November 2008
Volume 1 Issue 2

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Highlights:

Economy likely to be Obama's first task

Change is in the wind with the election of Barack Obama as our next president. We are hopeful that he will provide much-needed leadership for the problems our country faces. Certainly the economy will be a top priority for the new president, who will be calling on respected advisers such as Warren Buffett, Paul Volcker and Robert Rubin for their best ideas.

Nathan Haley

Obama has promised reform in many areas. The economy should be among the first problems the new administration tackles.

We expect to see continuing efforts to stimulate the economy and get banks lending again. There will be proposals for major reforms in the regulatory system that failed to protect us from the current chaos in our credit markets. Higher taxes are almost certainly on the horizon, at least for some. That's the only way to pay for the huge bailouts that already been approved not even considering the new programs President-elect Obama has in mind. As you hear these proposals,

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Investors can take some tips from the Rays

What an exciting run it's been for the Tampa Bay Rays all the way to the World Series!

In addition to being a treat for all of us to watch, the Rays' story offers great lessons for us as investors:

- **The past is not destiny.** The Rays had 10 straight losing seasons, including last year's finish with the worst record in all of major league baseball. Then they turned into the "beast of the east." Do you save too little? Has a divorce or business failure gotten you off track in saving for retirement? No matter what's in your past, it does not dictate your future. You have the power to change.

- **Building a solid foundation pays off.** Early in their history, the Rays went after some high-priced hot stars hoping for fast results. That strategy failed miserably. The winning approach: Building a solid foundation by developing young players.

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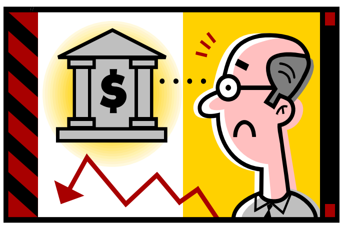
An October we wish we could forget

We hope we never see another month like October. If your portfolio only suffered a single-digit loss, you (a) probably have a high cash position and (b) have reason to celebrate. It was a month of stomach-churning peaks and valleys. And we haven't settled down yet.

Fear of a lengthy global recession is not the only cause. The downward momentum also is being fueled by margin calls. Lots of investors (including many hedge funds) bought stocks, bonds and other securities on credit, which helped fuel the market rise. It's similar to what happened in housing as people borrowed more and more to speculate on ever-rising home prices. Now that borrowed money is magnifying losses as values fall. The collateral for a securities loan is the securities you have in your account. When those stocks and bonds decline sharply in value, the hedge fund or individual investor gets what's known as a "margin call," a demand by the brokerage firm to put up more cash or have their securities sold into a declining market. The only way many of them can raise the cash is by selling their securities, even the ones they wish they could keep. Either way, more sell orders flood the market, depressing it.

We remain hopeful that efforts to stabilize our global financial markets will succeed and that our country will pull through this just as it has many other financial crises in the past.



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October 2008 Benchmark Returns	October	3-month	YTD
Large-Cap Benchmarks			
S&P 500	-16.79%	-23.11%	-32.84%
DJ Wilshire 5000	-17.57%	-24.06%	-32.94%
Russell 1000	-17.46%	-24.3%	-33.55%
Russell 1000 Growth	-17.61%	-26.36%	-34.31%
Russell 1000 Value	-17.31%	-22.08%	-32.9%
Mid-Cap Benchmarks			
Russell Mid Cap	-22.35%	-30.61%	-37.5%
Russell Mid Cap Growth	-21.95%	-33.26%	-40.17%
Russell Mid Cap Value	-22.76%	-27.74%	-34.7%
Small-Cap Benchmarks			
Russell 2000	-20.8%	-24.48%	-29.02%
Russell 2000 Growth	-21.7%	-28.83%	-33.68%
Russell 2000 Value	-19.98%	-20.1%	-24.27%
Other Benchmarks			
NASDAQ Composite	-17.69%	-25.85%	-34.72%
MSCI EAFE	-20.24%	-34.89%	-45.02%
MSCI Emerging Markets	-27.5%	-45.24%	-54.2%
DJ Wilshire REIT	-32.38%	-31.14%	-31.54%
DJ-AIG Commodities Index	-21.28%	-35.43%	-27.59%
Lehman Bros Aggregate Bd Idx	-2.36%	-2.76%	-1.74%
Credit Suisse High-Yield	-7.04%	-13.34%	-15.48%
Citigroup World Govt Bond Index	-2.54%	-6.84%	-1.37%
S&P National Municipal Bond Index	-0.9%	-4.86%	-4.88%
Citi 3-month T-bill	0.14%	0.43%	1.54%

Unbacked speculation swamped swaps

Just what are those credit default swaps that threaten our economy?

