

Rhonda Holifield  
and  
Helen Huntley

Holifield Huntley  
Financial Advisers

146 Second Street N,  
Suite 105  
St. Petersburg, FL  
33701

(727) 823-3801

www.holifieldhuntley.com

**Highlights:**

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# HOLIFIELD HUNTLEY

Financial Advisers

## ETFs seeing more play in investor portfolios

Exchange-traded funds offer many of the benefits of mutual funds with more flexibility and lower costs. As a result, they've soared in popularity. We own them and so do many of our clients. Since many people aren't sure how they work, we thought a little explanation might be in order.



Exchange-traded funds are offered by a number of respected fund families.

When you buy shares of an ETF, you own a portion of a big pool of securities, the same way you do when you buy shares of a mutual fund. The big difference is that ETF shares trade like stocks rather than being purchased and redeemed through a fund company. As a result, ETF shares

can be bought and sold throughout the trading day. One advantage is that you know the price of the transaction right away rather than having to wait for a fund closing price to be established. When you use a discount broker like Schwab, the commission may be less than a mutual fund transaction fee. However, the

commission makes ETFs impractical for someone investing small amounts of money regularly.

Most ETFs are index funds, tracking a particular market index such as the Standard & Poor's 500

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## April 15 is your last chance to fund your IRA for 2008

Use it or lose it.

Your 2008 contribution to your traditional IRA or Roth IRA must be made by April 15. Some custodians will accept contributions postmarked by April 15, but we recommend that you make your deposit

Charitable donations from IRA can lower current and future tax liability. See Page 4

immediately instead of waiting till the last day and taking a chance on a mail glitch.

You can contribute up to \$5,000 apiece (\$6,000 if

you are 50 or older) for yourself and your spouse if you have earned income at least equal to your contributions.

If your IRA is linked to our master account at Schwab, we can help you figure out if you've maxed out your contributions.

# Market rally lends hope that bear is on its way out

Investors had almost forgotten that the market could go up as well as down, when March surprised us with a really strong month. In fact, it was the best month for stocks in six years. Stocks were up more than 8 percent in March, although they still ended the first quarter down by double digits. It's a reminder that stock market gains tend to come in spurts and if you happen to be out of the market when they happen, you miss out.

Emerging markets, which lost more than half their value in 2008, were the best performing stock sector, up 16 percent in March. Growth stocks trounced value stocks. However, those results don't tell us a thing about what's going to happen next. With the stock market, it's not unusual for a sector to deliver stellar performance in one period and horrible performance the next — or vice versa.

We hope stocks have

bottomed, but that's a conclusion that can only be reached in hindsight. We are seeing signs that some of the early efforts to stabilize the economy are working. Government backing for money market funds stabilized the market for commercial paper and the increase in FDIC insurance limits allowed reeling banks to hang onto their deposits. The jury is still out on more recent efforts to increase commercial lending and keep homes out of foreclosure.

We know that there is more bad news to come; earnings will certainly be down and unemployment is likely to continue rising for a while. However, we remain hopeful that our country will find a way out of this mess. Many economists expect recovery to begin late this year or early next year. For them, the big question is not whether there will be a recovery but how strong it will be and whether serious inflation will be in our future.

March 2009 Benchmark Returns			
	March	3 mos	1 year
<b>Large-Cap Benchmarks</b>			
S&P 500	8.76%	-11.01%	-38.09%
DJ Wilshire 5000	8.77%	-10.11%	-37.69%
Russell 1000	8.75%	-10.45%	-38.27%
Russell 1000 Growth	8.92%	-4.12%	-34.28%
Russell 1000 Value	8.55%	-16.77%	-42.42%
<b>Mid-Cap Benchmarks</b>			
Russell Mid Cap	9.15%	-8.98%	-40.81%
Russell Mid Cap Growth	9.53%	-3.36%	-39.58%
Russell Mid Cap Value	8.73%	-14.67%	-42.51%
<b>Small-Cap Benchmarks</b>			
Russell 2000	8.93%	-14.95%	-37.5%
Russell 2000 Growth	8.98%	-9.74%	-36.36%
Russell 2000 Value	8.88%	-19.64%	-38.89%
<b>Other Benchmarks</b>			
NASDAQ Composite	11.02%	-2.79%	-32.29%
MSCI EAFE	5.87%	-14.64%	-48.19%
MSCI Emerging Markets	14.15%	0.52%	-48.4%
FTSE NAREIT Equity REITs	4.06%	-31.87%	-58.16%
DJ Wilshire REIT	3.22%	-33.92%	-60.66%
DJ-AIG Commodities Index	3.6%	-6.31%	-44.99%
BarCap US Aggregate Bond	1.39%	0.12%	3.13%
Credit Suisse High-Yield	2.03%	5.81%	-19.55%
Citigroup World Govt Bond Index	2.54%	-4.81%	-3.75%
S&P National Municipal Bond Index	-0.37%	3.72%	1.99%
Citi 3-month T-bill	0.02%	0.05%	1.13%

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## ETFs from Page 1

Index. Some employ screening techniques, such as eliminating stocks of companies considered likely to cut their dividends. One reason expenses are incredibly low is that the funds aren't paying big bucks for management. They also

do less trading, which reduces costs and increases tax efficiency.

