



Neiman Funds

September 2010

Vol. No. 2

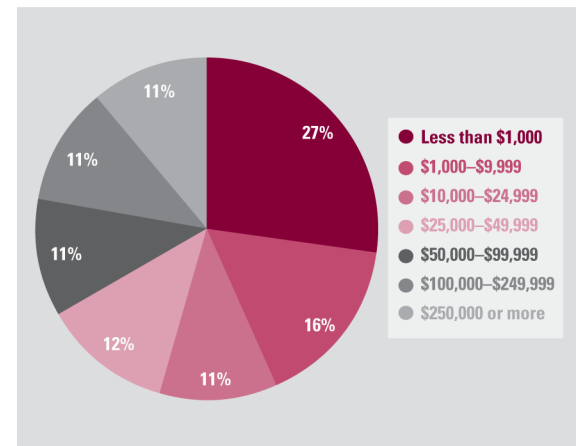
Fund Newsletter

## Bleak Picture

The Employee Benefit Research Institute (EBRI) is an organization founded in 1978 with the mission of encouraging and contributing to the development of sound employee-benefit programs and public policy through objective research and education. Every year, the EBRI publishes a retirement confidence survey. The 2010 survey interviewed 902 workers and 251 retirees in order to find out their views and attitudes about investing for retirement and their confidence in being able to meet retirement financial goals.

Unfortunately, the survey results look pretty bleak this year. For example, as the image illustrates, 27% of workers report having saved less than \$1,000, and 16% report retirement savings in the \$1,000–\$9,999 range. Overall, more than half of workers have less than \$25,000 saved, at a time when people start questioning if \$1 million will be sufficient for a safe retirement. Take a minute and see if you recognize yourself in this picture.

### Total Savings and Investments Reported by Workers



Source: EBRI 2010 Retirement Confidence Survey, No. 340, March 2010. Savings reported not including value of primary residence or defined-benefit plans. Percentages may not add up to 100% because of rounding.



**Joshua Heims**  
Principal - Portfolio Manager  
jheims@neimanfunds.com  
716-633-1515

### About Neiman Funds

Neiman Funds Management, LLC, advisor to the Neiman Funds, provides investment management services through two mutual funds, Neiman Large Cap Value and Neiman Balanced Allocation. Neiman Funds are part of a \$350 million financial management group with offices in NY and California. The firm's five partners have more than 60 years of combined

investment industry experience. We manage according to two styles, large cap value and balanced allocation. Common to both is an approach which is disciplined and fundamental, with a focus on striving to protect on the downside to more quickly reap potential benefits when the market is in an upward phase. Within both strategies, the portfolio

managers strive to produce value for our shareholders, buying investments at economically good prices, and providing access to what we believe are best in breed managers.

# The Future of Taxes

Now that our 2009 taxes have been filed and the lucky ones have received their refunds, nobody even wants to think about next year's returns. The Obama administration is pushing for major tax increases in 2011, which is causing many unhappy Americans to take to the streets in so-called tea-party rallies. It is important that you, as a taxpayer, be informed about these changes and consider which ones will affect you most.

**Income Tax:** The current tax brackets (10%, 15%, 25%, 28%, 33%, and 35%) are set to expire at the end of 2010. The proposed change for next year will eliminate the bottom bracket of 10% and change the remaining five to 15%, 28%, 31%, 36%, and 39.6%. The income thresholds that define these tax brackets will also change. It is highly likely that we will all pay more taxes next year.

**Capital Gains Tax:** Currently, long-term capital gains on investments are taxed at 0% for taxpayers in the two lowest brackets, and at 15% for everyone else. When these rates expire at the end of 2010, capital gains tax is projected to become 10% for taxpayers in the lowest tax bracket, and 20% for everyone else.

**Dividend Tax:** Whenever you receive dividends from your investments, you're supposed to pay tax on those dividends. In 2003, President George W. Bush signed a law under which qualified dividends were taxed at the same rate as long-term capital gains: 15%. This tax law is also set to expire in 2011; the current plan is to bring dividend taxes in line with ordinary income tax rates. So, if you're in the top tax bracket, you will pay 39.6% dividend tax, as opposed to only 15% last year.

