

NEWS

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Can Your Personal Finances Survive a Recession?

Financial Advisor Recommends Practical Tips to Help Consumers Get through the Downturn

GREENWOOD VILLAGE, CO (February 10, 2009) – While the pressure is on for Washington to act quickly and approve a stimulus package, it's still going to take time to see any results of such action. So how will consumers survive through the coming quarters, until the economy stabilizes? When Terry Anderson, President of Wealth by Design & Management, was asked for his thoughts on managing personal finances during a recession, three themes emerged:

- **Run a household as if it were a business.** When corporations experience profitable years, raises, bonuses, promotions, and new investments abounded. However, when profits are down, a company tightens its belt, implements a hiring freeze and restricts business travel. Yet, on a personal level, consumers too often cling to a particular lifestyle and resist making changes in the expenditures department. “Businesses would not likely survive with an approach like that,” says Anderson. “In order to adapt to this market, consumers need to reduce spending and find more frugal methods of managing necessary household expenses.” For some, that will mean small changes, but others may need to consider delaying retirement or working part-time in retirement. Revisit financial goals to reassess risk tolerance and adjust expectations.

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- Take advantage of down market opportunities. There is a silver lining in the current financial cloud. “Now might be a good time to convert a Traditional IRA into a Roth IRA,” suggests Anderson. “While income taxes on the amount being converted still must be paid; lower account values now mean the tax liability on a conversion may be lower.”

Although investment accounts are down, so are gas prices, home heating costs and even car prices. Additionally, interest rates are low and if they continue to fall, mortgage refinancing could generate significant monthly savings. For first-time homebuyers, housing prices are obviously good news. Plus, there’s a tax credit of up to \$7,500 for qualified first-time homebuyers who purchase their house after April 8, 2008, and before July 1, 2009. Although the amount of the credit over the next 15 years must be repaid, there is a break on current-year taxes at a time when budgets might be tight.

Tax loss harvesting is also a possibility. Remember, even if losses exceed the annual \$3,000 allowable deduction limit, excess losses can be carried over to a future year. That strategy could be especially beneficial if the capital gains rate increases in the future.

- **Rely on reason and stick with the plan.** Anderson warns against allowing the market’s volatility to play on emotions and destroy the discipline necessary for successful investing. Continue investing a set amount each month in a retirement account. Set contributions buy fewer shares when the market is up and more shares when the markets are down, resulting in an optimal average cost per share over time. Right now, the market is on sale.

Reasonable decisions depend on accurate information, so Anderson urges digging past sensational headlines to find the lesser known details that could be helpful. “While the \$700 billion got all the press in Congress’ bailout package, the bailout also included over 100 tax changes to the IRS codes,” explains Anderson. One provision affecting some taxpayers is the extension for 2008 and 2009 of an option to deduct state and local *sales* tax instead of state and local income tax. So anyone living in a state with little or no income tax that is already planning to purchase a big ticket item such as a car might want to do it over the course of the next year.

Individual taxpayers may benefit from some measures of the Emergency Economic Stabilization Act immediately. Find a more complete summary of highlights at <http://www.libertytax.com/tax-law-changes.html>.

About Terry Anderson

Terry Anderson, an independent, fee-based financial planner and investment advisor representative with Securities America Advisors, Inc., has over 28 years of experience in the industry. He specializes in strategies for preserving wealth and assisting with strategic financial transactions while striving to maximize investment returns. He takes great pride in coaching his clients how to detangle the complexities of business transfers and the subsequent tax related headaches. Anderson is a believer in preparing clients to “fish for themselves,” as evidenced by his educational mode of communication: His highly regarded client based seminars.

Committed to a high standard of fiduciary excellence Anderson earned the CFP® mark of distinction from the CFP Board of Standards, and is currently working to become a Chartered Financial Consultant® and Chartered Life Underwriter®. He is a member of the Financial Planning Association, the largest organization of professionals dedicated to championing the financial planning process.

Visit www.wealthbydesignandmanagement.com for more information about Terry Anderson and Wealth by Design & Management.

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