



Your Bottom Line

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Navigating a clear course toward your financial security.



Warren Mackensen

New Tax Law Affects Current and Prospective Homeowners

The Housing and Economic Recovery Act of 2008, signed into law by President Bush on July 30, was designed primarily to address the fallout from the ongoing subprime mortgage market difficulties and stimulate recovery in the ailing U.S. housing market. In addition to shoring up funding for Fannie Mae and Freddie Mac, the law also contained some specific tax provisions that could potentially affect you and your family.

Under the new law, current homeowners who are unable to take advantage of the deductibility of state and local real estate taxes because they do not have sufficient deductions to itemize can claim an additional standard deduction in 2008. The additional amount is equal to the lesser of actual property taxes paid or \$500 (\$1,000 on a joint return). This additional deduction is not limited based upon adjusted gross income.

Homeowners planning to sell their properties after 2008 need to watch out for one of this law's other provisions. Under current law, up to \$250,000 of gain (\$500,000 if married filing jointly) is excluded from the capital gains

tax as long as the real estate has been used as a primary residence for two or more of the last five years before the sale. Use of the home as a vacation or rental property during the other three years does not currently prevent you from taking advantage of this exclusion. Starting in 2009, however, such "non-qualifying" uses will be counted in determining how much of the sale proceeds are subject to tax. Under the new law, the gain exclusion will be calculated by multiplying the realized gain amount by the percentage of time the home was not used as a primary residence.

Prospective home buyers receive some additional support from Uncle Sam under this new legislation in the form of a refundable tax credit for down payment assistance. The credit amounts to a payment of up to 10% of the purchase price of the new home (a maximum of \$7,500) for first-time buyers with adjusted gross income less than \$150,000 if married filing jointly (\$75,000 for single filers). The downside is that this credit is short-lived and has some strings attached. It applies only to homes purchased between April 9, 2008, and July 1, 2009, and it must be paid back in equal installments over a fifteen-year period starting two years after purchase. ♦



David A. Batchelder

Navigating the Rough Seas

With global financial markets continuing to sort through the fallout from the subprime mortgage debacle, we remain diligent in monitoring events and assessing risk in your portfolios.

We are confident that the investment policy that we developed with you provides a solid roadmap for managing your portfolios. Your investment policy is based on a sound, long-term investment strategy incorporating diversification, prudent due diligence so that we clearly understand what you are holding, periodic rebalancing, and effectively managing your portfolio's tax liability to increase your after-tax return. This approach has proven effective over time, in part, because it removes the daily market psychology from our decision-making. The market has been through major corrections in the past. Staying the course with your investment strategy and financial plan will leave you well positioned to recover. ♦



David Mayes

Welcome Aboard, David

We are pleased to welcome David T. Mayes, EA, CFP® to Mackensen & Company, Inc. As a Certified Financial Planner™ Practitioner, and IRS Enrolled Agent, David will be responsible for preparing comprehensive financial plans and tax returns for clients.

David brings to the firm a wide range of expertise on the economy, financial markets, taxation, insurance and other important financial planning areas. David earned a B.S. in Economics from the University of Illinois, a Master of Arts in Economics from the University of New Hampshire, and later became a Ph.D. Candidate at The University of Tennessee, Knoxville. Over the course of his graduate studies, David acted as a research assistant on many projects. After graduate school, David taught economics and

finance courses to both graduate and undergraduate students at Kennesaw State University in Kennesaw, Georgia, and served as a consultant to state and local governments and the private sector in Tennessee, assisting them in estimating the economic and financial effects of business location decisions.

David entered the financial services arena in 2003 as a sole practitioner providing fee-only financial planning and tax services. He later served as a financial consultant at Granite Bank in Keene, NH, and Mascoma Savings Bank in Lebanon, NH, where he provided financial planning and investment advisory services to bank customers.

David, his wife Jennifer (a New Hampshire native), and three daughters are in the process of relocating to the Seacoast area from their current residence in Walpole, NH. ❖

Planning for Long-Term Care

According to the 2007 MetLife Market Survey of Nursing Home and Assisted Living Costs, a semi-private room in a New Hampshire nursing facility now runs about \$88,695 per year. The U.S. Department of Health and Human Services estimates that those of us who reach age 65 will have a 40% chance of needing nursing home care at some point in our lives, and 10% of those entering nursing homes will stay for 5 years or more.

The decision to cover these expenses, should they occur, using personal savings or to transfer the risk to an insurance company

through the purchase of long-term care insurance is an important planning decision that depends upon the size of your nest egg, your goals, and the cost of insurance. When evaluating long-term care insurance, start with a highly-rated insurance carrier. Other important factors to consider are inflation protection and the type of care (home care, assisted living, nursing home covered). We will continue to keep you informed of developments in this important planning area, and welcome your questions at any time. ❖

Reduce your Risk of Identity Theft by Banking Online? . .

If you have not considered doing your banking and paying bills via the Internet, some experts suggest that you may still be leaving too much information available for the thieves to get their hands on.

How will switching to online banking and electronic payments help? Here are some key points to consider:

- Banks and other financial institutions spend substantial sums on technology to secure their websites and your personal information.
- Paper checks contain a large amount of private personal information. This information could be used to produce fake checks allowing thieves to access your funds. Paying your bills online and using your debit or credit card for purchases make this information less accessible.
- Retrieving your bank information and paying bills online ensures you review your account more often. You are more likely to spot fraudulent transactions sooner than had you waited to receive your paper statement. ❖

Mackensen & Company, Inc., is a fee-only financial planning and investment management firm. No commissioned products are sold. For further information, call:

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