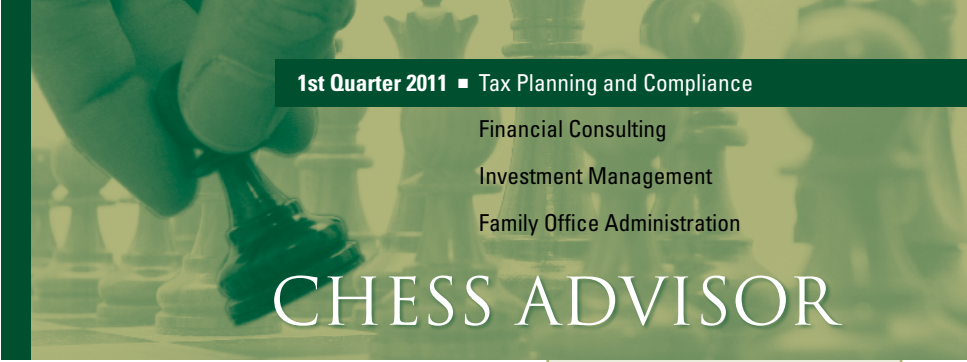




CHESS

comprehensive wealth management



Building a Stronger Company for Our Clients

Almost twenty-five years ago Chess was just getting started. The core values that serve as our foundation and drive our business philosophy are:

- Integrity:** Put the client first in everything we do; avoid all conflicts
- Clarity:** Take time to understand each client's lifestyle, family, business, goals, objectives, attitudes and risk tolerances before advising

that our larger, highly capable team is much better equipped to deliver outstanding services. Although it was not easy to build, having the right team in place to manage your financial affairs produces the best results. Multiple perspectives, expanded capabilities and a broad range of experiences are key reasons. A team effort has the added benefit of not being overly dependent on any single person.

Throughout history, our ancestors have demonstrated the ability to overcome the pressing issues of their era, usually through a combination of innovation and grit. >>See *Portfolio Strategy*, pg 2

Congress recently approved and the President quickly signed a much-publicized multibillion dollar tax cut package. >>See *Tax Relief*, pg 3

This year Chess adopted a resolution to leverage our internal and external technology. >>See *2011 Technology Initiative*, pg 4

As the founder of Chess, the best thing I can do for our clients is to keep Chess strong, healthy and effective. One important aspect is a capable management team. About a year ago, I transitioned many of the duties of running Chess to Brad Turner. Not only is he an outstanding investment professional, he has excellent management credentials. Brad has been exemplary in fulfilling his expanded duties and will continue to play a larger role in leading Chess. I am pleased to announce that he was promoted to President effective January 1st.

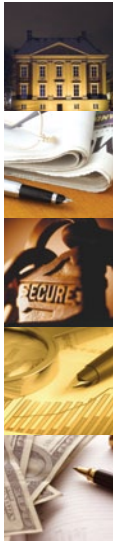
With Brad assuming my management responsibilities, I will be able to spend most of my time on significant client planning issues, business development opportunities and strategic planning matters. As the majority shareholder, I can assure you that I will remain a very active Chairman. I will focus on keeping our promise of *uncommon service to exceptional people*now and into the future. Happy New Year!

F. Carl Walter ■ Chairman
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- Confidentiality:** Keep client information secure and private
- Continuity:** Remain diligent, proactive and involved with each client's plan
- Humility:** Recognize the value of other advisors and coordinate all aspects of each client's financial plan with the entire team

Embracing these values has allowed us to build a very loyal group of clients. Although we provided solid financial services in the early days, we had very little bench strength. As we grew, it became clear that we needed to build a stronger organization. It is evident

Visit us online at www.chessfinancial.com. You can learn more about our services and register to receive this newsletter electronically. Questions or comments? E-mail us at comments@chessfinancial.com





Bradley E. Turner ■ *President & Chief Investment Officer*
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Portfolio Strategy

Despite an impressive year-end rally in stock prices, it's hard to survey the economic landscape and not conclude that preserving and growing capital over the next few years is likely to be a slog. Public debt woes, high unemployment and tightening supply conditions for many commodities are just a few of the issues that will test the mettle of investors.

But before we get too glum, it's worth remembering that we live in a world that is highly adaptive. Throughout history, our ancestors have demonstrated the ability to overcome the pressing issues of their era, usually through a combination of innovation and grit. This helps explain why the most pessimistic forecasts have rarely come to pass.

Here are just a few innovations that could help us solve our pressing economic issues:

Agricultural productivity – Growing populations and rising living standards in the developing world will increase the demand for agricultural commodities for years to come. Genetically-enhanced plants hold the promise of satisfying this demand at an affordable cost. For example, geneticists have isolated naturally-occurring bacteria in soybeans that convert atmospheric nitrogen

into a form usable by plants. If this bacteria's DNA strand can be inserted into cash crops, it would enable the modified plants to live in new territories not currently suitable for their growth, and without the additional cost of fertilizers.