Credit default swaps have been in the news a lot lately because these unregulated instruments play a major role in the current credit crisis. Here's the scoop on what they are:

A swap is a contract that is supposed to function like an insurance policy. However, it isn't called that because insurance is regulated and swaps are not. The buyer pays the seller in exchange for the seller's promise to pay the buyer if certain bad things happen. Typically, the swap would pay off if a bond went into default or a bond issuer filed for bankruptcy. At the most basic level, someone who owned a bond could buy a credit default swap for protection in case the bond issuer defaulted, just like you can buy homeowners insurance that will pay if your house burns down.

However, Wall Street has a habit of taking a basic concept and running amok with it. Credit default swaps became a way for people who didn't even own the bonds in question to speculate on the creditworthiness of the bond issuer or whole groups of issuers. Banks, hedge funds, insurance companies and other big players created a huge web of interrelated trading. Securities and Exchange Commission Chairman Christopher Cox recently estimated the size of the market at $58-trillion, calling it "completely lacking in transparency and completely unregulated." Regulation, which former Fed Chairman Alan Greenspan long opposed, at least could have established some capital requirements. Without the requirements, capital turned out to be sorely lacking.

Swaps provide protection only if sellers have the ability to make promised payments to buyers. Unfortunately, the whole system was based on the premise that there wouldn't be many defaults and sellers were setting aside little to no money to cover the possibility that things would be worse. They simply didn't have the ability to make the payments that suddenly were going to be required. And because these financial institutions are so interconnected, the default of any big player threatened the entire system.

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You too are better off developing a strong foundation of quality investments instead of chasing the latest hot stocks or sectors. Investments that soar the highest often crash the hardest.

- **Winning is a team effort.** B.J. Upton might hit two home runs in one game and go hitless in another. Evan Longoria can look invincible and then hit a slump. Thank goodness the team also had Willy, Aki, Carl, Rocco and the rest of the gang. We diversify our investments because no single investment wins all the time. During this market turmoil, cash has been king, but it hasn't always been that way and it won't always be that way in the future.

- **Don't get rattled when things go wrong.** In the crucial league championship game, Matt Garza gave up a home run to the second batter he faced. then walked the next one. But Garza didn't let those first-inning difficulties get to him and ended up as the MVP of the championship series. When things go wrong, you may need to make adjustments, but if you've got a well-diversified portfolio and a well-thought out investment plan, you shouldn't abandon it.

Accessing your cash can be costly

ATM fees are more expensive than ever. Bankrate.com recently reported that a transaction on another bank's ATM is likely to cost you $3.43.

Banks now charge outsiders an average of $1.97 per transaction to use their ATMs and charge their own customers an average of $1.46 for using another bank's ATM.

You can avoid those fees by using your own bank's ATMs whenever possible or signing up for an account that reimburses you for ATM fees.
If you must use another bank's ATM, aim for larger, less frequent withdrawals to minimize fees.

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remember that the president lays out his agenda, but Congress decides whether to go along. As always, the devil will be in the details.

While we have no way of knowing what Congress will do, we think investors should anticipate higher taxes on dividends and capital gains plus higher tax brackets for those at the upper end of the income scale. How high? The top rate on capital gains, now 15%, might rise to 20% to 25%. However, not every income bracket is going to be paying the top rate. In addition, Obama proposed raising the top tax rate on ordinary income from 35% to 39.6%, which would affect married couples with incomes of more than $373,100 in 2008. More income also could be subject to Social Security taxes. And it is highly likely that we'll see a revival of the estate tax, now scheduled to expire in 2010.

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The prospect of higher taxes raises several planning considerations:

● You should consider rebalancing your taxable accounts to book capital losses, which you can use to offset future capital gains and/or up to $3,000 of ordinary income annually. Capital losses carry forward until used up. You need to be careful not to trigger wash-sale rules, which disallow losses if the same or a substantially identical asset is purchased 30 days before or after the sale of the depreciated security.

● If you have appreciated securities, you might want to sell them to take advantage of current low capital gains rates and to reinvest the money in the same or a very similar security. That way you establish a new, higher tax basis in your stock or mutual fund. (Wash-sale rules only apply to losses, not gains).

● You also might want to take a look at municipal bonds, since higher tax rates would make them an even more attractive investment than they already are.

