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Did You Know...?

News you can use for your financial well-being

2008 Year-End Action Items

A particularly forgettable year is rapidly coming to a close. The holidays are nearly upon us, and I'm sure your attention is turning to matters other than finance, so I'll keep this update brief. Below are a few important pieces of information for your review.

Tax-loss harvesting:

Sell some or all of the stocks/stock mutual funds in your taxable (individual, joint, trust) account, and reinvest the proceeds in a stock index fund. By doing so, you'll "realize" the paper loss that probably exists now, thus being able to deduct that loss against any gains you have, and also possibly against ordinary income. For individual taxpayers, losses carry forward indefinitely, so they can be used to offset gains until they are used up.

Required minimum distributions (RMDs) from retirement accounts:

If you're over 70 1/2, the IRS requires you to withdraw a portion of your retirement savings every year. There is chatter about this requirement being waived for the 2008 tax year, and Congress will likely address the issue next week (the week of December 8th). If they do waive the requirement, they may also give those who already took RMDs this year the ability to redeposit the money and avoid taxation if they desire. All of this is up in the air right now, but I'll let you know as soon as I hear a definitive answer. To be safe, plan to take any RMDs before the end of the year.

Tax reporting for 2008:

SEI is once again planning on sending 1099s out at the end of February. The goal is to avoid having to revise the 1099 due to information that typically isn't received by custodians like SEI until mid-February. While many of you would prefer to get a 1099 at the end of January, most of the CPAs I talk to would much rather wait the extra few weeks and get just one copy rather than a copy on January 31st and two or three revisions in February and March. Most brokerage firms and custodians are wising up to this and working on the late-February timeline like SEI is using.

The good news: SEI will have "Tax Projection Packages" available this year that you can use to estimate your tax liability. On December 16th SEI will make available an updated Package which we'd be happy to mail or e-mail to you or your CPA. They will update that once again on January 13th. Note that this is not final info (the final version will be the 1099 you receive in late February), but it will give you a pretty accurate preview of what the 1099 will look like. I have reviewed a handful of them already, and they are excellent!

Projected SEI mutual fund distributions for 2008:

Capital gain distributions from SEI funds will be small this year. Seems like a funny thing to even mention after a down year in the investment markets, but there will be some significant distributions at many fund companies who have had huge portfolio turnover this year. Because SEI deals primarily with institutions, they have not had the massive redemptions some funds have seen, and thus have not had to sell winning positions to cover redemptions.

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