

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:

Economy faces uphill
battle in 2009

3

Madoff scam raises
good questions

4

Lower interest rates,
lower loan payments

5

HOLIFIELD HUNTLEY

Financial Advisers

Happy New Year (We hope)

We always start a new year with a mixture of hope and trepidation. After a year like 2008, we're higher on both those scales than usual. We just know that 2009 has got to be better, doesn't it?

One thing we can say for sure is that there will be surprises. Not too many people can say they knew in January 2008 that stocks would lose more than a third of their value, Treasury bills would sell for 0 percent interest, gas would be back down below \$2 a gallon, Barack Obama would be elected president, and Rhonda and Helen would open a business together. (Even we didn't know that last part.)

When we look into the future, human nature makes us inclined to see our future as a lot like our present, with slight variations. If stocks, interest rates or gas prices are rising, we expect that trend to continue. When times are good, we think "let the good times roll," or, as they say in New Orleans, "laissez les bons temps rouler." Likewise, when



Taxes, taxes, taxes! Page 2

times are tough as they are now, it's easy to expect them to stay tough indefinitely ... maybe even forever. Inflection points in the economy are as difficult to predict when we're on the way down as they are when we're on the way up.

The truth is that we don't know exactly when things will turn around, but we believe that they will. Why? It may sound corny to say this, but we believe in America and in the ingenuity and perseverance of its people. Every country has its difficulties, but the United States is still the place people come from around the world to pursue their intellectual, spiritual and economic dreams. Second, we think that the efforts being made to help the

economy will bear fruit. We will have to watch for unintended side effects like inflation, but the efforts to restore lending should lead to more economic activity. We also think we'll have better financial regulations as Congress and the new Obama administration act to correct the inadequacies of the past. Finally, history tells us that our economy goes through cycles. Good times eventually follow bad.

Much of the future is beyond our control. However, this is a time to pay attention to those things we can control. We can spend our money wisely, researching major purchases. We can save for the future, putting money to work through good and bad times and diversifying our investments. We can take advantage of the tax breaks the government gives us. If we need to adjust our financial plans, we can and we will.

We wish you all a happy and prosperous new year.

Make sure you get all the tax breaks you're due

Here are some important things to know about taxes in 2009:

Second chance at stimulus payment

If you didn't qualify for the economic stimulus payment last year or received less than the maximum amount, you get another chance! Stimulus payments ranged from \$300 to \$600 per person. Some people didn't get one because their 2007 income was too high or too low or they were claimed as a dependent on someone else's return. If you were in that group, you may qualify based on your 2008 return.

Don't file before all your paperwork arrives

This year brokerage firms have until Feb. 15 to send out 1099 forms. We're hoping that means fewer instances of corrected 1099 forms. Make sure you have all your forms in hand before filing.

Bonus for taxpayers without state income tax

Congress extended the sales tax deduction as an alternative to the income tax deduction. That's a big help for those of us who

	2008 Limit	2009 Limit
Personal exemption	\$3,500	\$3,650
Standard deduction - single	\$5,450	\$5,700
Standard deduction - married filing jointly	\$10,900	\$11,400
Annual gift tax exclusion	\$12,000	\$13,000
Tax rate on long-term capital gains	0 or 15%	0 or 15%

live in states with no income tax, such as Florida.

Standard filers may deduct real estate taxes

You will get to deduct your real estate taxes up to \$500 (single) or \$1,000 (married filing jointly.)

No required minimum distribution for 2009

Nobody is forced to take an IRA distribution for 2009, including beneficiaries of inherited IRAs.

However, the distribution requirement for 2008 was not repealed. If you were among those who turned 70½ last year and planned to take your 2008 distribution in early 2009, you still have to take it by April 1. Everybody else can relax.

Note: If you turn 70½ in 2009, you will not have to take a 2009 distribution, but you will have to take

your 2010 distribution by Dec. 31, 2010.

You can still donate IRA money to charity

If you are at least 70½, you have the option again in 2009 of donating directly from your IRA to charity without ever paying taxes on the gifted money.

This primarily benefits people who take the standard deduction since IRA contributions to charity are not deductible. The IRA custodian must make the check out to the charity.

First-time homebuyers get a special break

If you took advantage of the troubled housing market and bought a house after April 8, you may qualify for a tax credit of up to \$7,500. However, this special credit is an interest-free loan rather than a gift. It has to be paid back over 15 years, starting in 2010.



Congress has extended the sales tax deduction as an alternative to the income tax deduction.



December rally was faint light in dark year

Last year was the worst year for stocks since 1931. Investors lost money in just about every asset class except Treasuries. December gave us a brief respite from the pain and 2009 started off strong, but the market then turned down again.

