

# PLANNING Perspectives

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## HOW THE STIMULUS PLAN COULD AFFECT YOU

The biggest benefit from the \$787.2 billion federal stimulus package will hopefully be a noticeable improvement in the nation's economy. But on an individual level, it's wise to check if you might be eligible for benefits in health care, education, various tax credits and housing.

A visit with a tax expert or a financial adviser such as a CERTIFIED FINANCIAL PLANNER™ professional can help you determine the best ways to use the following provisions that may affect you. It's also a good idea to get a financial checkup in an uncertain economy for the following reasons:

- As much as it might hurt to look at the performance of your current retirement accounts and other investments, the economy will recover. When an upturn comes, it's wise to position your holdings to take full advantage of the recovery.
- Your future plans with regard to spending for your home, your family and your education come into sharp focus under the stimulus plan, and making these provisions work for you

in the short-term should be part of a long-term plan.

- If you fear your job might be in danger in the coming months or you might be facing pay or benefit cuts, it's

This credit temporarily provides taxpayers with a new tax credit of up to \$2,500 of the cost of tuition and related expenses, though it phases out for taxpayers with adjusted gross income in

*When an upturn comes, it's wise to position your holdings to take full advantage of the recovery.*

good to talk through your personal finances before your employer makes a move. The best time to prepare for a job loss is while you're still making a salary. Not only is it a good opportunity to build an emergency fund, but it's generally easier to look for new opportunities while you still have your current one.

Here's a quick summary of some of the stimulus plan provisions that could affect your finances.

### Educational provisions:

- *College student aid:* The package awards \$15.6 billion to increase maximum individual student Pell grants by \$500.
- *American Opportunity Tax Credit:*

excess of \$80,000 (\$160,000 for married couples filing jointly). Forty percent of the available credit is refundable.

- *529 Plans:* The scope of allowable education expenses expands to include computers and computer technology.

### Tax credit provisions:

- *One more cap for the Alternative Minimum Tax (AMT):* Lawmakers put one more patch on the AMT to protect a wider number of people from getting hit. This latest break for potential AMT targets increases the exemption amounts to \$46,700 (\$70,950 for married couples). The bill would also exclude interest on all private activity bonds issued in 2009 and 2010 from the AMT.

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# Promising Summer Outlook

By Robert J. Blattel, CFP

**S**pring has arrived. Along with warmer temperatures, March and April included the pleasant surprise of our investments heading upward. There are now indications that we are starting to make some progress away from the investment roller coaster of the past 8 months.

The stimulus package started paying out in April and its effects should be apparent by the end of the year. In addition, the Treasury has embarked on a process of removing stressed assets from the banking industry. We should feel the positive results of this over the summer and into the fall. Though a yo-yo effect will still be seen over the summer, investments look to be recovering.

Here at Blattel & Associates, we are busy analyzing our next steps in future strategies and tactical investment decisions. Strategic decisions have more to do with the percentage breakdown of our investments; tactical decisions have more to do with which

managers get chosen to do which job. In order to get a well-rounded outlook, Scott and I have been busy meeting with various fund representatives, as well as digesting the latest numbers in investment risk and performance. Some of our new strategies have already been put in place; others you will see as the year progresses.

Clients of Blattel and Associates, who take advantage of comprehensive retirement advising, are provided with our On-Track Financial Management Process service. We regularly review your plan and respond to your changing needs by constantly refining your specific strategies. As our economy continues to improve, we are also making moves to ensure a sustainable recovery for our clients' portfolios. If it has been more than a year since you've met with us to go over your plan in person, it's important that we see you this quarter.

Have a great summer and do not hesitate to call with your questions or concerns. We are here to help you.

Dear Clients,

*Thank you for the great attitude and confidence that you have demonstrated over the last 8 months. Unlike others in our field, we have the privilege to say that our clients have helped us respond to the market roller coaster. We are also extremely grateful for the patience and respect that you have shown to our busy staff. With your attitude and our hard work, I am confident that we will see better times right around the corner.*

Sincerely,  
Bob

**NOTE**

The IRS is waiving RMD (Required Minimum Distribution) in 2009. If you don't need the money, please call us so that we can stop distributions for 2009 only.

*Continued from previous page*

- **"Making Work Pay" Tax Credits:** This is the refundable tax credit of up to \$400 for individuals and \$800 for families for 2009 and 2010 that would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples). This isn't a lump sum payment, but instead is reflected in reduced payroll taxes.
- **Car Buyers Tax Credit:** This allows a deduction for state and local sales and excise taxes paid on the purchase of a new vehicle through 2009. This deduction is phased out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return).
- **Expanded Child Credit:** This increases the eligibility for the refund-

able child tax credit in 2009 and 2010 by reducing the minimum income for eligibility to \$3,000.

- **Earned Income Tax Credit:** This provision will create a temporary tax credit increase for working families with three or more children.

#### **Housing provisions:**

- **Refundable First-Time Home buyer Credit:** First-time buyers can claim a credit worth \$8,000 - or 10 percent of the home's value, whichever is less - on their 2008 or 2009 taxes. The added bonus is that the credit is refundable, which means that filers will see a refund of the full \$8,000 even if their total tax bill was less than that amount.

