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THE FSAG ADVISOR

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Market & Economic Update

Many observers continue to express concerns about the possibility of a double-dip recession. True double-dip recessions are very rare, and would require a significant shock to demand levels, which we believe is unlikely. What we do believe we have been witnessing is a pullback in growth momentum and a decline in risk appetites - events that are normal during economic recoveries

We have been saying for some time that we believe the U.S. and global economies would be progressing through a subpar recovery in 2010, marked by fits and starts along the way. Although the recovery is still somewhat fragile and the economy remains subject to potential shocks, improving corporate earnings, low interest rates, increasing business and consumer confidence, as well as a labor market that is beginning to turn positive, should be enough to propel the economy from recovery to expansion during the second half of the year.

From an interest rate perspective, we believe it is likely that rates will rise over the coming years as the macro backdrop gradually shifts from one being dominated by deflation to one being driven by potential inflation.

From an investment perspective, we believe it makes sense to focus on higher quality stocks. We favor U.S. stocks over other developed markets since the economic recovery in the U.S. has taken root more firmly. We also continue to like emerging-markets economies and view U.S. multinationals as the best way to play them.

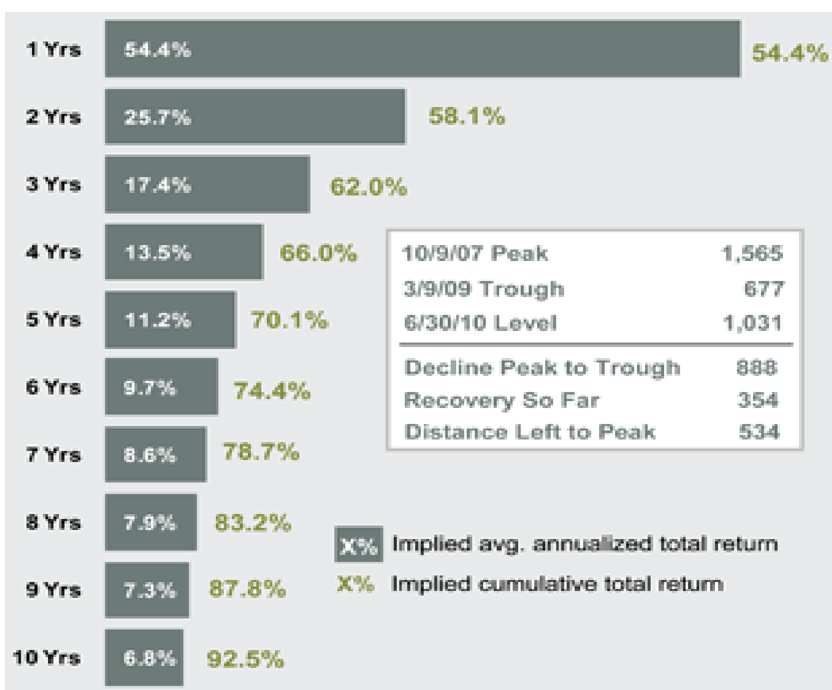
Over the short term, we expect the broad macro environment will continue to be buffeted by financial and economic uncertainty that will keep volatility levels elevated. As long as a renewed economic contraction is avoided, we believe equity prices should grind higher over time.

Source: BlackRock

2010 Returns

DOW	*-5.04%*
S&P 500	*-6.66%*
NASDAQ	*-6.63%*
Russell Small Cap	*-1.95%*
Russell Mid Cap	*-2.06%*
MSCI EAFE	*-13.23%*
Barclay US Agg	*5.70%*
Barclay Muni.	*3.77%*

S&P 500 Index: Return Needed to Reach 2007 Peak



Source: J.P. Morgan

Contact us:

8700 W. Bryn Mawr Ave.
Suite 410-N
Chicago, Illinois 60631
773.714.1540 *Main*
773.714.1550 *Facsimile*
www.fsadvisorygroup.com

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How Will the Health-Care Bill Help You This Year?

The health-care bill that became law in March won't be fully implemented for several years. However, by the end of this year, six important measures (detailed below) will take effect.

Your health insurer can't drop you for making a mistake
In some cases, people have filed claims, only to be told that after reviewing their policy, the insurance company has rescinded their coverage because of inconsistencies in the original application. The new law will require insurers to demonstrate fraud or intentional misrepresentation of a material fact--for example, deliberately concealing an existing illness--in order to rescind coverage after a claim is filed.

