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### Highlights:

January jolt  
makes bad market  
worse

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If Lady Luck  
smiles, keep a hand  
on your wallet

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House hunting?  
The price is right  
if you are

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# HOLIFIELD HUNTLEY

Financial Advisers

## Let the spending begin

Congress has done its part. Now consumers, businesses and state and local governments will get a chance to do theirs, spending that \$787-billion.

It will take time for many of the big spending projects to get underway. And most of us won't feel much impact until we are doing our 2009 tax returns a year from now. However, at least we're moving in a positive direction instead of sitting around waiting for the next shoe to drop.

The American Recovery and Reinvestment Act of 2009, as it's officially known, includes 50 major changes from Alternative Minimum Tax Relief to more energy credits. Here are some of the provisions that might affect you:

### Making work pay

A new Making Work Pay Credit will be worth up to \$400 for a single taxpayer or \$800 for a married couple in both 2009 and 2010. It's calculated as 6.2% of up to \$6,452 in earnings for a single person or \$12,904 for a couple. It can be taken



either as a reduction in withholding or as a lump sum at tax time. Self-employment earnings are eligible. The credit is phased out for incomes above \$75,000 for singles or \$150,000 for a married couple. You're not eligible if you can be claimed as a dependent on someone else's return.

### Senior supplement

Most retirees will be eligible for a one-time \$250 Economic Recovery Payment. The method for passing out the money has not been determined, but it's expected to be similar to last year's stimulus payment. If you're also entitled to a Making Work Pay Credit, your \$250 will be subtracted from the work credit you otherwise would be eligible to receive.

### Paying for college

The Hope education credit now will be worth up to \$2,500 a year (up from \$1,800 for 2008) and will be available for four years instead of just two. In addition, more families will qualify because income limits have been increased, with phaseout beginning at \$160,000 for joint filers. The credit is 100% of the first \$2,000 in expenses and 25% of the next \$2,000, retroactive to include tuition paid Jan. 1 or later. Also, the purchase of computers and Internet access is now a qualifying educational expense for tax-free 529 plan distributions.

### Buying a new car

Sales and excise taxes are deductible on new car purchases for the rest of this year (starting with the day the bill is signed). The credit applies only to tax on the first \$49,500 of the purchase price and is phased out

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# Investing is about where you're headed, not where you've been

Unless you're a fan of the Gators or Pittsburgh Steelers, you probably haven't found much to cheer about in recent news reports. It will be months before we know whether the government's attempts to stimulate the economy will work. In the meantime, companies are shedding jobs, cutting back operations and sometimes even filing for bankruptcy.

Stocks just turned in their worst January performance in history, down more than 8 percent. The slide means stocks have (at this writing) lost nearly half their value since the 2007 peak. Even if you don't have a dime in the stock market, you probably are affected. Pension funds depend on stock investments to be able to meet their obligations to retirees. So do insurance

January 2009 Benchmark Returns			
	Jan	3 mos	1 year
<b>Large-Cap Benchmarks</b>			
S&P 500	-8.43%	-14.09%	-38.63%
DJ Wilshire 5000	-8.14%	-14.08%	-38.69%
Russell 1000	-8.16%	-13.75%	-39.04%
Russell 1000 Growth	-4.81%	-10.80%	-36.44%
Russell 1000 Value	-11.50%	-16.70%	-41.78%
<b>Mid-Cap Benchmarks</b>			
Russell Mid Cap	-7.40%	-13.27%	-42.01%
Russell Mid Cap Growth	-4.50%	-11.13%	-42.24%
Russell Mid Cap Value	-10.33%	-15.47%	-42.17%
<b>Small-Cap Benchmarks</b>			
Russell 2000	-11.12%	-17.09%	-36.84%
Russell 2000 Growth	-7.61%	-14.38%	-37.48%
Russell 2000 Value	-14.28%	-19.55%	-36.47%
<b>Other Benchmarks</b>			
NASDAQ Composite	-6.35%	-13.97%	-37.68%
MSCI EAFE	-9.88%	-9.98%	-45.45%
MSCI Emerging Markets	-6.62%	-7.18%	-51.36%
FTSE NAREIT Equity REITs	-17.31%	-25.94%	-47.97%
DJ Wilshire REIT	-18.08%	-27.25%	-49.95%
DJ-AIG Commodities Index	-5.38%	-15.91%	-41.58%
BarCap US Aggregate Bond	-0.88%	6.16%	2.59%
Credit Suisse High-Yield	5.87%	2.16%	-20.58%
Citigroup World Govt Bond Index	-4.34%	6.25%	2.28%
S&P National Municipal Bond Index	3.69%	5.93%	-0.14%
Citi 3-month T-bill	0.02%	0.14%	1.52%

