

WEEK IN REVIEW

Growth Is Main Target As Sell-Off Continues

Stock funds fell for a third straight week, the longest down stretch since a four-week trouncing in February-March 2009. Gold fell the most among sectors and stood out as the worst year to date. Latin America led world regions lower. Bonds were broadly higher.

Source: Lipper Inc.

Diversified stock funds, total returns through Feb. 4

Fund category	YTD	1 week	Fund category	YTD	1 week	Fund category	YTD	1 week
Large-cap growth	-5.83%	-2.07%	Midcap core	-4.07%	-2.16%	Specialty diversified	-1.62%	-0.79%
Large-cap core	-4.55	-1.98	Midcap value	-3.73	-2.14	Dedicated short bias	7.95	2.92
Large-cap value	-4.00	-1.97	Small-cap growth	-6.04	-2.67	Equity market neutral	-0.30	-0.13
Multicap growth	-5.73	-2.15	Small-cap core	-4.83	-2.58	Long/short	-3.35	-1.18
Multicap core	-4.57	-2.04	Small-cap value	-4.14	-2.56	U.S. diversified equity	-4.53	-2.05
Multicap value	-3.93	-2.05	S&P 500 funds	-4.57	-1.94	World equity	-5.95	-2.01
Midcap growth	-5.55	-2.32	Equity income	-4.11	-1.87			

Sector funds

Fund category	YTD	1 week	Fund category	YTD	1 week
Health/biotechnology	-0.73%	-1.49%	Real estate	-7.15%	-2.46%
Natural resources	-6.06	-2.84	Specialty/misc	-3.38	-1.56
Science & technology	-8.38	-2.57	Gold oriented	-11.60	-4.32
Telecommunication	-8.58	-1.93	Commodities	-7.05	-1.26
Utilities	-6.45	-2.50	Global health/biotech	-1.01	-1.67
Financial services	-2.61	-3.82	Global natural res	-7.56	-3.07

Selected bond funds

Fund category	YTD	1 week
TIPS	1.51%	0.41%
Intern. invest. grade	1.80	0.33
GNMA	1.68	0.46
Corp. debt A rated	1.81	0.30
High yield	1.04	-0.03
World income	0.31	-0.25
General muni	1.17	0.54

FUNDS & PERSONAL FINANCE

TAXES

Bigger Tax Breaks On Your '09 Return

Rein In Bracket Creep

Some deductions, credits and exemptions are up, so your bill may shrink

BY STUART WEISS
FOR INVESTOR'S BUSINESS DAILY

The arrival of documents like W-2s and 1099s signals it's time to get your tax return in gear.

Hidden in the blizzard of paperwork is good news.

Thresholds for various tax brackets have climbed for the 2009 tax year. Also, some deductions, exemptions and credits have increased. The result: You should end up with more dollars in your pocket than you would have last year.

The lift in tax bracket thresholds keeps you well ahead of inflation. For example, the top tax bracket is still 35%, but you don't reach it until you hit taxable income of \$372,950 — whether married or single.

That's up from \$357,700 in 2008 — a change of more than 4%. Yet the rate of inflation was just 2.7% in 2009, according to the Bureau of Labor Statistics.

Why the IRS generosity? The IRS calculates inflation more aggressively than the BLS does.

You don't reach the 33% bracket until you hit taxable income of \$208,550 if you are married and filing jointly. The threshold is \$171,550 if you are a single filer.

That's up from \$200,300 for mar-

rieds in 2008, and up from \$164,550 for singles.

The 28% bracket doesn't start for marrieds until their taxable income hits \$137,050 vs. \$131,450 in '08. For singles, the starting line is \$82,250 vs. \$78,850. Those changes for those two brackets exceed 2%.

Other inflation-related changes include an increase in personal exemptions from \$3,500 to \$3,650.

Also up: the exemption for the alternative minimum tax. It goes to \$70,950 for married couples, up from \$69,950. For single filers it hits \$46,700, up from \$46,200.

Congress decides each year whether to adjust the exemption. Critics want a permanent fix. Also, taxpayers are subject to the AMT's higher 28% bracket if their taxable income tops \$175,000. Congress doesn't adjust that amount for inflation.

Higher Standard Deduction

In addition, the standard deduction rises to \$11,400 from \$10,900 for married couples. It goes to \$5,700 from \$5,450 for singles.

If you're a college student, or a parent of one who's paying the freight, then you'll notice an improved educational write-off in 2009. Under the new American Opportunity Credit, you can write off up to \$2,500 in tuition and books.

And the credit is available for married taxpayers with income as high as \$160,000 (\$80,000 if single).

Students paying their own way can get a refund check from the government in the event that the credit

The 2009 Brackets

How much taxable income it took to push you to various tax brackets

Single	Married filing jointly	Tax rate
\$1	\$1	10%
\$8,350	\$16,700	15%
\$33,950	\$67,900	25%
\$82,250	\$137,050	28%
\$171,550	\$208,850	33%
\$372,950	\$372,950	35%

Source: IRS.gov

exceeds tax that's otherwise due. However, the credit is not available for graduate school.

Energy credits grew for '09 returns. The Nonbusiness Energy Property Credit offers a tax break of up to \$1,500 for the combined 2009 and 2010 tax years.

Say your heater is on its last legs and you decide to install a new heating and air conditioning system. That will probably qualify for the credit. In addition, the cost of energy-efficient windows and skylights, energy-efficient doors and insulation will probably qualify.

Suppose you spend \$10,000 for a new heating system. You can subtract up to \$1,500 in eligible expenses from your tax liability.

For those of you who want to be green by using alternative energy equipment, the Residential Energy Efficient Property Credit offers a 30% credit on what you spend on solar energy, geothermal heat

pumps and wind turbines.

