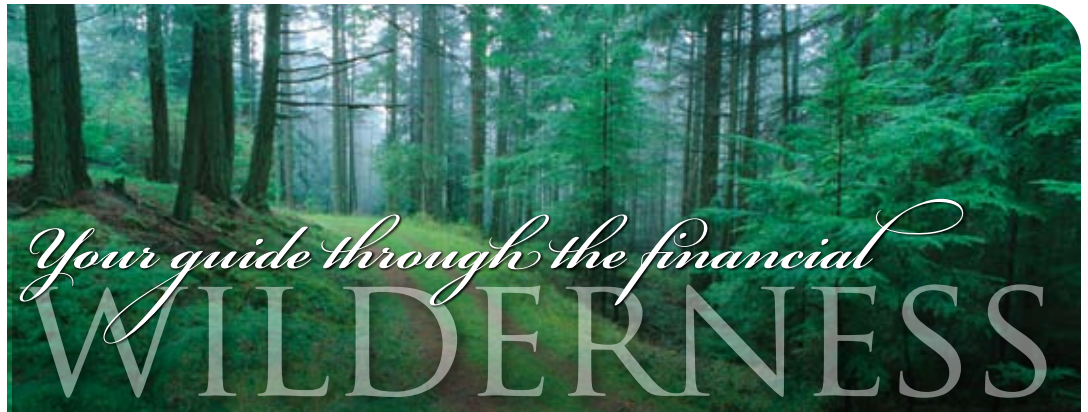




CLAYTON FINANCIAL SERVICES, INC.

Registered Investment Advisor



Q3, 2009

Inside this issue...

- Become a Fan on Facebook®..... page 2
- MD Preferred..... page 2
- Day of Caring..... page 2
- To Convert or Not..... page 3
- Financial Planning Week's Sweet Success..... page 3
- Investors Enjoy Third Quarter Gains ... page 4

Important Notice:

CFSI Office will be closed Nov 27, the day after Thanksgiving



Preparing for 2010: Year-end strategies

As we approach the end of the year, there are always a few strategies that we like to remind our clients of to save money, reduce their taxes, and boost their retirement savings. However, for 2009 there are also a few extra reminders that have to do with the government stimulus money and tax breaks that are quickly reaching their deadline.

- Make sure you use all of your available benefit dollars. If you have a Flexible Spending Account for your childcare or healthcare expenses, you most likely have a use-it-or-lose-it timeframe. Some may only have until December 31st to use their benefits before they lose them, others may have until mid-March to pay for 2009 bills.
 - If you don't think you'll be able to use your full balance by the end of your timeframe, start scheduling eye doctor, dentist, or other appointments that you may have been putting off. You may also find it's a good time to order an extra pair of eyeglasses or more contacts. If you have excess childcare benefits, perhaps a year-end bonus for your caregiver is in order.
- Put a strategy in place for next year's benefits package. Analyze how you used your health insurance, flexible spending accounts, and other benefits this past year. Would a different plan serve you better?

by **Barbara Heller**
Associate Financial Planner
CFP®



- If you have some surplus cash, consider spending some of that money on tax-favored items such as tuition payments, healthcare, energy-saving devices, state estimated tax payments and business expenses. All of these are deductible or entitle you to tax credits (some may have income restrictions).
- Work on grouping your itemized deductions. Miscellaneous deductions (such as work-related supplies or moving expenses) as well as medical expenses are only deductible to the extent that they exceed certain percentages of your net income. If it is possible, it is usually advantageous to "group" them into every other year. If this is a year in which you had a lot of a particular type of expense, this could be a strategy for you:
 - Medical expenses: prepaying some of your Jan/Feb bills during December could save you money in April.
 - Purchase work-related supplies in December that you know you will need in the first few months of 2010.

continued on next page...



MD Preferred

Clayton Financial Services, Inc. (CFSI) has become a member of the MD Preferred Financial Advisor Program. The MD Preferred Financial Advisor Network is a national organization devoted to servicing the needs of healthcare professionals throughout the United States. This endorsement is based upon CFSI's commitment to a fiduciary standard of care, and its long-term history of serving clients.



