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# HAAS

Financial  
Services Inc.

# Money Monitor

*JULY / AUGUST 2009*

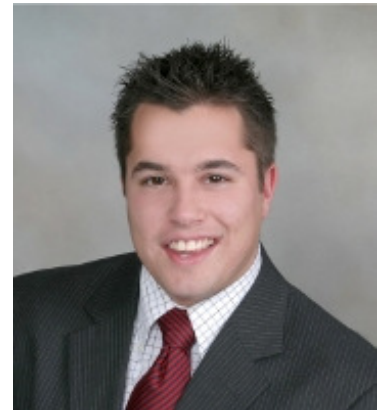
CENTER FOR FINANCIAL GERONTOLOGY



## Tax Advantages Available For Your Benefit

There are a number of short lived, tax-advantaged programs that expire soon. We will cover some of those that involve stimulus spending. In other words, Uncle Sam wants to encourage us to spend money to stimulate the economy. If you were already planning on making these expenditures you could really be in luck.

The first four stimulus programs involve the purchase of new automobiles.



### Sales Tax Incentive (Maximum benefit is a tax savings of about \$800)

- **Deduction** on state and local sales tax on up to \$49,500 of the purchase price paid
- New car, light truck, motor home, or motorcycle.
- Phased out for single filers with AGI between \$125,000 & \$135,000.
- Phased out for joint filers with AGI between \$250,000 & \$260,000.
- The vehicle must be purchased after February 16, 2009 & Before January 1, 2010.
- Taxpayers are not required to itemize deductions on their returns in order to receive the deduction.

### CARS Act (Maximum benefit is a \$4,500 savings on your purchase price)

- Receive a \$3,500 or \$4,500 discount voucher for a trade-in vehicle when purchasing or leasing a new vehicle.
- All other dealer incentives, rebates, and discounts apply in addition to the government rebate.
- Must apply for the government rebate voucher at the dealership you plan on purchasing or leasing the new vehicle.
- Trade-in vehicle must be on the approved list of eligible cars and must be destroyed when exchanged.
- Eligible cars must be less than 25 years old on the trade-in date, must get less than 18 MPG (exception for large trucks and vans may apply).
- Program ends November 1, 2009

### Hybrid Tax Credit (Maximum Benefit Varies widely)

- Credit for Hybrid vehicle, based on model. The first 60,000 vehicles per manufacturer received the full credit.
- Program has already begun to phase out. Toyota and Honda have completely phased out. Ford, GM and Nissan may still have credits available. Contact your dealer. Vehicle must be purchased before March 31, 2010.

### Plug-in Electric Drive Vehicle Credit (Maximum \$7,500)

- Begins January 1, 2009.
  - The first 250,000 vehicles sold qualify for 100 percent of the credit. Thereafter, the credit phases out.
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Another category of stimulus spending encouraged by the US government involves home ownership. The First Time Home Buyers Credit is one of the most generous tax credits we have ever seen:

**First Time Home Buyers Credit (Maximum Benefit is \$8,000)**

- First time home buyer is defined as someone who has not owned a home for three years or more or who has never owned a home.
- The home purchase must be after January 1, 2009 and before December 1, 2009.
- The credit is equal to 10 percent of the home's purchase price.
- Single taxpayers with AGI up to \$75,000 and married couples with AGI up to \$150,000 qualify for the full tax credit.

**Energy-Efficiency Improvements to Existing Homes (Maximum \$1,500)**

- Program ends 2010.
  - 30 percent tax credit for **eligible** doors, windows, water heaters etc.
- Go to <http://www.energystar.gov/taxcredits> for details.

**Modification of Residential Energy-Efficient Property Credit (Maximum varies based on improvement/modification)**

- Program ends December 31, 2016.
  - 30 percent tax credit for individuals.
  - Solar electric power has no credit limit.
  - Wind electric power credit up to \$4,000
  - Geothermal heat pump credit up to \$2,000.
- Go to <http://www.energystar.gov/taxcredits> for details and more eligible items.