While one month's results don't usually tell us much, December's gains do offer some insight into what happens when stocks rally after a severe downturn. The stocks that were up the most were international stocks, small stocks and REITs — the very sectors that had been pummeled the hardest during the downturn.

However, December's enthusiasm did not last in the face of January's cold reality that we are in a serious recession. We lost 2.8-million jobs last year, the most since 1945, and unemployment is now at 7.2%. The housing sector is still a long way from recovery, especially for us in Florida. After a spending spree fueled by credit cards and home equity debt, consumers are being forced to curtail their spending and pay down debt. What we're still trying to figure out is

December 2008 Benchmark Returns			
	Dec	3mo	YTD
Large-Cap Benchmarks			
S&P 500	1.06%	-21.94	-37%
DJ Wilshire 5000	1.85%	-22.93	-37.34%
Russell 1000	1.6%	-22.48	-37.6%
Russell 1000 Growth	1.81%	-22.79	-38.44%
Russell 1000 Value	1.39%	-22.18	-36.85%
Mid-Cap Benchmarks			
Russell Mid Cap	4.3%	-27.27	-41.46%
Russell Mid Cap Growth	3.68%	-27.36	-44.32%
Russell Mid Cap Value	4.87%	-27.19	-38.44%
Small-Cap Benchmarks			
Russell 2000	5.8%	-26.12	-33.79%
Russell 2000 Growth	5.42%	-27.45	-38.54%
Russell 2000 Value	6.15%	-24.89	-28.92%
Other Benchmarks			
NASDAQ Composite	-0.97%	-27.14	-42.21%
MSCI EAFE	5.92%	-20.33	-45.09%
MSCI Emerging Markets	7.6%	-27.94	-54.48%
FTSE NAREIT Equity REITs	16.39%	-38.80	-37.73%
DJ Wilshire REIT	17.7%	-39.95	-39.2%
DJ-AIG Commodities Index	-4.48%	-30.04	-35.65%
BarCap US Aggregate Bond	3.73%	4.58	5.24%
Credit Suisse High-Yield	5.61%	-18.79	-26.17%
Citigroup World Govt Bond Index	7.11%	8.81	10.89%
S&P National Municipal Bond Index	1.89%	1.24	-2.83%
Citi 3-month T-bill	0.04%	0.25	1.8%

to what extent negative expectations are already priced into stocks.

Stocks underperformed Treasury bills by 59% over the past nine years, which matches the worst nine years during the Great Depression, although not quite as bad as the inflationary 1970s. In the past, long-term returns following those bad periods have been quite good. And currently there is a lot of cash on the sidelines. However,

credit markets still aren't functioning well, which means there's plenty of risk out there.

Interest rates have dropped dramatically, both in the United States and abroad. The good news is that mortgage rates are very low, which should help cash-squeezed homeowners. The bad news is that rates on safe cash investments, such as money market funds and bank CDs, are also pitifully low.

Our structure helps protect against Madoff-style scams



We see no reason for investors to give up the protections of disclosure and regulation in the securities markets.

Bernie Madoff's admission that \$50-billion of his clients' money is missing was devastating news to the individuals and charities that relied on him to invest their money wisely.

Some of the charities have had to shut down, and many former millionaires are now broke. The rest of us, of course, are glad we never invested with Bernie Madoff.

We thought it might be reassuring to our clients and friends to know about some of the important protections Holifield Huntley Financial Advisers offers clients through our policies and procedures.

- We don't have custody of any of our clients' assets. All our clients'

money and securities are held at Charles Schwab or another brokerage or bank the client has chosen. Clients receive statements directly from Schwab and can check their accounts online if they choose. Brokerage accounts are protected by insurance from the Securities Investor Protection Corp. should the brokerage firm become insolvent.

- We don't recommend hedge funds to our clients. Hedge funds like Madoff's are allowed to operate in the shadows partly because wealthy investors are supposed to be sophisticated enough to evaluate the risks. We see no reason for investors to give up the protections of disclosure and regulation in the securities markets.

- We don't get commissions or fees for

recommending investments. The 1.5% of assets some managers received for referring clients to Madoff may have made them less likely to ask probing questions. We avoid potential conflicts of interest.

- We discuss our recommendations with our clients. In fact, we require their approval before we buy or sell an investment. We have no secret trading strategies.

- We practice diversification. People who put most or all their money into Madoff's fund were breaking one of the cardinal rules of investing. Even if it looks like the greatest investment in the world, it's a mistake to sink all your money into it because things can and do go wrong.

Transparency of publicly-traded mutual funds provides peace of mind for shareholders

Some investors have wondered whether publicly-traded mutual funds could be vulnerable to a scam similar to Bernard Madoff's \$50-billion Ponzi scheme.