Day of Caring

Clayton Financial Services, Inc. recently enjoyed a fun day with beautiful weather by participating in the Living United-Nancy Perry Day of Caring on Friday, September 18th. Employees of CFSI served the Topeka Rescue Mission by replacing old wood and painting a playhouse in the children's playground area along with pruning numerous rosebushes and replacing mulch. CFSI proudly supports the United Way and the agencies it serves and we were excited to give back to the Topeka community by volunteering our time.

Preparing for 2010... *continued from page 1*

- Plan your year-end charitable giving strategy. If you tend to do giving towards the end of the year, plan which groups and causes you would like to support. This plan will make it easier for you to give where you intended and say "no" to the other many solicitations you will receive.
- Boost your retirement accounts. This includes your 401(k), 403(b), IRAs, and Roth IRAs. If you are anticipating a year-end bonus, consider increasing your 401(k) or 403(b) contribution for that particular pay period. You can contribute up to \$5,000 to your IRA for this year (\$6,000 if you are 50 or older). However, be aware of the income limitations that are attached to both the IRA and Roth IRA contributions.
- First time homebuyers who are still planning to claim the \$8,000 refundable tax credit need to be aware that their deadline is fast approaching. You must close on your new house by December 1st to claim this credit.
- If you are planning to purchase a new vehicle, start shopping around. You can deduct the sales and excise taxes from your 2009 taxable income, even if you don't itemize your deductions. This expires December 31st and is available on purchases of cars, light trucks, motor homes, and motorcycles.

Become a Fan on Facebook®

It's official: Clayton Financial Services, Inc. has a Facebook® Page! Have you embraced the social networking frenzy and become a member of Facebook®, or are you still contemplating it? Well, now you have a reason to join in on the craze. We want to personally invite you to become a Fan of our page, so you can be among the first to be notified when we post new content, including information about upcoming events, articles and links that we find interesting, as well as inter-office happenings at Clayton Financial Services.

Joining Facebook® is relatively painless. You will simply need to visit www.facebook.com and enter a few details, such as your name, email address and birth date. Once you have completed this information, Facebook® will send an email to the address you provided. Clicking on the confirmation link in the email will complete the sign up process. After you've become a member of Facebook®, you can find us by simply using the Search function. In addition, we will have a link on our website that will take you directly to our Page. When you find us,

Elizabeth Young

*Associate Financial Planner
CFP®*



you'll just need to click on the "Become a Fan" button that appears next to our name.

In other exciting news, we have also been working hard to get a Clayton Financial Services Blog up and running. The Blog will include information similar to that on our Facebook® page and adds yet another outlet for you to view information on interesting financial articles, Clayton Financial happenings, and other items that we feel may be of interest to you. You will soon be able to access our Blog through our website, or by going to it directly at www.ClaytonFSIblog.com.

We hope you find these additional resources helpful and welcome any input you have; we want to make our Facebook® Page and Blog a useful tool for you!

To Convert or Not

Mark your calendar and plan to attend our upcoming 4th Quarter Seminar, which will focus on the issue of Roth IRA Conversions. We will discuss how a Roth Conversion works, and for whom they are best suited. Are you a good candidate?

Anna Kiser
Assistant Financial Planner



A traditional IRA allows a person to make tax-deductible contributions and any earnings you have on your contributions will not be taxed until you withdraw that money in retirement. Unlike a contribution to a traditional IRA, a Roth IRA contribution is never deductible. However, when you withdraw the money from a Roth IRA, none of it – including earnings – will be taxed. In other words, the Roth IRA offers tax-exempt rather than simply tax-deferred savings. Another notable difference is that Roth IRAs are not subject to the same required minimum distribution rules that traditional IRAs are, so you don't have to begin withdrawals from your Roth IRA at age 70.5.

A Roth Conversion is the act of transferring money in a traditional IRA to a Roth IRA, thus making the future earnings and distribution of that money tax-free. The price you pay for making the conversion is that any amount you convert will be taxable in the year of conversion. Roth Conversions are not new; many taxpayers have been able to convert their traditional IRAs to Roth IRAs since Roth IRAs were created in 1998. However, income limitations and other restrictions have kept many taxpayers from converting. But, beginning in 2010, there will be no income limitation, and those individuals who were unable to convert previously, will get their opportunity.