ETFs are a good way to get exposure to particular sectors of the stock, bond and commodities markets and to foreign stocks. ETFs in general tend to

have good performance compared to others in their peer group.

However, not all ETFs are created equal. ETFs may trade for more or less than their underlying net asset value, a particular issue with less frequently

traded ETFs. Critics also point out that some ETFs track less-tested indexes.

We evaluate each client's portfolio to find the best combination of ETFs, mutual funds, bonds and other assets for their particular situation.

## Getting rid of mortgage could pay off for some

Is it a good idea to pay off your mortgage early?

That's a question many people have been asking lately as investment returns have fallen. Early payoff can make sense, especially if you are thinking about retiring soon and want to reduce your living expenses. However, it's not the right solution for everyone.

Here are some steps to help you evaluate whether making extra payments on your mortgage is right for you:

You are a candidate for early payment of your mortgage only if you can answer "yes" to all these questions:

1. Have you paid off all your credit cards and other non-deductible debts such as car loans?
2. Will you be able to maintain an emergency fund sufficient to cover three to six months of living expenses?
3. Can you make the payoff (or extra payments) without tapping your tax-deferred retirement accounts?
4. Will you be able to continue contributing enough to your 401(k) to get any employer matching contribution in full?
5. Do you plan to own the house at least for the next few years?

If you've passed that test, here are the points to consider in making your decision:

1. How does the interest rate on your mortgage compare to the return you can earn if you invest the money?
2. Are you still itemizing deductions? If you can't itemize or you barely have enough deductions to itemize, you aren't getting any real tax benefit from your mortgage. This is a common situation for long-time homeowners whose mortgages are approaching payoff. At that stage, the mortgage payments are mostly principal, not deductible interest.
3. How might payoff (or extra payments) affect your future cash needs? You don't want to pay off debt, then have to borrow the money back again.
4. How much will your cash flow improve if you pay off your mortgage? Remember that only the principal and interest portion of your mortgage payment will go away. You'll still have to pay real estate taxes and homeowners insurance.
5. How much will you save in interest over the long run? You can determine that by using a mortgage payoff calculator. (Try [www.dinkytown.net](http://www.dinkytown.net).)

Any extra payments should be sent to your lender with a notation that they are to be applied to principal.



*If you can't itemize or you barely have enough deductions to itemize, you aren't getting any real tax benefit from your mortgage.*

## Help a charity and help yourself with a donation from your IRA

If you're at least 70 ½ years old, have an IRA and like to give money to charity, this update is for you:

The IRS has suspended required minimum distributions from IRAs for 2009. However, you still might benefit from using your IRA to make a direct contribution to charity this year.

Here's how it works: You request that your IRA trustee (such as Schwab) make out a check directly to the qualified charity of your choice. Typically the trustee will then mail you the check for delivery to the charity. That's it. You pay no income

tax on the distribution, nor do you get a charitable deduction on your return.

This is a fantastic opportunity for people who take the standard deduction since they otherwise get no tax benefit from their charitable donations. The tax-free withdrawal also reduces your future tax liability since your IRA will now be smaller and so will your future required distributions. If your IRA includes non-deductible contributions, charitable distributions are always considered to come first from the deductible contributions on which

you would be taxed if you withdrew them.

Even if you itemize, a direct charitable distribution from your IRA might be better than making your donation from your taxable accounts. One reason is that it's better for your beneficiaries to inherit taxable accounts, which get a step-up in basis to current market value at your death. They would get no step-up in value on the assets inside the inherited IRA.

This tax break is set to expire Dec. 31, but Congress could extend it.

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146 Second Street N,  
Suite 105  
St. Petersburg, FL 33701

PHONE:  
(727) 823-3801

FAX:  
(727) 823-3805

E-MAIL:  
rhondaholifield@gmail.com  
helenhuntley@gmail.com

#### Miss an issue?

Back issues of our monthly newsletter are available on our Web site, [www.holifieldhuntley.com](http://www.holifieldhuntley.com), or by clicking <http://tiny.cc/xQJ7w>.

### Money fund guarantee extended

The Treasury has extended its temporary guarantee of money market funds through Sept. 18, 2009.

The program will provide coverage to shareholders of participating money market funds up to the amounts in the fund as of the close of business Sept. 19, 2008. The program had been scheduled to end April 30, 2009.

### Hear Helen's podcasts on aging, job transition

Helen participated in two recent podcasts that will be online for anyone who would like to listen.

A podcast is a digital media file, often similar to a radio or TV program. Listeners download the program and listen to it on their computers, iPods

or iPhones. You can even subscribe to a podcast as a regular download.

Helen discussed financial issues related to older people in "Age With Confidence," a podcast produced by Largo attorney Sean Scott. Listen at <http://tinyurl.com/da9qvx>.

She also did "Reinventing Yourself," a podcast for BusinessJournalism.org that discusses her transition from business reporting and writing to financial advising. Listen at <http://tiny.cc/OID4U>.

### About Our Organization ...

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products. We offer a comprehensive array of financial planning and investment management services.

If you, a friend or family member needs help, please feel free to call or e-mail us.