#### **Unemployment and health care-related**

#### **benefits:**

- **Extension of Unemployment Benefits:** The package provides 33 weeks of extended benefits through Dec. 31, 2009.
- **Unemployment Compensation:** The first \$2,400 a person receives in unemployment compensation benefits in 2009 won't be taxed.
- **Short-Term COBRA Subsidy for Involuntarily Terminated Workers:** This provides a 65 percent subsidy for COBRA premiums for up to 9 months, which will put a dent in the considerable cost of COBRA health benefits for the unemployed.

This column is produced by the Financial Planning Association and is provided by Robert J. Blattel, a local member of FPA.

# Psst... Now is a Good Time to Save

**T**here is no doubt that these are challenging times to be saving and investing for retirement. Even so, it's time to ramp up your savings.

Americans have always struggled to save, even when times are good. The savings rate here just hit 3 percent in 2008 for the first time in years. Fortunately, people are starting to get the message about the importance of saving. When 1,000 adults were polled in February for the AARP, 28% said that despite the recession, they were saving more than a year ago. This is further supported by the U.S. Department of Commerce, who reported that the savings rate rose to 3.6% in December 2008 and 5% in January 2009.

The AARP poll also revealed another interesting finding. While almost as many adults said they were saving for retirement as for an emergency, 37% reported they were putting less in dedicated, tax-favored retirement accounts.

In an uncertain economic climate, it makes sense to have a substantial emergency fund (think at least six months expenses) in a taxable account or in a Roth IRA. A Roth can serve as a second-tier emergency fund, since it can be tapped without penalty in an emergency.

However, you shouldn't limit contributions to tax-deferred retirement accounts for fear of market losses. There are significant

advantages to saving for retirement as early as possible. For instance, many employers offer to match a portion of retirement contributions. Even if your employer has put 401(k) matching on hold, you can utilize other tax-deferred options and continue to automatically fund your retirement.

In a world where money may seem tight, sticking with a savings strategy could be the difference between reaching your goals or not. Impromptu decisions based on fear can have a severe impact on your time-saving horizon, according to the Financial Planning Association.

By saving more now, you can be prepared for the unexpected or undesirable (such as job loss). It also means you can take advantage of the truism, "buy low." To start saving more today, make an appointment to see your CERTIFIED FINANCIAL PLANNER™, who can review your current savings strategy and make a recommendation.



**BOB'S** *Corner*

Cruising St. Charles

**A**long with astronomy, classic cars are one of my favorite summertime hobbies. For those of you who like "old" cars, I have a 1968 Pontiac GTO and a 1976 Pontiac Trans Am. The most enjoyable part of this hobby? Listening to rock n' roll while I'm driving my classic cars around town. My cars are not "show" cars, but are drivers, and on weekends they are driven. One of the best cruising locations is Chuck-A-Burger at 370 and Elm in St. Charles. Every Friday night classic cars park there for all to enjoy. Another nice cruise is to Montelle Wintery in Augusta. What a scenic drive! I'm always happy to talk about classic cars, so give me a call.

*Bob*

## Return for Reward

Enter to win our quarterly drawing! Simply return this form to: Blattel & Associates, Attn: Planning Perspectives, 1 Mid Rivers Mall Dr., Ste 260, St. Peters, MO 63376. You could win a restaurant gift card! Congrats to Rosemary & Gerald of Florrisant who won last issue's prize!

Name \_\_\_\_\_

Address \_\_\_\_\_

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Please email me this newsletter in the future.

Email Address \_\_\_\_\_

Please call me to set up an appointment.

# Blattel & Associates Calendar

## Recent Event Recap...

Blattel & Associates was excited to offer two great seminars to our clients this spring.

In March, Alan Brown, American Funds Vice President, came out to speak at our annual client breakfast. Clients learned about how the right fund managers are chosen.

Then, in April, we brought in an economist for a special evening presentation. Sam Wardwell, Senior Vice President at Pioneer Investments, spoke for over an hour on the economic and market outlook for the rest of 2009. He followed up his informative lecture by taking questions from the audience. A summary of this event is on our web site. Our next client seminar event will be this fall.

## MAY 2009

May 9  
**Annual Blattel Car Cruise & BBQ**  
Stop by our parking lot 11 am - 2pm!

May 25  
**Memorial Day**  
Office & Stock Market closed.

## JUNE 2009

May 27 & June 3; June 2 & 9  
**Blattel & Associates will be teaching retirement courses at SCCC.**

## JULY 2009

July 3  
**Independence Day Observed**  
Office & Stock Market closed.

*Planning Perspectives* is a free quarterly publication published by Blattel & Associates. If you have any questions/concerns, you can contact us at:

Blattel & Associates  
Attn: Planning Perspectives  
1 Mid Rivers Mall Drive, Ste 260  
St. Peters, MO 63376

**Call us at 636-397-8303 or visit us at [www.blattels.com](http://www.blattels.com).**

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# PLANNING PERSPECTIVES

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Blattel & Associates  
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Suite 260  
St. Peters, MO 63376