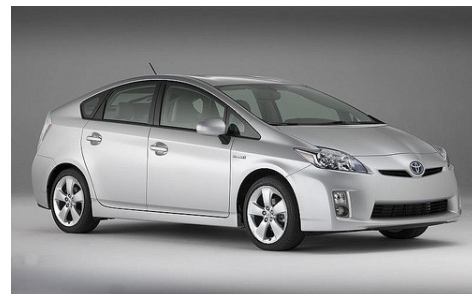
A note of caution; involve your advisors/experts. These credits are tricky at best. Your tax preparer is vitally important. Save receipts, descriptive packaging, sales materials and/or invoices. Here are two auto dealerships we know who have offered to help:



Cauley Chevrolet  
7020 Orchard Lake Rd.  
West Bloomfield, MI 48322  
<http://www.cauley.net>



Lafontaine Automotive  
2530 E Highland Rd & 4000 W Highland Rd  
Highland, MI 48357  
<http://www.thefamilydeal.com>



## JIM'S JOURNAL

### Look Back-2<sup>nd</sup> Quarter 2009

“Extra, extra read all about it, stocks just posted their best quarter since 2003.” I always think about the old movies where the newsboy was hawking papers to passersby with the latest sensational headlines. It all sounds so enticing and compelling that the market has finally put a good foot forward, but as Paul Harvey would say...“and now the rest of the story.”

The stock market did have a great second quarter with the Dow Jones Industrial Average up 29% from the depths of its 12-year low that we saw on March 9<sup>th</sup>. The good news: the Dow's quarterly gain was its first in over 18 months. The bad news: despite an 11% gain for the quarter, it was still down 3.8% for 2009 on June 30<sup>th</sup> and down 40% from its all time high on October 9, 2007. The S&P500 finished June up 15% for the quarter and up 1.8% for the year. The NASDAQ turned in the best performance of the major indexes with a 20% quarterly return and up 16.4% for the year. At first glance, these numbers might seem encouraging- but putting things in perspective, we see a somewhat different picture with annualized market averages over the last three years that are negative: DOW -8.8%, S&P -10.2% and NASDAQ -5.5%. Not a very pretty three year average if you were looking to grow or even maintain a retirement account. (Source:Wall Street Journal 7-1-09).

Most mutual funds also had a very good second quarter with the average US stock fund up 18.0% for this three month period. Real estate funds were the sector leader with a 29.6% gain. Among world stock funds, Latin America was, by far, the run away leader with a 44.2% quarterly average. The average taxable bond fund was up 7% in this three month period as well.

“The rest of the story” presents a very different picture when we take a step back from the short term euphoria. Three year averages for most domestic stock mutual funds are negative and five year averages are only slightly better. A few domestic funds (mostly balanced stock/bond funds) have had positive, low, single digit, five year returns but not very many. (Source: Wall Street Journal 7-6-09). Anemic three and five year returns present a more realistic view of where we really are right now.

Some clients may have wondered if the Money Management Program fell asleep during the first half of

this year- a few have even expressed that thought. I can report that I spent more analytical time in the first six months of this year “trying to right the ship” than in any other six month period. At the end of the first quarter, the results were negative but losses were about half those of the major market indexes- a victory of sorts but never a happy time when the account still goes down. In the second quarter, Program results were flat to slightly lower while the market was significantly higher. Why did that happen?

