Financially Speaking
With Trisha Arndt, CFP®

Year End Financial Planning

Sometimes it takes looking at life through the eyes of a child to really see things clearly.

Last week I took my very active four and a half year old son to Miller's to ring the bell for the Salvation Army. Like every working parent I was rushing to get there and busy mentally planning everything I needed to finish after our shift. I hate to admit it but I really wasn't in the Christmas spirit (being in the investment business the last few months hasn't really made for a lot of holiday cheer).

But then a lady came over, gave my son a big smile, and put some money in the bucket. His eyes lit up and he said "I think I like you" to the lady. He was so excited to have collected money for the needy little boy that I had told him about that I couldn't help but share in his joy. We went on to enjoy two wonderful hours visiting with people that were full of smiles and generosity and I realized that, despite all of the economic doom and gloom, Christmas really has arrived.

The holidays are not a time when people traditionally want to think about their finances but this is an unusual year in many ways and I wanted take a moment to point out some items that I think people should be taking a look at as 2008 winds down.

The fall in stock and bond prices has resulted in many investments being worth less (sometimes substantially less) than what the investor put in (including reinvested dividends and capital gains, otherwise known as the cost basis). If you own investments like this in a taxable account you may be able to realize these losses and use them to offset gains from other investments or potentially up to $3000 of ordinary income.

To realize the losses for use on your 2008 tax return you need to either sell the holding outright or exchange it for a different investment by December 31st of this year. Before doing so make sure that you talk to your tax and/or investment adviser to make sure your investments qualify and that you understand all of the rules involved such as the stipulation that you not repurchase the same investment within 30 days.

On a similar note, if you've been wanting to reposition your investments to better fit your objectives (like increased income, better tax efficiency or greater diversification) but have been hampered by the potential tax implications of selling your existing holdings now may be a good time to review things again. You may be able to make significant portfolio shifts today with minimal current tax consequences if you structure things properly.

One of the few positive by-products of the financial crisis is the decline in fixed mortgage interest rates. A short few weeks ago 30 year fixed mortgage rates were hovering around 6.5%. When I looked today I saw several local carriers offering 30 year fixed rates of

5.0% to qualified applicants. Certainly if you are looking to buy this is good news but existing homeowners who plan to stay in their home for the long term may want to explore whether refinancing makes sense. Reducing the interest rate from 6.5% to 5.0% on a $250,000 mortgage could reduce the payment by almost $240 a month. Or, if you choose to continue making the same payment the interest reduction could shave several yeas off of your mortgage.

While 2008 is a year that I am very much looking forward to looking back on from an investment perspective, crisis does create opportunity and a new year is just around the corner. Try to look at life through the eyes of my son and take joy in the things that really matter. Happy New Year to you all!

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