Boost RETIREMENT INCOME

REAL INCOME. REAL SAFETY

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THE REAL TRUTH ABOUT EXCHANGE TRADED FUNDS

Exchange Traded Funds (ETFs), like mutual funds, are a basket of investments. They allow the investor to diversify across a broader range of securities targeted to his/her goal (growth, income, technology, etc.). However, unlike mutual funds, ETFs are traded throughout market hours and are always liquid (like a stock). If an emergency arises and an investor decides to sell immediately, it is possible to do so. Not so with mutual funds. But, mutual funds settle one day after the trade date whereas ETFs take three days to settle (have your money ready to reinvest). This means that the ETF investor may have to wait a couple of extra days to get back into the market with a new trade (although many brokers will go ahead and release the settling funds if the investor so requests and the account meets certain requirements).

Please note: **with our trading system, this is a non-issue** because once we've exited the market due to a sell alert we're going to reposition ourselves in cash anyway while we wait for a new intermediate trend to be established. It also means our system **will work for mutual funds** as well as ETFs, but the performance may be slightly less due to the expense factors mentioned above; however, it will certainly allow the mutual fund investor--who's investing in the S&P 500 index through his/her mutual fund—to supercharge its long-term performance by switching to cash when the market's going down. This will prevent periods of steep losses which then have to be recouped when the market eventually turns back up. Instead, it will allow the investor to move back into the market with the full amount of the account at the time of the switch into cash, thereby **creating a nice bit of leverage.**

Also, with ETFs, an investor can place a limit or stop loss order to create a purchase or sale of his shares at a specific price in order to capture a gain or protect against excessive loss; **this cannot be done with a mutual fund.**

What about taxes?

Here, we have to say, **advantage ETFs.**

We need to keep this simple, but here are the basics:

The manager of a mutual fund can sell the fund's securities at any time in order to cover share redemptions by other investors or to rebalance the fund (make regular adjustments to the fund's holdings to reflect changing market conditions). When that happens, a taxable event occurs. So, even if a mutual fund was losing money, if the manager created a gain by selling any of his liquidated shares at a profit, the fund's shareholders will owe the tax on those gains. **This is why investors who aren't in a tax-deferred account of some kind may end up owing taxes, even though their fund has gone down in value for the previous year.**

ETFs, on the other hand, put the investor in charge of the taxes. Since ETFs don't have to sell their underlying stocks to meet redemptions, etc. (as they are traded on an exchange like a stock), any capital gains or losses are determined by when the investor chooses to sell his/her shares.

It should also be noted that most ETFs, unlike mutual funds, normally don't require a minimum initial investment. This makes them ***ideal*** for the smaller investor who is planning on building his/her account slowly and consistently.

So there you are; that's how we feel about it. Our program at ***Boost Retirement Income*** (**www.boostretirementincome.com**) focuses on only 2 specific ETFs: **SPY** and **SH.**

SPY is owned when the intermediate trend in the Standard and Poor's 500 Index is up and **SH** is owned when the intermediate trend is down. But whether you follow us with your ETF or your mutual fund, our goal is the same: to relentlessly pursue a goal of **10.5 + % per year** in asset growth so you can afford the retirement you've earned. Or grow your account to a sizable nest egg if you're just getting started.

Yours in Profits,

J. Michael for the Investment Team

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