**Estate Tax:** In 2001, President Bush signed the Economic Growth and Tax Relief Reconciliation Act of 2001, a 10-year tax act that would expire in 2011. This act eliminated the federal estate tax for people dying in 2010. However, there is talk of maintaining the 2010 estate tax at its 2009 parameters. What will happen in 2011 is also uncertain. Unless changed beforehand, 2011

estate taxes will revert to pre-2001 rates, which could mean a marginal rate of up to 55%.

**Other Taxes:** For families with children, it may be good to know that the \$1,000 child tax credit will revert to \$500 after 2010.

After reading and understanding in detail which changes will apply to your situation, the next step is to decide how you want to reorganize your investments in order to minimize the impact of these tax increases. One option you might want to consider is municipal bonds, which are generally exempt from federal income taxes. These bonds can also be exempt from state and local taxes, but different states have different rules, so be sure to check before investing.

Another option would be relocating your investments, for example putting high-tax investments in your 401k (tax-deferred) account and low-tax investments in your taxable one. Since you will probably fall under a lower tax bracket in retirement, tax-deferred retirement plans can be a valuable investing tool.

## Proposed Changes to Tax Rates

	2010	2011
Personal income tax	10% to 35%	15% to 39.6%
Long-term capital gains tax	Maximum of 15%	Maximum of 20%
Qualified dividends tax	15%	Ordinary income tax rate
Estate tax	Maximum of 45%	Maximum of 55%

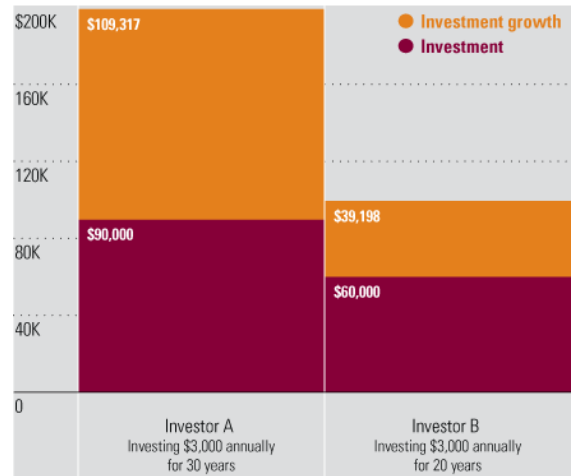
This is for illustrative purposes only and should not be viewed as a recommendation to buy or sell a particular type of security. The opinions herein are those of Morningstar, Inc. and should not be viewed as providing investment, tax, or legal advice. The tax changes noted are proposed only and not guaranteed. Please consult with your financial professional regarding such services.

# The Costs of Financial Procrastination

Retirement usually doesn't start until you're in your 60s but there is a good reason to start saving much sooner. The earlier you contribute to your nest egg, the more time your portfolio will have to grow in value.

The image illustrates the ending wealth values and effects of compounding of two investment portfolios. Consider two hypothetical investors who begin investing \$3,000 at an average annual rate of return of 5%. Investor A invests \$3,000 for a 30-year period, which results in an ending wealth value of \$199,317. On the other hand, investor B invests \$3,000 for a 20-year period, which results in an ending wealth value of \$99,198. Investor A invested an additional \$30,000 compared to Investor B. However, a large difference in the ending wealth value can be attributed to the compounding effect of the \$30,000 for the additional 10 years. In other words, your dollars saved now will be worth a lot more than your dollars saved in retirement.

## The Effect of Compounding



Source: This is for illustrative purposes only and not indicative of any investment. The image represents a hypothetical rate of return of 5%. The values represented do not account for inflation or taxes. Past performance is not a guarantee of future results. The opinions herein are those of Morningstar, Inc. and should not be viewed as providing investment advice. Please consult with your financial professional regarding such services.

©2010 Morningstar, Inc. All Rights Reserved. The information contained herein (1) is intended solely for informational purposes; (2) is proprietary to Morningstar and/or the content providers; (3) is not warranted to be accurate, complete, or timely; and (4) does not constitute investment advice of any kind. Neither Morningstar nor the content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. "Morningstar" and the Morningstar logo are registered trademarks of Morningstar, Inc.



Joshua Heims  
Principal - Portfolio Manager

Neiman Funds  
6631 Main Street  
Williamsville, New York 14221

jheims@neimanfunds.com  
www.neimanfunds.com

Tel: 716-633-1515  
Fax: 716-633-1333