It's very unlikely.

Madoff managed a hedge fund, which was not required to provide details about its strategy or holdings. Madoff was able to persuade people to continue to invest with him even though no one knew

how much money he was managing or what he was really doing with it. While some critics questioned his claims that a portfolio of blue-chip stocks and options generated consistent double-digit returns year after year, no one could prove anything.

Publicly-traded mutual funds, however, have a number of safeguards in place to protect shareholders. They are required to post their net

asset values daily, so investors know where they stand. The funds must disclose their portfolio holdings at least once a quarter and reveal details about their operations, including expenses. They also have boards set up to consider the shareholders' interests.

Despite the transparency required of mutual funds, it's not a perfect system. Some mutual funds have

been caught using shady practices. The most recent example was the market-timing and late-trading scandals in 2003. Many shareholders had lower returns because of favoritism shown to big clients and family and friends of fund executives. However, those mutual fund shareholders' losses were small compared to those of Madoff's hedge fund clients, many of whom lost everything.

Declining rates offer upside for borrowers

With interest rates at historic lows, this could be a good time to refinance your mortgage or even another loan, such as a car loan.

- You may be able to save interest costs over the life of your loan, particularly if you refinance for the same or fewer years than the term remaining on your existing loan.
- You may be able to improve your cash flow by reducing your monthly payment. You'll cut your payment the most if you opt for a longer term. Taking more years to repay will cost money in

the long run, but can be a life saver if you are coping with a budget crunch.

- You may be able to trade an adjustable-rate mortgage for the security of a fixed-rate mortgage.
- You may be able to get cash out for urgent needs if you have substantial equity. However, you should review your options very carefully because taking this path has ended in foreclosure for many homeowners.

No one approach is right for everyone. A primary consideration is the length of time you plan to

remain in your home. Your credit score also will make a difference in the terms you are offered, as will the amount of equity you have in your home. People who owe more than their homes are worth generally cannot refinance without putting up additional cash.

If you decide to shop for a new loan, make all your inquiries to lenders within one 30-day period. That way they will be treated as a single inquiry by credit scoring companies. Spreading inquiries over a longer period will hurt your score, which might mean you won't qualify for the best rates.



Online resources for mortgage hunters

Here are some Web sites to help you research whether refinancing is a good idea for you.

- **Third Federal** (www.thirdfederal.com) This site is particularly good for showing the relationship among interest rates, points and closing costs. You can find out how much a new loan would cost and what your monthly payment

would be.

- **Bankrate.com** (www.bankrate.com) This site has a mortgage refinancing calculator you can use to compare your old and proposed new mortgages. But don't give your personal information to any of the lenders that have their own calculators on the site as advertisements until you are ready to shop

seriously for a new mortgage.

- **True Credit** (www.truecredit.com/mortgage) If you don't have excellent credit or you aren't sure if you do, it might be worth paying \$9.99 for 30 days access to the Mortgage Simulator on this site. You can see the average rates available to someone with your credit score.

Spreading credit inquiries over a period longer than 30 days will hurt your score, which might mean you won't qualify for the best mortgage rates.

Holifield Huntley Financial Advisers

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

We're on the Web!

See us at:
www.holifieldhuntley.com

Recommended reading

The *New York Times* published a provocative two-part piece this month by Michael Lewis and David Einhorn on "The End of the Financial World as We Know It" and "How to Repair a Broken Financial World." It's a fascinating analysis of why they think financial regulation has been so lax and what they think needs to be done. Read it at: <http://tiny.cc/FIBu5>.

In "Lessons the Market Taught Us in 2008," adviser and author Larry Swedroe offers sharp analysis and common sense. A couple of his lessons: "Innovative" products from Wall Street are designed to benefit the issuer rather than the investor and all crystal balls are cloudy — just because somebody is right once doesn't mean he can do it again. Read it at: <http://tiny.cc/jezwH>.

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.

Miss an issue?

Back issues of our monthly newsletter are available at www.holifieldhuntley.com/OurNewsletter.html.

Pearlman reports feature Helen

The Lou Pearlman story is the focus of CNBC's *American Greed* documentary, "Boy Band Bandit." The show premiered Wednesday, January 14, and is scheduled to be shown again at 11 p.m. Sunday, January 18.

The program includes an interview with Helen Huntley, who covered the Pearlman story for the *St. Petersburg Times* and played a role in his arrest. Read more about it on CNBC's Web site, www.cnbc.com/id/18057119

The *St. Petersburg Times* published Helen's review of a new book on Pearlman, *The Hit Charade*, on January 6. Read it at www.tampabay.com/news/business/article954632.ece

HOLIFIELD HUNTLEY

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