The disparity of my results versus the market gains in the second quarter centers around the stop-loss philosophy I employ in the program. That philosophy encompasses an overriding principle for me that reflects the following thought process: the clients in this Program are primarily retirees or pre-retirees who do not have time on their side to recoup losses. Therefore, I must watch their investments more carefully than with someone who is still working and contributing to a retirement program. Loss containment is one of the primary goals of this Program. Five percent gains or losses in the market happen so frequently that they are almost impossible to predict or manage. When a loss hits seven percent, I pare back the portfolio to more defensive positions (higher cash positions, bonds, consumer staples, utilities etc.) because I do not want to see more than about a ten percent loss. I know that if I see a ten percent loss, there is a 50% chance there could be a 15% loss and if there is a 15% loss, there is another 50% chance there could be a 20% loss. After reaching the Programs self-imposed 10% loss threshold and switching to defensive positions, it took time to recoup some of the losses. Defensive positions help limit downside risk but do not gain as quickly when the market rebounds. At what I felt was an appropriate time, I started investing back into the market. A second influential factor was that despite the substantial market gains we were seeing, stock market fundamentals were not that strong and there could have been a reversal at any time. If you saw the significant gains on your July statements, I am hopefully back on track. As of this writing, the gains have continued into August.

Has the Money Management Program worked over time? I think it has. Consider that last year when the market was down almost 40%, the Program was in positive territory. Its average three year gain is solidly positive and its five year gain improves on that. Compare that to the three and five year average gains (or mostly losses) of the major indexes and mutual funds mentioned earlier and hopefully you see that an off-quarter shouldn't be the sole criteria for judging a program.

A question that I have been frequently asked is whether I have my own money in the Money Management Program. The answer is yes. Both my wife and I each have a Traditional IRA and Roth IRA in the program. I also have an IRA variable annuity and stand alone IRA brokerage account where I trade individual stocks and Exchange Traded Funds (ETFs). I must admit that I would have been much better off if I had placed the IRA brokerage account into the Money Management Program-frequent individual stock/ETF trading is a totally different animal and has proven to be elusive for me. The IRA variable annuity has done reasonably well over the years. Aside from the IRA brokerage account, some form of active management is used as a strategy in all our accounts including Cecelia's corporate retirement accounts and it has worked well for us.

So where are we in the economy and stock market right now? I pay very little attention to the face value of official pronouncements and the talking heads on television. For several months now, every official announcement has had a positive twist to it. As an example, the recent release of Gross Domestic Product (GDP) figures show the economy contracted by -1.0% in the second quarter of 2009. It was the fourth consecutive quarterly decline for the GDP but it did beat analyst expectations. The market interpretation of this was bullish. Federal Reserve Chairman Ben Bernanke recently said we need a GDP of about 2.5% to keep employment steady and the Fed expects growth of only 1.0% for the last half of 2009. I cannot understand how the market takes a positive spin out of this. To me, this should be telling us that things are not quite right yet and it may be awhile

before they are.

Stock market gains have been impressive over the last several months and there is an old saying "not to fight the tape."- meaning, respect the stock market momentum either up or down. That being said, stock market trading volume has been below normal and that is troubling. The average guy/gal on the street still seems to be afraid of losing their job, is not investing, and is saving more now which has resulted in cutting back on the purchase of consumer goods. We are a consumer driven economy so that does not bode well for exiting a recession soon. If we are at the beginning of a new bull market as some analysts think, it is being driven by government stimulus money and very low interest rates. Neither approach reflects sound economic fundamentals. If the economy really does not improve this year, a new bear market could follow very soon. I do think the probability is high that another market downturn may take place before the end of September although the year may finish up.

In closing, while I cannot control or accurately predict what the market is going to do, I can control my response to the market by active management in the Money Management Program. The best analysts in the business are only right about 60% of the time; however, if you cut losses early and ride the winners you improve your chances of doing well and that is my goal. I recommend that at least part of your investments be in this actively managed program. It can be used for both retirement and non-retirement accounts (including annuities). Call me and I will fill you in on the details.



*"Mr. Smith Goes to Washington" is quite possibly one of the greatest movies to ever detail spin in the media. While the positive slant being put on our current economic state by popular media and politicians is nowhere near what Mr. Smith went against in the film, it can still offer us a valuable reminder: getting caught in the moment, without consideration of what might happen, can lead to disaster.*

*No matter what the moment might be in your life, we're always here to help you achieve your goals.*

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