While the basics may sound appealing, there are many factors to take into account when deciding whether or not you may benefit from doing a Roth Conversion, including:

- Your current & future projected tax rate: Are you in a lower income tax bracket now than you expect to be in the future?
- The nature of your retirement funds: Do you have a substantial amount in taxable traditional IRA accounts and want to diversify in order to have tax-free income?
- Means to pay the tax bill: Do you have funds to cover the taxes in the year of the conversion?
- Required minimum distributions: Do you want to avoid being subject to minimum distributions under a traditional IRA at age 70.5?

If you believe that you may be a candidate for a Roth Conversion or would just like to learn more, plan to attend our upcoming seminar on one of the following dates. Space will be limited, so call to reserve your seat today!

Tuesday, November 10th

2:00pm – 3:00pm

6:00pm – 7:15pm

Thursday, November 12th

2:00pm – 3:00pm

6:00pm – 7:15pm

Financial Planning Week's Sweet Success

We had a fantastic time celebrating Financial Planning Week, October 5-11, 2009! On Monday, we officially launched our Facebook® Page. We hope it will be a useful tool for distributing information that we feel might be of interest to you. If anyone could use a little help getting set up on Facebook® or finding our Page, please don't hesitate to contact us!

While the weather did not want to cooperate for our ice cream social & open house, we had a great time scooping ice cream and welcoming those of you that ventured out in the wind and rain on Tuesday and Thursday to join in the fun!

On Wednesday, we welcomed eight students from Kansas State University's Personal Financial Planning Program. They spent the day shadowing the financial planners and getting to see how the knowledge they are gaining in school will translate to the workplace. We had a wonderful time sharing our experiences and resources to help them see what lies ahead for them.

Overall, it was a great week! As always, we appreciate all of your support and hope you had a chance to celebrate Financial Planning Week in your own way!



Investors Enjoy Third Quarter Gains

J.D. Kaad

Since the March bottom, both stocks and bonds have seen their prices soar upward, continuing through the third quarter. As investors flocked to the assets they believed would rebound the most, their interest seemed to center on some of the most beaten down names available and on high-risk/high-yield bonds. Their bets paid off and through the spring and summer these assets rebounded as fast as everyone hoped, but faster than anyone expected. From its March low the S&P 500 has gained an impressive 56%. That translates into a year-to-date gain of 17% through September, in spite of the declines seen from January till March.

Monster rallies are common after bear market bottoms as is the out-performance of riskier assets. The stock market historically anticipates economic recovery by six to nine months and it was this anticipation that drove the first phase of this market rally. Since other economic indicators agree that the recession ended in June the market rally was justified.

The initial rampant bull rally usually tapers off as the economy enters into the recovery phase. As the economy recovers the rally typically continues at a more subdued level while earnings and sales reports bottom out. Economists recognize that earnings and sales will continue to decrease for several months after a recession's end. So the investing world's eyes are looking towards the upcoming earnings reports with hope that they will see more than positive reports driven by low expectations and cost cuts, but genuine growth based off of stronger sales and revenues. Assuming that we do see this

growth then the market's rally should continue, but at a more moderate pace.

In order to stabilize the US economy the Federal Reserve lowered interest rates, while the Treasury issued debt to raise funds for recovery programs. These actions by the government resulted in the dollar's diminished value on the world market year to date. This has been to the benefit of both our international and commodity investments (especially gold); we believe this trend can continue through the end of the year. Eventually though the Federal Reserve will need to remove some of the financial support it is granting the economy and will raise interest rates. While this will help strengthen the dollar it could also slow economic recovery if it is implemented too fast. Consequently we don't anticipate such action until next year and we believe that the Federal Reserve will signal their intent before executing any interest rate increases. Once this intent has been declared we will have a clearer view of what shape the market recovery eventually take (V, U, L, or the W of a double dip).

For the last several months we have emphasized small market cap, emerging markets, technology, high yield debt and international debt funds in most of our portfolios. We anticipate that these funds will continue to have a place in the portfolios, but eventually with decreased prominence. Also we have introduced "Alternative Investments" to our portfolios to reduce their overall volatility by adding assets that have little correlation with other asset classes. We will continue to evaluate other potential investments to meet our foreseeable needs.

Financial Planning Week, October 5-11, 2009 — see page 3



**The strength of tradition;
the power of innovation.**

Individualized financial planning
and asset management.



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