Renewable energy – At the time of this writing, the United Nation's global warming summit in Cancun, Mexico has just concluded. Future summits might be more cordial if the cost of clean, renewable energy could be lowered to the point where it becomes a viable alternative to fossil fuels. In a textbook example of frugal innovation, India-based Husk Power Systems has created small-scale power plants using retrofitted diesel engines that run on biomass. The company's 60 mini-power plants currently serve 25,000 households in 250 villages.

Sustainable urbanization – The world is in the midst of the largest wave of urban growth in its history. Since cities consume the majority of the world's resources, accommodating this migration poses both a critical environmental challenge and an enormous business opportunity. A start-up company named Living PlanIT – along with networking technology giant Cisco and other partners – will soon begin building a model sustainable city in northern Portugal. Engineers project that residents will use 50 percent less energy and 80 percent less water than regular city dwellers.

While each of these innovations will do their part to improve the vigor of the global economy, a full recovery will require a similar level of inventiveness from policymakers. In the developed world, this means adopting more prudent fiscal policies and reducing debt. In the developing world, this means a stronger commitment to open markets, domestic consumption and the rule of law.

It will take tremendous political will to implement these policies. But this is where grit can play its part. If the world's policymakers can address these issues directly, preserving and growing capital over the next market cycle may prove to be easier than we now think.

MARKET INDICES	4Q	YTD
Domestic Equities		
S&P 500	10.8	15.1
S&P Midcap	13.5	26.6
S&P Smallcap	16.2	26.3
International Equities		
MSCI Developed	6.6	7.7
MSCI Emerging	7.0	16.4
Fixed Income		
Barclays US Aggregate	(1.3)	6.5
Barclays Global Aggregate	(1.6)	4.6
Barclays Municipal	(4.2)	2.4
Real Estate		
S&P Global REIT	7.1	23.4
Commodity		
Dow Jones – UBS Commodity	15.8	16.8



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Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

Congress recently approved and the President quickly signed a much-publicized multibillion dollar tax cut package, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (“2010 Tax Relief Act”). The 2010 Tax Relief Act extends individual and capital gains/dividend tax cuts commonly referred to as the “Bush tax cuts.”

Some of the highlights of the 2010 Tax Relief Act include the following:

Individual Income Taxes Individual Tax Rates

Under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), income tax rates were scheduled to revert from 2010 levels of 10, 15, 28, 33, and 35 percent to 15, 28, 31, 36, and 39.6 percent in 2011. The 2010 Tax Relief Act extends all 2010 individual tax rates through December 31, 2012.

Capital Gains and Dividends

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) reduced the maximum tax rate on net capital gains, from 20 percent to 15 percent (zero percent for taxpayers in the 10 and 15 percent tax brackets). Under the sunset provision of JGTRRA, the maximum rate on net capital gains was scheduled to rise to 20 percent and the maximum rate on qualified dividends was scheduled to increase from 15 percent to a taxpayer’s ordinary rate (as high as 39.6 percent). The 2010 Tax Relief Act extends the maximum rate of 15 percent on qualified capital gains and dividends through December 31, 2012.

Alternative Minimum Tax

The 2010 Tax Relief Act provides an AMT “patch” intended to prevent AMT from affecting millions of taxpayers by providing higher exemption amounts for 2010 and 2011. Without the patch, an estimated 21 million additional households would have been subject to AMT.

Payroll Tax

The 2010 Tax Relief Act reduces the employee share of the OASDI portion of Social Security

taxes from 6.2 percent to 4.2 percent in 2011 for wages earned up to the taxable wage base of \$106,800. Self-employed individuals will pay 10.4 percent on self-employment income up to \$106,800.

Charitable Incentives

The 2010 Tax Relief Act extends tax-free distributions from IRAs for charitable purposes to 2010 and 2011 (maximum gift of \$100,000).

Federal Estate Tax Estate Tax

EGTRRA reduced the federal estate tax over several years and then eliminated the federal estate tax in 2010. Pre-EGTRRA estate tax rates were scheduled to take effect in 2011 (maximum tax rate of 55 percent and a \$1 million applicable exclusion amount). The 2010 Tax Relief Act restores the estate tax for decedents dying after December 31, 2010, but at a significantly higher applicable exclusion amount and a lower tax rate. The maximum estate tax rate is 35 percent and the applicable exclusion amount increases to \$5 million. The new estate tax rules are scheduled to sunset on December 31, 2012.