● We do not advise planning to schedule your death in 2010 to take advantage of the expiring estate tax. Expect Congress to either reinstate the estate tax before it expires or make it retroactive. If your estate is likely to be less than $3.5-million, you probably have nothing to worry about. But if it's more than that, you might need to revise your estate plans once Congress makes up its mind.

Bad credit? No credit? No easy fix

Companies that say they can transform your bad credit overnight are promising something they can't deliver. The Federal Trade Commission recently has been cracking down on these companies, including some in Florida.

"Companies that promise they are able to scrub your credit reports of accurate, negative information for a fee are lying – plain and simple," said Lydia Parnes, director of the FTC's Bureau of Consumer Protection."We would like to remind consumers there is no magic bullet to raise the credit scores."

You can check your own credit report for errors and write the credit bureau asking for them to be corrected. But if the problems are real, the only thing that makes them go away is time. As you pay your bills on time, your recent good credit history will begin to count for more than long-ago problems. Most negative marks disappear after seven years.

Get a free copy of your credit report at www.annualcreditreport.com.

Improve your credit

▪ Pay bills on time.

▪ Pay past-due accounts.

▪ Never apply for multiple cards in a short period.

▪ Keep balances well below credit limits. (Ideally less than a third of your limit.)

▪ Use different types of credit (mortgage, credit card, car loan).

▪ Don't close unused accounts. (Old accounts help your score).

Read more at www.myfico.com www.ftc.gov

Is a Florida Prepaid College Plan right for you?

The ability to lock in future tuition payments at today's prices is the big appeal of the Florida Prepaid College Plan, which recently began its annual enrollment period. It's an option you might want to consider if you like the security of knowing tuition will be covered — at least if your child attends a public college in state.

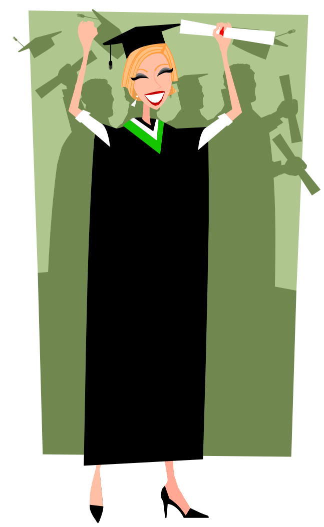
For private or out-of-state colleges, the prepaid plan pays the equivalent of in-state public tuition.
If your child gets a scholarship that covers tuition, prepaid money can be used for other qualifying expenses. If your child does not attend college, the plan can be transferred to another family member. Cash refunds are available without interest.

Prepaid plans are one of two types of 529 college savings plans, which offer tax-free withdrawals if the money is used for qualifying college expenses, including tuition, room, board, books and supplies. Prepaid plans are similar to an old-fashioned pension in that the risk of paying the benefits falls on the sponsor, in this case, the state of Florida.

The other type, college investment plans, is similar to a 401(k) in that the account holder bears the risk. The account may grow or shrink, depending on the performance of the chosen investments. Investment plans, which Florida and many other states offer, can be used to accumulate far more in savings. Some college savers use both types of plans, a prepaid plan to cover tuition and an investment plan to cover everything else.

On a personal note, Helen used Florida Prepaid Plans to help pay for her children's education at the University of Florida. College investment plans came along too late to be of benefit for her two now-grown children. Rhonda, however, is using an investment plan to save for her 8-year-old son's education. We can discuss both types of plans with you.

Florida Prepaid's annual enrollment period ends Jan. 31. College investment plans accept applications year-round. For more information go to www.myfloridaprepaid.com or call (800)552-GRAD.



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Donations from IRA accounts can help charities, your tax bill

The $150-billion bailout bill Congress passed last month includes a bonus for IRA owners with charitable inclinations.

If you're at least 70½ years old, you can donate up to $100,000 a year from your IRA to charity without ever paying taxes on it. This provision expired at the end of last year, but Congress extended it for 2008 and 2009. The arrangement is particularly advantageous for people who take the standard deduction.

To qualify for the tax break, the trustee of your IRA must make the check out to the charitable organization. If your IRA is at Schwab, we can complete the IRA distribution form for you and Schwab will mail the check to you for delivery to your chosen charity. You are responsible for getting a receipt from the charity for your tax records.

A qualifying charitable distribution can count toward your required minimum distribution.

Watch for Helen on Bay News 9 and Fox 13

Helen continues to offer investment advice to television viewers with recent appearances on Bay News 9 and on Fox 13's "Your Turn" show with Kathy Fountain.

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 always 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, give us a call or send us an e-mail.

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