companies that have promised to pay out annuities. But it's on an individual level that the pain is the most obvious.

Fidelity Investments recently reported that

the average balance in its workplace retirement savings plans fell 27% last year. Workers age 56 to 65 lost about a fourth of the value of their 401(k) plans during the year, according to a report from the

Employee Benefits Research Institute. To make matters worse, many employers have stopped contributing to those plans, leaving workers to fend for themselves.

All that means this is a tough time to be trying to find your way through the financial world alone. No one can tell you what the future will bring, but a good adviser can help you evaluate your situation, weigh your options and correct your course.

Some people will have to work longer than they planned. However, we also find that some people are in better shape than they realize. While their accounts are worth less than they were, they still are well positioned for the future.

If you'd like to come in and talk over your situation, please give us a call.

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starting at \$250,000 on joint returns.

### Business benefits

Small businesses get several big breaks, including the extension of higher limits on Section 179 expensing on purchases of qualifying

property. They also get the ability to carry losses incurred in 2008 backward up to five years. More

Learn more about new tax credits and benefits for businesses in a CCH briefing at <http://tinyurl.com/bh3cej>

generous depreciation rules also have been extended.

### Unemployment help

The first \$2,400 of benefits will be tax-free. Those who lose their jobs between Sept. 1, 2008,

and Jan. 1, 2010, may be eligible for COBRA health care coverage at only 35% of the cost.

Employers will pay 65% and deduct it against what they owe the IRS for withholding and payroll taxes.

## When a windfall comes your way, don't blow it

If you've been dreaming about winning the World Series of Poker or collecting the Powerball jackpot, you've got plenty of company. Even though the odds of winning are extremely small, it's fun to think about the possibilities. And even though you really aren't ever going to win Powerball, maybe there's an inheritance or some other modest windfall in your future.

As long as we're dreaming, here's some advice on what to do if you hit it big:



Take a deep breath. Take your spouse or best friend out to dinner, but don't launch a spending spree you'll later regret. Stash your treasure in a money market fund or bank CDs until you've had time to think things over.



Don't spread the news. If you won a poker championship on national television, this won't work, but if you can, keep your windfall private. The more people who know about it, the more people you'll have trying to get their hands on your money.



Put together your own dream team. Get an independent, fee-only financial adviser (like us!) to look at your overall picture and bring in a CPA and a lawyer to handle the tax and legal angles. If your windfall is significant, good advice is especially valuable.



Pay Uncle Sam his due. Find out what (if any) liability you have to the IRS and set up a plan to make estimated payments, if necessary, for both current and future years. The money withheld from big gambling winnings (generally 25% on winnings over \$5,000) may not cover the tax bill. The good news is that you can deduct your gambling losses up to the amount of your winnings if you itemize. If you anticipate winning big, start keeping a diary of your wins and losses and hang onto those receipts.



Think about your priorities. A windfall is a chance to make a big difference in your life. Depending on how big the windfall is, you may have an opportunity to secure your future and that of your children, to help your community or the world in a significant way, to build your dream house or to pursue a

passionate interest. Figure out how much the important stuff will cost before you spend money on things you care less about. Decide what charitable causes you want to endow rather than responding to pleas as they come in.