A child can stay on your health plan longer
If there's a recent high school or college grad in your family who's struggling to land that first job, you can choose to continue your child's dependent coverage under your plan until his or her 26th birthday. This applies to both individual and group policies (for existing workplace plans, it applies only if your child doesn't have his or her own employer's health plan).

If you or your child has a pre-existing condition, you'll be able to get health insurance
Under the health-care bill, children with pre-existing health conditions may not be denied health insurance coverage. Adults won't have that protection until 2014, but if you have a pre-existing condition, you may be able to obtain coverage beginning this summer through a temporary national high-risk insurance pool. However, only individuals with pre-existing conditions who have been uninsured for at least six months before applying for coverage through this insurance pool will be eligible.

Your total coverage will have no cap
In the past, some people were very happy with their health-care coverage--until they got really, expensively sick. Severe illness or an accident sometimes meant medical bills that exceeded the total amount of coverage their policy provided (so-called "lifetime limits" on coverage). The new law prohibits insurers from establishing lifetime limits on the total dollar value of health benefits that can be paid to any one insured individual.

You may get a rebate for some Medicare drug costs
The health-care bill gradually closes the Medicare prescription drug coverage gap known as the "donut hole." If you're covered by Medicare, you fall into this donut hole once your total prescription drug costs exceed $2,830 a year; until you've spent an additional $3,610 out of pocket, Medicare won't cover any of your prescription costs (figures are for 2010). If you're affected by this coverage gap this year, you can look forward to a $250 rebate check from the federal government to defray at least part of your drug expenses. Next year's benefit could be even bigger; once you fall into the donut hole, you will receive a 50% discount on certain brand-name prescription drugs.

If you're a small business owner, you may receive a tax credit
If you're a qualifying employer who pays at least 50% of the cost of your employees' health insurance premiums, you may receive a tax credit to offset up to 35% of your premium contribution when you file your 2010 federal taxes. The credit is generally available to employers with fewer than 25 full-time workers with an average annual wage of less than $50,000.

Social Security: File and Suspend For Higher Benefits

If you're married and looking for opportunities to increase retirement income, you may want to look closely at your Social Security benefits. One opportunity for maximizing Social Security income, called "file-and-suspend," may enable a married couple to boost both their retirement and survivor's benefits.

What is file-and-suspend?
Generally, a husband or wife is entitled to receive a Social Security retirement benefit based either on his or her own earnings record (a worker's benefit), or on his or her spouse's earnings record (a spousal benefit), whichever is higher. But under Social Security rules, a husband or wife who is eligible to file for retirement benefits based on his or her spouse's record cannot do so until his or her spouse begins receiving benefits. However, there is one exception--someone who has reached full retirement age may choose to file for retirement benefits, then immediately request to have those benefits suspended, so that his or her eligible spouse can file for spousal benefits.

File-and-suspend is a strategy that may be used in a variety of situations, but is commonly used when one spouse has much lower lifetime earnings, and thus will receive a higher retirement benefit based on his or her spouse's earnings record. (A husband or wife's spousal benefit may be as much as 50% of what his or her spouse is entitled to receive at full retirement age.) Using this strategy not only allows the eligible spouse with lower earnings to immediately claim a higher (spousal) retirement benefit, but can also increase the amount of available survivor protection. The spouse with higher earnings who has suspended his or her benefits can accrue delayed retirement credits at a rate of 8% per year (the rate for anyone born in 1943 or later) up until age 70. Because a surviving spouse will generally receive a benefit equal to 100% of the retirement benefit the other spouse was receiving (or was entitled to receive) at the time of his or her death, suspending a benefit to accrue delayed retirement credits may substantially increase the survivor's benefit.

Points to consider

- Deciding when to begin receiving Social Security benefits is a complicated decision. You'll need to consider a number of scenarios, and take into account factors such as both spouses' ages, estimated benefit entitlements, and life expectancies. A Social Security representative can help explain your options.
- Ask a tax professional to help you weigh the tax consequences of delaying Social Security income.
- Using the file-and-suspend strategy may not be advantageous when one spouse is in poor health or when Social Security income is needed as soon as possible.
- The spousal benefit will be reduced if the spouse claiming it is under full retirement age.

Will You See Higher Tax Rates in 2011?

The year was 2001. The top marginal federal income tax bracket was 39.6%, and the tax rate that applied to most long-term capital gains was 20%. Then came the Economic Growth and Tax Relief Reconciliation Act of 2001, followed two years later by the Jobs and Growth Tax Relief Reconciliation Act of 2003. By mid-2003, the top marginal tax rate was 35%, and the 20% capital gains rate had dropped to 15%. But this tax relief was designed to be temporary--the provisions that established lower rates were crafted to self-expire after a period of time. And now, in 2010, we're only months away from seeing those provisions expire.

