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Green Sheet Number 29 November 1, 2008

By the time this reaches you, we'll likely already know the election results. There will be a new president-elect, certainly. We might have a new U.S. senator representing Oregon. There might be changes in Oregon law resulting from the passage of one or more of the 12 statewide ballot measures. Hope you got to the polls!

THE NEWS IN BRIEF

◆ **Emergency Economic Stabilization Act of 2008.** Signed into law in early October, this bill includes some \$150 billion in tax breaks. . .tax incentives scheduled to expire but extended by the new law include: the higher education deduction of up to \$4,000, tax free debt relief on foreclosure of up to \$2 million, the additional standard deduction for property taxes up to \$500, teachers' deduction for classroom supplies of up to \$250 and tax free distributions from IRAs to charity. . .the bill also includes an alternative minimum tax "patch" designed to protect middle class taxpayers from AMT. . .the tax provisions were add-ons to the "bailout" package authorizing the U.S. government to spend up to \$700 billion to purchase troubled assets from financial institutions

◆ **Oregon Preparer Requirements Mulled.** Congress might soon consider new legislation to license tax preparers, using Oregon law as a model. . .a recent report of the Treasury Inspector General found significant errors in 17 of 28 returns in a sample study. . .the returns were prepared by unlicensed individuals at both chain and independent tax prep firms. . .meanwhile, the Government Accounting Office praised Oregon's system. . .Oregon has a two-tiered structure: licensed tax preparers face education and exam requirements while licensed tax consultants must additionally satisfy a work experience prerequisite. . .CPAs, IRS enrolled agents and attorneys are exempt from the license requirements. . .GAO found that Oregon returns are more accurate than those in states that lack preparer licensing

◆ **Year-End Tax Planning Tips.** Now might just be the time to: fund the retirement plan. . .purchase significant capital equipment. . .utilize up to \$3,000 of capital losses against ordinary income. . .prepay your Oregon income tax. . .pay bonuses to employees. . .convert your traditional IRA to a Roth. . .spend down your cafeteria account. . .contribute to the Oregon tuition savings plan. . .call us today to schedule a year-end tax planning meeting if you need help deciding which of these strategies might work for you

And to all our friends and clients, our very best wishes for a safe and happy holiday season and many happy returns!

Where Do We Go From Here?

On October 13th, the Dow Jones industrial index was up over 900 points; the largest one-day point gain in history. However, that gain comes after eight days of losses totaling more than 2,400 points. We still have some 5,000 points to go to return to the all time DJ high of 14,000 plus in October 2007.

Market volatility of this magnitude is rare. That is good because it can certainly produce sleepless nights and daytime anxiety for many investors. I think it's important to focus on your personal financial plan when contemplating the varying cycles of the financial markets.

In my case, I figure I'm a good 10 to 15 years from retirement, and I have to plan on living a good 30 years after that. (Just spoke with Papa Jaffe the other day; he's looking forward to his 91st birthday in February and is doing just fine, thank you very much.) My personal investment strategy continues unabated: save as much as possible, invest in a widely diversified portfolio representing different asset classes, minimize costs, seek tax advantages whenever possible, rebalance periodically and avoid watching the large market swings that seem to occur so often. Fear the talking heads, whether they preach doom and gloom, or express unbridled optimism.

I'm not going to pretend to be unaffected emotionally by the gyrations we've witnessed over the last several weeks. I also know that what happens this week, month or year has little effect on my investment performance over the next 40 years or so. I've never believed I know enough to predict the ups and downs of the financial markets, so I'm not at all inclined to make any significant changes based on market events.

That's just me talking. You're the investor we should be speaking about. We recently contacted every one of our investment clients with an invitation to meet and review personal investment strategies in light of recent events. That's a standing offer; we're always happy to meet with you at no charge to determine if a change of course is in order. Please call the office today to schedule an appointment if you'd like.

One item we'd like to address:

Many of you in managed accounts might have noticed some buying and selling activity recently. This is the automatic rebalance feature designed to maintain your target percentages in the various asset classes. This rebalance was triggered by the large degree of recent market volatility. Essentially, if one or more of your asset classes starts to represent too large or small a part of your portfolio, various investments are bought and sold to correct the mix.

Finally, the next Green Sheet newsletter will return to the previous format of two pages devoted to tax information. Allocating one page to investments requires that I submit a draft to the compliance department at 1st Global, my broker-dealer and registered investment advisor. While I appreciate the efforts of Compliance to keep me on the straight and narrow, this mandated oversight frequently leads to deadline conflicts and significant editorial changes. It seems easier and more efficient to simply communicate with my investment clients on a one-on-one basis.

