



KEVIN KENNEDY

Alameda's Wealth Management Specialist



Did You Know...?

News you can use for your financial well-being

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Caution on Markets

The real estate bubble is clearly in the process of popping: sales have plummeted 20-40% across the country, prices have begun to show negative growth for the first time in decades, and foreclosure rates have doubled or tripled. Will this cause a recession? In my opinion, yes. Not a bad recession, but a definite slowdown lasting into the second half of next year.

The wild card in this scenario is the consumer, and their willingness and ability to continue to spend. My own (cynical) belief is that if you give the average American the ability to spend money (through credit cards, home equity lines, etc), they will spend it. Moderation and prudent financial discipline are not hallmarks of the average US household: thus the negative savings rate in this country.

The reason consumers will slow down on spending now is that their access to money is being cut off. Hundreds of billions of dollars in home equity was tapped over the past few years: in essence, people were spending the paper profits their home generated. Much of which was used for consumption not investment: buying new cars, going on vacations, etc. With home values stagnating or declining, and lending standards tightening drastically, this source of funds is now gone.

Remember that recessions happen on average every 3-5 years. Also, stock market valuations are already low, so while the market might be stormy for the next 6-9 months, we're probably not looking at a major bear market. If you feel nervous about your risk, please let me know, this may be a period in the investment markets that tests your will.

2008 Pension Plan Limits Released by IRS

By Ray Shojinaga of Flynn, Shojinaga & Associates, Inc.

Qualified retirement plans are subject to a number of annual limitations. Adherence to these limitations is important since the continued favorable tax treatment of contributions to and benefits from these programs is at stake.

The maximum amount an individual can defer to their 401(k) account will remain unchanged at \$15,500 for the 2008 calendar year. The 401(k) Catch-Up contribution available to participants age 50 or older also remains unchanged for 2008 at \$5,000.

Many contribution and benefit limits are based in part upon the participants' compensation. The maximum compensation that can be considered for plan purposes increases from \$225,000 to \$230,000 in 2008. Generally, compensation for limitation purposes must include all forms of remuneration paid to an employee. Salary deferrals to 401(k), 403(b), 457, 125 (cafeteria plans) and 132(f)(4) (transportation fringe benefit plans) must be included.

For partners and owners of unincorporated businesses, compensation means net earnings with certain adjustments. In S corporations, only income that is distributed to the owner as wages, subject to social security taxes, can be used for retirement plan purposes.

The annual pension benefit limit that an individual age 65 can receive from their employer's defined benefit plan increases from \$180,000 to \$185,000 for 2008.

The limit on annual contributions to an individual's profit sharing or 401(k) account is increasing from \$45,000 to \$46,000 in 2008. Annual additions include Employer contributions, Employee 401(k) deferrals, and Forfeitures allocated to the participant's account.

The compensation limit for the determination of a "Highly Compensated Employees" per the IRS regulations increases from \$100,000 to \$105,000 for 2008.

New regulations have made changes in the way certain limitations are calculated and have provided new opportunities for retirement planning. If you have any questions on the applicability of these limitations to your specific situation, or if you are an employer with questions on the new retirement plan design options, please feel free to contact our offices at (510) 748-6420.

Ray Shojinaga is President of Flynn, Shojinaga & Associates, Inc. FSA serves as employee benefits specialists and management consultants to a wide variety of organizations.

Success Stories

One of our core business beliefs is that we should make it as easy as possible for you to work with us. An example is how we pre-fill forms for you so all you need to do is sign. Here's a quick review of some of the key features we've implemented to make your experience with us as easy and efficient as possible:

-Access important documents like tax forms, statements, and financial plans in your secure Lock Box via our website, www.KevinKennedyLLC.com

-Access your account 24/7 via SEI's <https://www.portfolioaccess.com> website

-Access current and past newsletters, informative articles, and useful financial calculators via our website, www.KevinKennedyLLC.com

-Transfer money to and from your SEI accounts electronically on a one-time or ongoing basis simply by calling us (your signature may be required).

-Simplify your financial life by consolidating all of your investment accounts (IRAs, stocks, savings) at SEI, and receive an easy-to-read one-page statement showing the total values and growth of all of these assets

-Call or visit us in person any Monday through Friday between 8AM and 4PM, and after-hours via cell phone, if there's anything we can help you with

Timely Tidbits:

- The Federal Reserve Board convenes October 30th and 31st in what is increasingly becoming a critical meeting for the short-term direction of the stock and bond markets. Will the Fed cut rates again to stem the problems in the credit markets? The worse markets perform between now and then, the higher the chances the Fed will lower rates, maybe even by ½% again.

Quote of the month: "The further contraction in housing is likely to be a significant drag on growth in the current quarter and through early next year." *Fed Chairman Ben Bernanke, speaking to the Economic Club of New York on Monday, October 15th, 2007.*

Did You Know...? is produced by Kevin Kennedy, LLC, a Registered Investment Advisory firm in Alameda, California. Kevin Kennedy, LLC specializes in providing independent life and wealth management for individuals and families. More information, including a Form ADV-II, is available upon request or by visiting our website, www.KevinKennedyLLC.com.

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