Federal income tax brackets

Right now, there are six marginal income tax brackets: 10%, 15%, 25%, 28%, 33%, and 35%. For 2010, these brackets apply to married couples filing joint federal income tax returns as shown to the right.

As it stands now, these marginal tax brackets will expire at the end of 2010. There would be no 10% bracket for 2011, and the remaining bracket rates would return to their original 2001 levels: 15%, 28%, 31%, 36%, and 39.6%.

Long-term capital gain tax rates

For 2010, if you sell shares of stock that you've held for more than a year, any gain is long-term capital gain, generally taxed at a maximum rate of 15%. If you're in the 10% or the 15% marginal income tax bracket, however, you'll pay no federal tax on the long-term gain. That means if you're a married couple filing a joint federal income tax return, and your taxable income is $68,000 or less, you'd pay no federal tax on the gain.

However, these rates are also scheduled to expire at the end of 2010. Absent new legislation, in 2011, a 20% rate will generally apply to long-term capital gains. Individuals in the 15% tax bracket (remember, there won't be a 10% bracket in 2011) will pay the tax at a rate of 10%. Special rules (and slightly lower rates) will apply for qualifying property held for five years or more.

Finally, while qualifying dividends are taxed in 2010 using the same capital gain tax rates described above (i.e., 15% and 0%), in 2011 they'll be taxed as ordinary income.

Will Congress take action?

In the proposed 2011 budget submitted to Congress in February, President Obama asked for a permanent extension of the current 10%, 15%, and 25% marginal income tax brackets, and an expansion of the current 28% tax bracket. The current 33% and 35% brackets would be allowed to expire, resulting in the top two marginal rates for 2011 returning to 36% and 39.6%. The expanded 28% bracket would be calculated in a way that would allow individuals earning less than $200,000 (less the standard deduction amount and one exemption) and married couples filing jointly earning less than $250,000 (less the standard deduction and two personal exemptions) to escape taxation at the top rates.

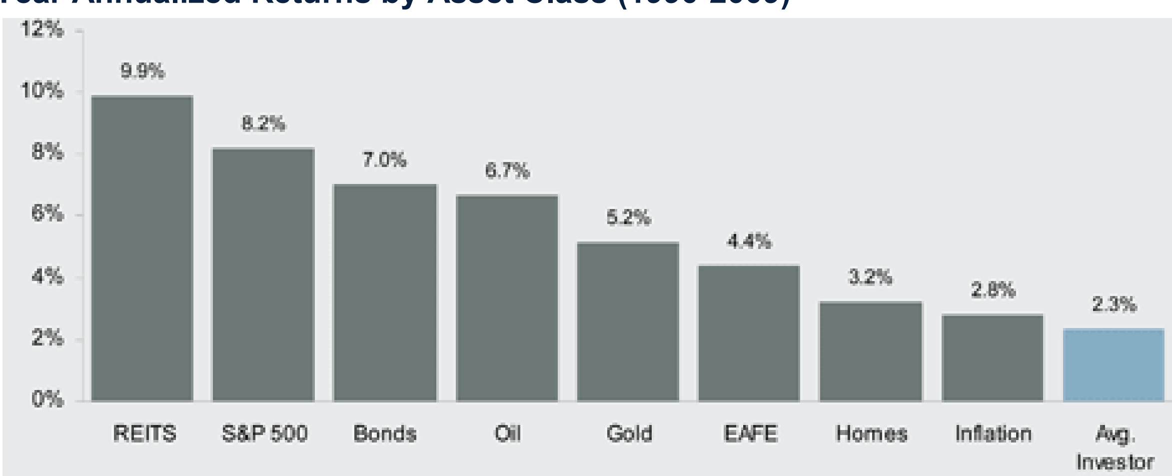
The President also proposed making the current tax rates that apply to long-term capital gain (i.e., the 0% and 15% rates) permanent, but adding a new 20% rate for those in the newly reestablished 36% and 39.6% brackets.

