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## **Tax Data Update from Royal Alliance and Fidelity**

As we have previously mentioned, the IRS granted an extension to all investment companies for sending 1099 forms. While some of our clients have received their 1099 forms other have not. Both Royal Alliance and Fidelity appear to have taken advantage of the extension. All 1099 forms should be received by the first part of March.

Please keep in mind that the Cost Basis data for your taxable accounts has been posted in the Lowe fs KeepTrack system and is presently available.

If you or your accountant needs tax data please click [here](#) to send a request via email. This will ensure that the request is handled promptly.

## **Market and Economic Update**

With yet another volatile week in the market behind us and yet another stimulus package Lowe fs felt that an economic update was appropriate and timely.

Before we go too far, we want to mention something about the stimulus package. Certainly, it cannot have escaped your attention that the package is not without controversy.

We are deliberately not commenting on the pros or cons of the package. This in our view is not the forum for that discussion. What we believe our role to be is to study the package and make a determination about how it is likely to impact you. Then to develop strategies based on our analysis.

Some of the items we believe will be included are listed below:

**Extension of AMT relief for 2009.** The bill would provide more than 26 million families with tax relief in 2009 by extending AMT relief for nonrefundable personal credits and increasing the AMT exemption amount by \$70,950 for joint filers and \$46,700 for individuals.

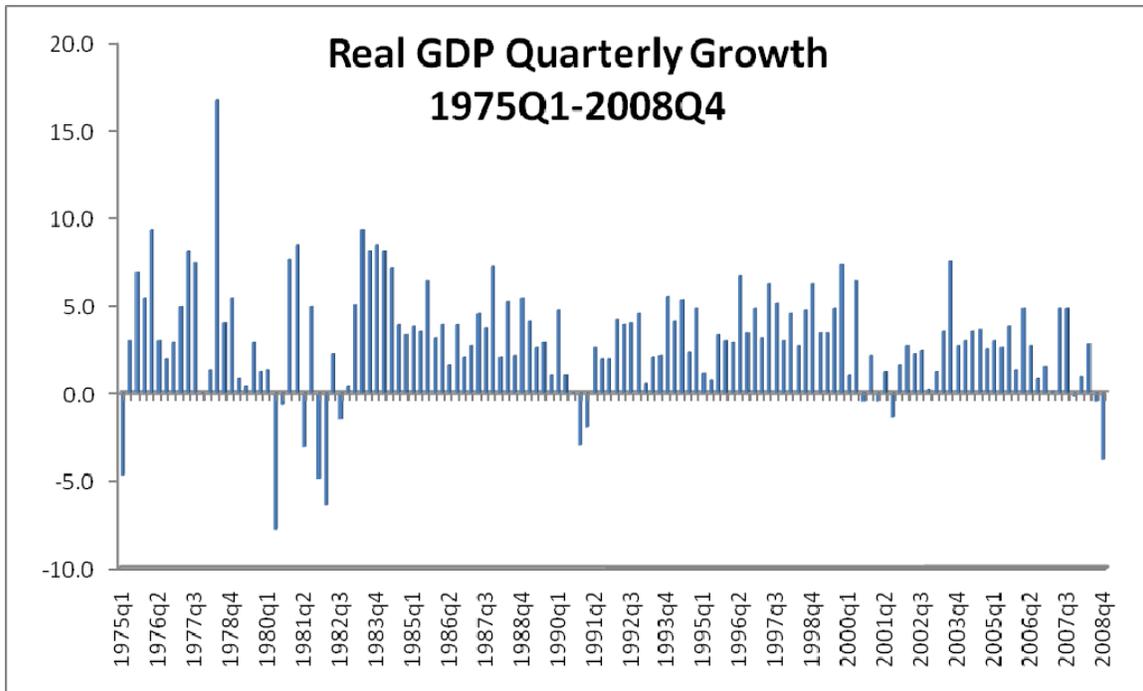
**Sales Tax Deduction for New Vehicle Purchases.** The bill provides all taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles through 2009. This deduction is subject to a phase-out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return).

**Computers as Qualified Education Expenses in 529 Education Plans.** Section 529 Education Plans are tax-advantaged savings plans that cover all qualified education expenses, including: tuition, room & board, mandatory fees and books. The bill provides that computers and computer technology qualify as qualified education expenses.

**Refundable First-time Home Buyer Credit.** Last year, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to \$7,500) by first-time home buyers. The provision applies to homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are currently required to repay any amount received under this provision back to the government over 15 years in equal installments, or, if earlier, when the home is sold. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return). The bill eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009, increases the maximum value of the credit to \$8,000, and removes the prohibition on financing by mortgage revenue bonds, and extends the availability of the credit for homes purchased before December 1, 2009. The provision would retain the credit recapture if the house is sold within three years of purchase.

One question *Lowe fs* asked was whether the forecasts of doom and fear we are hearing are legitimate. We spoke with economist Anirban Basu of the Sage Policy Group about this issue. He said, "If this recession were to end today, it would go down as a typical recession, perhaps a bit milder by many key measures. However, the most realistic expectation is that we are still in the middle and that much more damage will be done. The unemployment rate is already approaching the peak achieved during the early 1990s and has easily surpassed the peak of the 2001 recessionary period. GDP is expected to decline at a roughly 4 percent pace this quarter after declining nearly 4 percent during the prior quarter. In short, it's getting bad." Basu went on to say that this is in fact a very deep recession by historic standards. He believes we could see unemployment peak at about 9% or higher in 2009-2010, even WITH the stimulus package.

The graph below is provided by Anirban Basu of the Sage Policy Group



This week Lowe *fs* has reviewed our investment research process and discussed strategies that will continue to give us the ability to provide you with the best advice and ideas going forward.

We will study and discuss the research we have conducted. By early next week Lowe *fs* will announce to you our plan for 2009 and any enhancements to our process.