purposes), there is no need for a will. However, a will's purpose is not to save estate taxes, but to provide for the distribution of your assets, name guardians for minor children and select an executor for your estate.

All your property is jointly owned. When one owner dies, jointly owned property passes directly to the joint owner, regardless of provisions in a will. Also, the unlimited marital deduction allows you to leave any amount of your estate to your spouse without paying estate taxes. Thus, many married couples use joint property ownership as their sole estate planning technique. However, if your joint taxable estate exceeds the estate tax exclusion amount ($1,500,000 for federal purposes, or $675,000 for New Jersey purposes), your estate may save estate taxes by distributing some assets to other heirs through the use of trusts in your estate plan. A simple will ("I love you" Will) does not eliminate the estate tax.

A living trust will distribute your assets. Only assets conveyed to the living trust are controlled by the trust document. Typically, a pour over will is also needed, which places any asset not held by the trust at your death in the trust.

You expect your estate to grow significantly in the future. Some feel it is premature to plan their estate while it is being built. However, a will can be changed. In fact, you should periodically review your entire estate plan to see if changes in your personal situation, preferences, or tax laws require changes to your plan.

Investment Terms

You hear mutual fund terms on television and in the print media. But what do they mean? Here is a primer of some common mutual fund terms:

1. **Shareholder of record** - The name of an individual or entity that an issuer carries in its records as the registered holder (not necessarily the beneficial owner) of the issuer's securities. Dividends and other distributions are paid only to shareholders of record
2. **Large Cap** - A company with over $5 billion capitalization. Companies are usually classified as either large cap, medium cap, small cap, or micro cap, depending on their market capitalization, but the dividing lines are somewhat arbitrary.
3. **Benchmark** - A standard, used for comparison. For example, the NASDAQ may be used as a benchmark against which the performance of a technology stock is compared.