Portability

The 2010 Tax Relief Act provides for “portability” between spouses of the applicable exclusion amount, allowing a surviving spouse to utilize the unused portion, if any, of his or her predeceased spouse. This portability election is scheduled to sunset on January 1, 2013.

Gift Tax

The 2010 Tax Relief Act reunifies the gift and estate taxes for gifts made after December 31, 2010. For gifts made after 2010, the maximum gift tax rate is 35 percent with an applicable exclusion amount of \$5 million.

GST Tax

The 2010 Tax Relief Act provides for a maximum tax rate of 35 percent and a \$5 million exemption amount for generation skipping gifts.



Tax Planning and Compliance

Our tax planning and compliance services provide a wide range of strategies designed around the philosophy of paying as little tax as possible, as late as possible. We carefully project taxable income to assure that all tax saving opportunities are captured. In addition, our core principles include:

- Quarterly updates to keep clients aware of tax deposit requirements and current tax issues
- Frequent analysis of changes in tax laws to provide comprehensive, value-added advice
- Completion of all regulatory tax filings in a timely and efficient manner
- Persistent evaluation of tax planning opportunities to increase both short- and long-term cash flow

Quarterly Tax Analysis

- Gather data and analyze financial transactions to calculate quarterly estimated payments and annual liability
- Modeling tax impacts of various scenarios; and tax-effective structuring of investment portfolios, compensation plans and businesses

Tax Law Changes and Updates

- Understanding how tax law changes impact our clients is a continuous process in which we excel
- We study and model the impact of changes over both short- and long-term time horizons to provide the best advice possible on anticipating, leveraging and absorbing tax law changes

Tax Compliance Filings

- Filing accurate, timely tax returns is at the forefront of our services
- We use the best software and our staff is thoroughly trained in tax preparation. We make time to explore and discuss with you opportunities we see to minimize taxes

Tax Planning Opportunities

- Understanding available opportunities in tax laws can significantly improve positive cash flow in both the short- and long-terms
- We have extensive experience developing and implementing tax planning strategies that offer financial freedom and flexibility

Angela M. Furmick, CPA ■ Executive Vice President
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2011 Technology Initiative

This year Chess adopted a resolution to leverage our internal and external technology so we can continue to provide *Uncommon Service to Exceptional People*, while finding ways to reduce the amount of resources used by introducing new technologies.

Our first goal was to reduce our carbon footprint in the world. We are happy to report we have made great strides in this area over the past year in becoming a “paperless office.” Most of these changes are behind the scenes, as files are being created electronically rather than pushing the print button. Many of you have been a tremendous help in this process by increasing the amount of information you provide and request electronically.

As part of our continued technology initiative, this year we are concentrating on our next major goal to provide clients with a private and secure client portal. This will help us provide and gather information in a more timely and interactive fashion without compromising security or privacy.

Chess has also designed a private and secure client portal for our website. This portal will allow you to log-in to our website with a unique password and gain access to confidential reports and other important documents anytime in a completely secure and easy manner. This ensures data is being protected securely and in compliance with legal regulations regarding the privacy and security of confidential information. The portal will allow us to send information, as well as allow you to upload important documents and files to us. Other important features include: upload and download e-mail notifications; daily security scans; anti-virus scans; and 128-bit SSL encryption, which is the same functionality used by banking websites. This portal will also be a means to fulfill requests to share specific information with third parties while ensuring the highest level of encryption and protection.

Rest assured, we will not begin use of our portal until we have thoroughly tested the security and effectiveness. You will receive more information from Chess about accessing your individual client portal in the coming months.

In addition to the client portal, we are pleased to be expanding our relationship with SurePrep; a technology based firm providing back office support for tax preparation services. We tested their software and support during the past tax season and know that they will be helpful to us in serving you. Rest assured that SurePrep adheres to a strict confidentiality policy and maintains state of the art network security.

We are excited about our 2011 technology initiatives as they improve our ability to serve our clients. If you have any questions regarding these initiatives, please feel free to contact me.

May each of you have a healthy and prosperous New Year.

DID YOU KNOW...?



33.12

Billions of dollars investors withdrew from the stock market during the first seven months of 2010. (Investment Company Institute)

3.7

Average number of asset classes invested in by 401(k) participants who have not received professional advice, compared to a minimum of eight asset classes invested in by 401(k) participants who have received advice. (Charles Schwab)

6

Percentage of Americans who say they are saving more because of the economic crisis. (National Foundation for Credit Counseling)

2029

The year through which Medicare is estimated to remain solvent. (U.S. Social Security Administration)

89

Number of topics currently on the list for the CFP® Certification Examination. (Investment News)

<1

Number of months that 45 percent of Americans think they could meet their financial obligations if they lost their jobs. (MetLife)



UNCOMMON SERVICE TO EXCEPTIONAL PEOPLE

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