Will Congress act, or will it simply let current rates expire? There's plenty of time before 2011, so stay tuned …

2010 Marginal Income Tax Brackets ***(Married Filing Jointly)***

Taxable Income	Marginal Tax Rate
Not Over $16,750	10%
Over $16,750 to $68,000	15%
Over $68,000 to $137,300	25%
Over $137,300 to $209,250	28%
Over $209,250 to $373,650	33%
Over $373,650	35%

20 Year Annualized Returns by Asset Class (1990-2009)



Source: J.P. Morgan

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Stock in the News: Corning Inc. (GLW)

Corning Inc. (GLW), once an old-line housewares company, is now a leading global supplier of precision glass for liquid crystal displays through its wholly owned operations and in partnership with Samsung.

Corning is also a leading global supplier of fiber optic equipment for the telecommunications industry. And, participates in the environmental business, with a focus on emission substrates for gasoline and diesel engines, and in the life sciences business.

We think Corning is poised for repeated earnings surprises throughout this year and in coming years, based on its leadership in existing markets such as precision glass, optical fiber and environmental.

Our positive viewpoint also reflects Corning's unmatched ability to develop new technologies and products and cultivate new markets. One such product is Gorilla Glass, which is targeted at small- to mid-sized displays. Gorilla Glass shows remarkable strength and flexibility, and has now been used in 80-plus devices by 17 major brand names.

Key Statistics: GLW	
Price	*$16.15*
Trailing EPS	*$1.79*
Estimated EPS	*$1.90*
EPS Growth Forecast	*13%*
Current P/E	*7.92X*
PEG Ratio	*0.61X*
Dividend Yield	*1.15%*
Market Cap	*$25.2B*
52 Week High	*$21.10*
52 Week Low	*$13.98*
Beta	*1.11*
ROE	*19.5%*

Source: Argus

How Much Life Insurance is Enough?

Your life insurance needs often depend on a number of factors, including whether you're married, the size of your family, the nature of your financial obligations, your career stage, and your goals.

There are a number of approaches you can use to figure out how much insurance you should have. One method, called the "family needs approach," focuses on the amount of life insurance it would take to allow your family to meet its various financial obligations and expenses in the event of your death.

Family needs approach
With the family needs approach, you divide your family's financial needs into three main categories:

- Immediate needs at death, such as cash needed for estate taxes and settlement costs, credit card and other debts including mortgages (unless you choose to include mortgage payments as part of ongoing family needs), an emergency fund for unexpected costs, and college education expenses.
- Ongoing income needs for expenses related to food, clothing, shelter, and transportation, among other things. These income needs will vary in amount and duration, depending on a number of factors, such as your spouse's age, your children's ages, your surviving spouse's capacity to earn income, your debt (including mortgages), and whether you'll provide funds for your surviving spouse's retirement.
- Special funding needs, such as college funding, charitable bequests, funding a buy/sell agreement, or business succession planning.

Once you determine the total amount of your family's financial needs, you subtract from this total the available assets that your family could use to defray some or all of their expenses. The difference, if any, represents an amount that life insurance proceeds, and the income from future investment of those proceeds, can cover.

Example: John and his wife, Wendy, are estimating the appropriate amount of life insurance to buy on John's life.

Immediate Needs: Final medical expenses ($5,000), estate settlement costs including funeral and burial expenses ($37,500), debts, including credit cards and mortgages ($317,000), emergency fund ($100,000). Subtotal: $459,500.

Ongoing income needs: Providing for their dependent children's needs for a period of time ($500,000), Wendy's income needs until her retirement ($450,000), Wendy's retirement income needs ($380,000). Subtotal: $1,330,000.

Adding the sub totals together, John and Wendy estimate that, should John die, their family would need $1,789,500. They then determine that assets available to offset their needs include: Bank savings ($40,000), investments ($220,000), retirement assets ($250,000), existing life insurance on John's life ($300,000). Subtotal: $810,000.

The difference between their family needs ($1,789,500) and their available assets ($810,000) equals their life insurance need ($979,500).

Review your coverage
Trying to figure out how much life insurance is enough isn't always easy, and that amount will likely change with your changing circumstances. By examining your family's anticipated expenses during various periods after your death, you get a more realistic estimate of your life insurance needs. Unfortunately, many people underestimate their insurance needs and are underinsured. Often, the purchase of life insurance is based on cost instead of what's needed. By the same token, it's possible to have more insurance than you need. You may have purchased a large policy during a particular point in your life, and then didn't adjust your coverage when your insurance need was reduced. Both of these circumstances are reasons to review your insurance coverage periodically with your financial professional.

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Please contact us if you would like to receive this publication by e-mail.

8700 W. Bryn Mawr Ave.
Suite 410-N
Chicago, Illinois 60631
773.714.1540 *Main*
773.714.1550 *Facsimile*
www.fsadvisorygroup.com