Avoid scam artists and be a smart investor. The world is full of people with dreams of getting rich by separating people like you, Lucky Winner, from your money. You particularly want to be careful about investing in private business ventures, most of which fail. One option is to put part of your money in an immediate life annuity that will guarantee a base level of income for the rest of your life. However, you'll also need investments that will grow and allow your income to keep pace with inflation.



Think long term. Maybe it's unlikely, but it's possible that your money will last longer than you do. Your financial adviser and attorney also can collaborate to help you come up with an estate plan to carry out your wishes.



Enjoy! Once you've got your plans in place, you won't have to worry as much about the future.

## Uncle Sam might demand a (generous) share of the bounty



**Inheritance:** Tax-free for the beneficiary except for tax-deferred vehicles such as a 401(k), IRA, annuity or savings bonds. Those beneficiaries owe income tax when the money is withdrawn just as the original owner would have. Estate taxes are in a state of flux but currently apply to estates worth more than \$3.5-million.



**Gift:** Tax-free for the recipient. The giver must file a gift tax return on gifts of more than \$13,000 in a year to any one individual. Usually no gift tax is due upfront, but large gifts might reduce your future estate tax exemption.



**Gambling winnings:** Taxable as ordinary income, but gambling losses you can verify can be deducted up to the

amount of your winnings.



**Life insurance death benefit:** Generally tax-free unless the policy was one you purchased from the original owner.



**Lawsuit award or settlement:** Generally taxable unless the money represents damages for physical injury or sickness.

## Experts can guide layman through maze of insurance options

All insurance companies are not alike.

That's why we work with knowledgeable insurance agents when we are trying to find the best product for a client. Did you know that:

- The company with the best preferred rate for term insurance is likely to have the worst standard rate.

That means that the best company for you will depend on which rate you qualify for.

- Companies don't all look at your family medical history in the same way. Some want to know your parents' cause of death regardless of age, while others care only if the parent died before age 60. Some want to know about parental

medical diagnoses, while others limit their inquiry to cause of death.

- A 20-year level premium term policy is a good deal only if you keep the policy for the full 20 years. Otherwise, you'll probably pay too much for it.
- You'll usually get a better deal buying one large

policy rather than two smaller ones. However, the financial stability of the insurance company is a key concern, especially if you plan to have the policy for many years. Placing policies with more than one company is a form of diversification.

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#### 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>.

## Is this a good time to buy a house?

Falling prices and low interest rates make this the best time to buy a house in years, but only if your circumstances are right.

In the Tampa Bay area, the median home price fell from \$199,800 to \$145,700 between December 2007 and December 2008. We have no idea if we've hit bottom yet, but homes certainly are more affordable than they were.

Here are factors that support buying now:

- You expect to live in the house at least five years.
- Your job (or other income source) is secure and you aren't counting on overtime or bonuses to make your payments.

- You don't own another home you would have to sell.

- Bonus points if you qualify for the new \$8,000 tax credit for those who haven't owned a house in the past three years and purchase between Jan. 1 and Nov. 30, 2009. Unlike the previous credit, it does not have to be paid back. The credit is phased out starting at \$75,000 for singles and \$150,000 for joint filers.

If you're thinking of buying as an investor, we advise more caution. If you're going to be a landlord, you'll need deep pockets to survive non-paying tenants and the possibility of extended vacancies.

#### Miss us? We were just out getting smarter

We're always on the lookout for information and ideas that will help us better serve our clients. Last month Rhonda attended a conference on "Investing in a Brave New World," sponsored by the National Association of Personal Financial Advisors and Helen attended an insurance conference sponsored by Low Load Insurance Services.

### About Our Organization...

Holifield Huntley is a fee-only financial advisory firm. That means we are paid by our clients, who can count on us to be objective and have their best interests at heart.

We do not receive commissions or compensation from others for selling their 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.