You can deduct 30% of your eligible cost from your tax liability.

If you bought a car after Feb. 16, 2009 and before Jan. 1, 2010, you can deduct state and local sales tax if you are income-eligible. There's no limit on the number of cars that you may have purchased. But the tax benefit is limited to cars costing less than \$49,500.

This deduction is phased out for single taxpayers with adjusted incomes between \$125,000 and \$135,000. For marrieds filing jointly, the phaseout is between \$250,000 and \$260,000.

If you bought a home in 2009, you are eligible for an \$8,000 credit on your 2009 tax return. "That's probably the biggest dollar item that we see in play," said Mel Schwarz, a partner in Grant Thornton's national tax office in Washington, D.C.

Looking Ahead

Doing your taxes is always an excellent opportunity to look forward. Usually, taxpayers are advised to postpone income in order to postpone taxes. However, taxes are scheduled to rise on Jan. 1, 2011.

So tax planning for 2010 may involve the opposite: accelerating income and deferring expenses. "The tax-planning world is going to be turned upside down," Schwarz said.

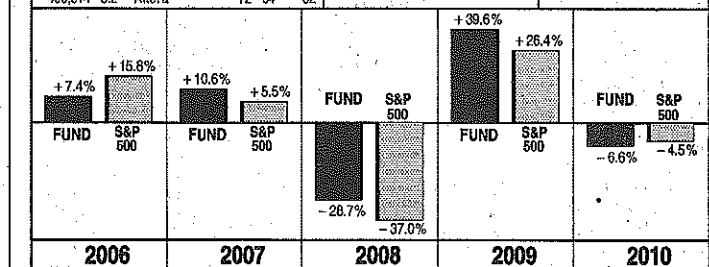
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Growth Funds Leading The Market

These funds are among the top 40% in 3-year performance

EVERGREEN LARGE CO GROWTH A (EKJAX) 36 Month Performance Rating: C+
Obj: LARGE CAP GROWTH 12/2009 T/O Rate: 24.0% Yield: 0.7% Avg. P/E: 19
Median Mkt Cap: \$43.22 bil Assets 12/2009: \$304 mil Volatility: 5
PH: (800)843-2898 Avg. EPS Rating: 75 # of stocks: 38 2 worst drops (5 yrs): 44%, 13%
Mgr: Aziz Hamzaogullari since 2006
Min. Investment: \$1,000 Cash 12/2009: 0.76% 5 yr after tax return of \$10,000 = \$12,419

10 LARGEST U.S. HOLDINGS				TOP NEW BUYS				TOP SELLS			
% (As of 12/31/2009)				Comp Rating				Comp Rating			
Symbol	EPS	RS	Rating	Symbol	SEI	SEIC	Rating	Symbol	SEI	SEIC	Rating
42,580	7.7	Google	97 66 85	288,101	SEI	SEIC	82	133,153	BstMySq	93	93
190,351	7.4	Amazon	92 80 98	115,400	AnalogDvc	ADI	33	16,900	Amazon	98	98
288,300	6.8	Visa	99 71 98					28,800	Novartis	96	96
628,028	4.5	Oracle	91 62 80					11,103	Chevron	14	14
389,100	4.3	AmerExp	49 83 74					16,716	ConocoPh	10	10
276,855	4.3	Biogenidec	88 56 91								
+239,900	4.0	UPS B	34 46 41								
+226,800	3.7	Amgen	85 39 76								
-212,723	3.3	Novartis	92 67 99								
496,614	3.2	Altera	72 64 82								



JENNISON DRYDEN MID CAP GR A (PEEAX) 36 Month Performance Rating: C
Obj: MID CAP GROWTH 12/2009 T/O Rate: 76.0% Yield: 0.2% Avg. P/E: 22
Median Mkt Cap: \$6.88 bil Assets 12/2009: \$955 mil Volatility: 5
PH: (800)225-1852 Avg. EPS Rating: 77 # of stocks: 81 2 worst drops (5 yrs): 51%, 16%
Mgr: John Mullman since 2005
Min. Investment: \$2,500 Cash 12/2009: 2.89% 5 yr after tax return of \$10,000 = \$13,156

10 LARGEST U.S. HOLDINGS				TOP NEW BUYS				TOP SELLS			
% (As of 12/31/2009)				Comp Rating				Comp Rating			
Symbol	EPS	RS	Rating	Symbol	APOL	BBBY	Rating	Symbol	APOL	BBBY	Rating
-1.77mil	3.8	NII Hldg	91 84 90	301,128	ApolloGrpA	APOL	54	1,355mil	AES	65	65
+2.94mil	3.3	AnnllyCap	99 49 86	416,700	BedBath	BBBY	91	384,000	CharlsRvLb	73	73
+1.19mil	3.0	CrownCstl	61 82 68	199,800	Bunge	BG	61	274,800	NII Hldg	90	90
+924,900	2.8	SouthwstEn	69 34 65	273,200	Adobe Sys	ADBE	61	344,500	Riverbed	88	88
+826,600	2.3	AmerTower	99 71 89	244,600	JnprNtwk	JNPR	62	109,900	Cephalon	90	90
+986,500	2.1	CheckPlSt	93 72 92					129,300	Fluor	39	39
+693,200	2.1	ThermFls	87 58 69					167,200	CommytHlth	65	65
+1.34mil	2.1	Verisign	66 39 62					86,500	McAfee	66	66
+531,100	2.0	DaVita	92 60 93					72,600	NewfildExpl	67	67
+890,600	1.9	NetApp	90 85 93					60,400	ClevelandClf	92	92

