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It's an election year and that's one of the reasons there's lots of activity on the legislative front. Let's take a look at some of the more important tax law changes, along with what might be expected after a new president moves into Pennsylvania Avenue next January.

THE NEWS IN BRIEF

♦ **Housing and Economic Recovery Act.** Congress' response to the downturn in the housing industry was signed into law by President Bush on July 30. . .it includes a credit of up to $7,500 for first-time homebuyers. . .the credit is phased out at certain income levels, and must be repaid over 15 years. . .taxpayers claiming the standard deduction will be able to take an additional deduction for property taxes. . .the Federal Housing Administration is authorized to guarantee up to $300 billion in new 30-year fixed rate mortgages. . .homeowners facing foreclosure will have access to new programs to help them keep their homes

♦ **Economic Stimulus Law Accelerated Depreciation.** Although the rebate payments got much of the press, the 2008 economic stimulus package offers several other advantages for business property. . . up to $250,000 of fixed assets may be immediately expensed. . .the phaseout ceiling moves to $800,000 of assets placed in service. . .50% of the cost of fixed assets not qualifying for immediate expensing may be deducted immediately through "bonus" depreciation. . .maximum writeoff for business vehicles increases to $10,960 in the first year

♦ **Obama v. McCain: New Tax Policy.** John McCain and Barack Obama differ significantly in their tax proposals. . .Obama's plan favors the lower and middle classes; McCain's plan favors the wealthy. . .according to an LA Times article, McCain's plan offers taxpayers earning more than $600,000 per year annual tax reductions of about $125,000. . .under Obama's plan the wealthiest Americans would face tax increases while taxpayers earning less than $100,000 annually would receive bigger tax cuts than under the McCain plan. . .neither proposal is self supporting: the Tax Policy Center in Washington, DC estimates the respective costs over the next decade of the McCain and Obama plans at about $5 trillion and $3.5 trillion. . .both candidates want to reduce the estate tax, McCain to a much greater extent than Obama

Campaign pledges are like battle plans: they both tend to evaporate the moment the real action begins. And whoever takes office next year must still work with Congress to pass any legislation. By the time the next Green Sheet rolls around, it'll be time to vote. Please, please do.

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Are you an Emotional Investor?

"Emotional investing" means making investment decisions based on emotional reactions, and not discipline and reason. These behaviors hinder your ability to make sound decisions and may cause you to make frequent changes to your investment program or abandon it altogether. For example:

- You make investment decisions based on a shortcut to information such as a rating: "This is a five-star fund, so it must be good."
- You believe that if a company is famous, popular, or you like its product, investing in it is a good idea. "Coke is my favorite drink; therefore, it's a good investment for me." (You CAN make this strategy work but it involves drinking Coke. Lots and lots of Coke. . .)
- You cling to familiar experiences and investments, even when no longer appropriate: "Buying Investment A was profitable once; I'll buy it again."
- You follow the social consensus, in choosing investments, even if irrational: "Everybody owns XYZ Funds! They must be safe."
- You make buy and sell decisions influenced by fear and greed. You may sell winning investments too early ("I'd better take my profits!") or hold onto losing investments too long "(If I wait long enough, I'm sure I can make my money back").
- You respond to financial media without reasonable basis: "So-and-So on TV said the market was overvalued! We'd better sell."
- You assume that using many advisors or different funds or fund families in the same asset class means you are diversified: "I own four different U.S. Large-Cap mutual funds, so I must be diversified."
- You select only U.S. investments, despite the fact that U.S. stocks represent only 48 percent of the value of all the stocks in the world.

Investing can be an emotional activity, but it doesn't have to be. We can work with you to establish a customized investment program to help you:

- Identify the personal investor profile that reflects your unique needs and circumstances.
- Adopt a written investment policy statement-a comprehensive blueprint for your investment program.
- Determine an appropriate allocation. Asset allocation is the single most important determinant of portfolio returns and the basis to a disciplined investment program.
- Set regular meetings to review your portfolio's progress, discuss changes in your life situation, and explore any additional wealth management issues that are affecting you.

Interested? Please feel free to call our office to schedule a free consultation. We just might be able to help you avoid the pitfalls of emotional investing.