

BURKETT FINANCIAL SERVICES, LLC

Registered Investment Advisors



2006 1st Quarter Report

U.S. stocks turned in their best first quarter in several years, despite the rising interest rate and high oil price environment that we have been discussing for quite a while. The Dow ended the quarter up 3.7%, its best first quarter since 2002. The NASDAQ gained 6.1% in the quarter, its best first-quarter gain since 2000. The S&P 500 rose 3.8% in the quarter, its best first-quarter gain since 1999. However and once again, small company stocks as measured by the Russell 2000 led the market and were up 13.1%. As such, our philosophy of a diversified portfolio and owning various asset classes has proven an effective strategy. The first quarter was a blast in a lot of ways, including economic growth, which was likely the strongest in nearly three years. Given the age of the current bull market and the challenges facing the economy and corporate profits in the months to come, including rising interest rates and a slowing housing market, it might seem that the rally doesn't have much energy left. Then again, the bears have been saying that for some time now. While we can't time the markets, we will continue to follow a disciplined strategy of diversification based on your individual risk tolerances.

Consistent with prior commentaries, we would like to take this time to focus on another issue in financial planning that you may be facing for yourself or in helping someone else. As of January 2006, Medicare beneficiaries

are able to get some assistance paying for prescription drugs through the new Medicare Part D. The drug benefit, added by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, will not be part of the traditional Medicare program, but rather will be offered through private insurance plans. Medicare beneficiaries will have to affirmatively choose and enroll in a Part D plan.

While coverage did not begin until January, the open enroll-

ment period will come to a close on May 15th. If you or someone you know is 65 or older, the mail barrage has already begun. If you have not done so already, now is the time to focus on Medicare Part D in order to better understand your options, the deadlines that must be met and the opportunities and problems that the Part D program presents for Medicare beneficiaries who take medications.

The standard benefit is defined in terms of the benefit structure and not in terms of the drugs that must be covered. In 2006, this standard benefit requires payment of a \$250 deductible. You then pay 25% of the cost of a covered Part D prescription drug up to an initial coverage limit of \$2,250. Once the initial coverage limit is reached, you will be subject to another deductible, known as the "doughnut hole," in which you must pay the full cost for the next \$2,850 of medicine. When your total out-of-pocket expenses for your drugs, including the deductible and initial coinsurance, reach \$3,600, you then pay \$2 for a generic or preferred drug and \$5 for other drugs, or 5% coinsurance, whichever is greater. This cost is in addition to your monthly premiums, which are expected to average \$35 for the basic coverage.

Prescription drug coverage under Part D is voluntary. You do not have to purchase this coverage but may purchase Part D if you are entitled to Part A or enrolled under Part B. You do not have to have both Part A and Part B coverage to choose prescription drug coverage. If you are eligible and do not sign up during the open enrollment period, you will face premium penalties if you enroll later.

As a potential enrollee, the insurance companies will be inundating you with marketing materials in the coming months. This can be a complicated decision so please feel free to ask a BFS team member any questions you may have.

~Burkett Financial Services, LLC

