



Up, Up, and Away

As we mentioned in our January newsletter, when the market moves quickly downward, it can move just as quickly upward! We have been enjoying one of the quickest and most dramatic recoveries of any past bear market. While the market remains below the highs reached in October of 2007, it has made remarkable progress since its low in March.

The US economy continues to make headway as well. The Conference Board's leading economic indicators rose again in August, marking the fifth straight month of positive movement. Consumer sentiment has also continued to increase.

As we move into the final quarter of 2009, a few tax related items to be aware of:

Home Tax Benefits

- *First Time Home-Buyers* – There is still time to take advantage of a tax credit of up to \$8,000 on a new home purchased before December 1, 2009.
- *Existing Home Owners* – A tax credit of up to \$1,500 for installing energy efficient windows, doors, insulation, and other items during both 2009 and 2010.
- *Existing Homes & New Construction* – A tax credit of up to 30% of the cost for installing geothermal heat pumps, solar panels, small wind energy systems, and more through 2016.

Roth Conversions – Starting in 2010, anyone can convert a traditional IRA to a Roth IRA.

Capital Gains – As we mentioned previously, for those in the 10% or 15% tax bracket, the rate for long-term capital gains is 0% through 2010.

RMDs – The mandate requiring those over age 70 ½ to take Required Minimum Distributions from their IRAs was suspended for 2009, but will be reinstated for 2010.

New Cars – For those who missed cash for clunkers, if you buy a car between 2/17/09 and 12/31/09, you may be able to deduct state and local sales and excise taxes paid on the purchase of a new vehicle.

Tuition Tax Break – In 2009, parents or students who pay tuition and fees for post-secondary education may be able to claim a deduction of up to \$4,000 (for those not already utilizing the Hope or Lifetime Learning credits.)

Charitable IRA Distributions – IRA owners age 70 1/2 and older can transfer up to \$100,000 from their IRAs directly to eligible charitable organizations. The contribution counts toward RMDs, but is not added to taxable income. This provision is currently set to expire at the end of 2009, but will likely be extended.

Federal Estate Tax – During 2009, the Federal Estate Tax exemption is \$3.5 million. Unless congress makes changes, the exemption becomes unlimited in 2010 and reverts back to \$1 million in 2011.

We hope you enjoy the conclusion of 2009 and are blessed with a wonderful holiday season.

Regards, *The PKA Team*

Market Update

A quick glimpse at the market for the third quarter and year to date:

| | <u>Q3</u> | <u>YTD</u> |
|------------|-----------|------------|
| DOW: | +14.98% | +10.66% |
| NASDAQ: | +15.66% | +34.58% |
| S & P 500: | +14.98% | +17.03% |

For More Info

For further details on any of the items mentioned to the left, please give us a call or consult your tax advisor.

Final Months

68% of the total return for the S&P 500 generated over the last 19 years (1990-2008) has occurred during the 4 months from October to January. Will this year follow suit?

Fun Facts

In honor of the start of football season - The 10th most valuable NFL franchise (Denver Broncos) is worth an estimated \$1.1 billion. The 10th most valuable company in the S&P 500 index, as of 8/31/09 (based on market capitalization) was worth \$147 billion.