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*Objective Advice to Help You Reach
Your Goals & Find Peace of Mind*

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State of the economy – In the recent words of President Obama, the economy remains “very sick” despite many government efforts to prop it up. Capital expenditures are in steep decline. Consumer spending is down sharply as consumers not only postpone discretionary purchases, such as homes and vehicles, but also reduce spending however possible. The inventory of unsold homes is still very high, indicating that the value of homes will continue to deflate. Company earnings are going down, and unemployment numbers are going up.

A few government actions have helped lower effective interest rates, and the incoming President’s administration is planning a large stimulus package, which may include some tax cuts. It is way too early to have any idea how federal action will affect the state of the economy – or how soon.

Two of the few factors individuals can control are spending and savings. We continue to emphasize reducing costs and saving as much as possible.

Recession/Investments – We are currently in the worst recession since WWII. The bear market has been deep and prolonged. Virtually all asset classes (except government bonds) have lost value – with “good” companies and conservative mutual funds being hammered along with the “bad” companies and aggressive mutual funds.

Studies have repetitively shown that it is impossible to successfully time the market (to get out at highs and buy in at lows) without remarkable luck. Most people who do try to time buying and selling get a much lower return on their long-term investments than those who hold course. This is why we continue to suggest that clients stick with their asset allocation models (percentage of stocks, bonds, cash, etc.), adjusting them as necessary for reduced risk tolerance or advancing age. While portions of the markets

may go lower in the short-term, they should eventually regain lost ground. Stay on the conservative side right now, but consider or at least have a plan for getting back to your normal allocation of equities (stock-type funds) to take advantage of long-term gains. The younger you are, the safer this is to do. Continue investing in your retirement accounts, even if you invest more conservatively. Rumors about new taxes inside retirement accounts are false.

Refinancing – Mortgage rates are at historic lows, in the range of 5%. It might be time for some of you to consider refinancing your home, even if you recently did so. Call me if the following figures come close to your situation: your interest rate is more than 6%, you plan to stay in your home more than seven years, and you have a balance of more than \$100,000.

Required Minimum Distribution Requirements have been waived for 2009. Senior citizens who do not take the required minimum distribution from their IRA or 401(k) accounts in 2009 have received a reprieve from the 50% excise tax penalty for failure to withdraw the appropriate amount after reaching age 70 ½. Beneficiaries of inherited IRAs and employer retirement accounts are also covered by the penalty freeze for 2009. If you do not need the income, pass on your distribution for 2009.

Income restrictions on funding **Roth IRAs** will be lifted in 2010. This will provide an excellent planning opportunity for many of you to consider.

College Savings – Virginia Prepaid Education Program (VPEP) enrollment is open now through February 28, 2009. Information about the tuition program and 2008-2009 contract prices are available online at www.virginia529.com. Enrollment in the Virginia Education Savings Trust (**VEST**) is open at any time. VEST is a savings account for paying qualified higher education expenses, such as books, that are not included in VPEP. Contract owners can choose from among several portfolios of stocks and bonds

The University of Virginia is first on the national list of best values in higher education. William and Mary placed third. (A Florida university placed second.) It is also hard to beat a two-year start at a community college like ESCC in Melfa. Most important is finding the right match of student to college so that the young adult is most likely to thrive.

Our **privacy notice** is enclosed.

We are required to remind you that you have the right to see our latest brochure (**ADV Part II**) that is filed with the State Corporation Commission. Our most recent amended ADV Part II is available online at johnfiege.com. If you want us to mail you a copy, please call the office.

The Securities Division of the State Corporation Commission (Virginia) conducted an audit of the investment portion of Financial Solutions at the end of October 2008. We are very pleased with the result.