Comprehensive
FINANCIAL PLANNING
INC.

April 8th, 2008

Here is our newsletter for the 1st Quarter of 2008.

Our Portfolios
We managed to prevent losses in all our portfolio composites over the last year despite the markets being down. Over the last year our most aggressive portfolio composite (All Equity) returned 0.2% compared to a loss of 7.0% for the benchmark. For the 1st Quarter of 2008 the All Equity portfolios lost 5.8% compared to a loss of 9.8% for the benchmark.

For the 1st quarter our more conservative Equity-Tilted portfolios returned -4.1% vs. -6.8% for the benchmark and for the year returned 1.1% vs. a loss of 3.4% for the benchmark. Over the last three years these portfolios have returned 29.9% vs. a return of 18.0 for the benchmark.

Over the last year we have been positioning our portfolios more conservatively by emphasizing large company stocks, high quality bonds, continuing to hold our commodity futures position, the addition of the long-short fund and more recently reducing our U.S. stock allocation in favor of a cash position of about 15%. These moves have all paid off as the stock markets have lost about 15% from the highs set in early October of last year.

Market Outlook
Going forward there are still many risks to the economic outlook. The bottom line is that the credit markets are still not functioning as they should. When financial institutions have a problem supplying even short-term loans to each other, surely they will have problems in providing long term financing to businesses and individuals. The Federal Reserve has been doing everything they can to alleviate the liquidity crisis but they cannot do the same for the solvency crisis that exists for some businesses and for homeowners who used too much leverage and thought the price of their house could never go down.

We will continue to hold our current conservative tactical position of cash in our portfolios. This will simply make our portfolios a little less volatile than our target portfolios and provide us with the cash needed to invest when we see better opportunities. We may reduce our commodity allocations in the future as our commodity index fund is up about 15% year-to-date.

The current financial problems will eventually pass and are already providing some opportunities, particularly in the fixed income markets. We have been buying some additional municipal bonds in some of our taxable accounts as the yields on these have risen compared to their taxable equivalents. Our bond managers are also noting that high quality corporate and agency mortgage-backed securities are looking very attractive as yields and yield spreads have risen considerably in the last six months.

Article in Financial Planning Perspectives

The fee-only financial planning association of which I am a member published an article I wrote which discusses when you should start your Social Security retirement benefits. Readers of my previous newsletters will recall I wrote about this in my 2nd quarter 2007 newsletter and also in last quarter's newsletter. You can go onto their web site to see this and many other additional resources at the following link. Those of you who are close to retirement or who have started taking your benefits in recent years have worked and paid Social Security taxes for over 30 years. Making the right decision can help secure your retirement plus secure your spouses retirement.
www.napfa.org/userfiles/file/Planning_Perspectives/PlanningPerspectivesFEB08.pdf

New Enhanced Web Site for Your Accounts

TDAmeritrade had recently created a new web site for their institutional clients. The web site address is www.advisorclient.com and represents an improvement to the previous web site. Give me a call to set up secure access for you. Instead of having to wait for monthly statements in the mail, you can access the most recent and also previous statements right on the web site at your convenience. You can also access confirmation statements, tax information such as 1099 forms and much more.

Get Your Tax Cuts While They Last

Early this year while building a financial plan for a new client a change to the tax law starting this year was brought to light. We were considering taking some long-term capital gains and evaluating the tax impact to the clients. As it turns out the client can take over $20,000 in long-term capital gains this year and not pay any capital gain tax.

A tax law passed in 2003 established a 15% tax rate for most long-term capital gains and for qualified dividend income. For lower income taxpayers, the rate was set at 5%. As of January 2008, that rate will be lower still. While higher income taxpayers will continue to pay 15%, *lower income taxpayers will owe 0%*. That is, they will include qualified dividends and long-term gains as income, but pay a 0% rate on that taxable income, instead of 5%. Current law calls for this 0% rate to remain in effect through 2010.

The 0% rate applies to taxpayers who are in the 10% or 15% tax brackets for ordinary income. Those brackets include single filers with taxable income up to $32,550 in 2008. For married couples filing a joint return, the 0% tax rate will be in effect up to $65,100 in 2008. Those numbers are for *taxable* income, not gross income. A married couple might have $70,000 or $80,000 in gross income and still have less than $65,100 in taxable income. In that case, they would owe no tax on qualified dividends and long-term gains.

The 0% rate is not all or nothing. As long as your taxable income (excluding long-term capital gains) is below the thresholds mentioned above, your long-term gains may be taxed partially at 0% and partially at 15%.

To see how this might work, suppose a hypothetical John and Mary Smith take no long-term capital gains in 2008, through October. In November 2008, the Smiths consult with their financial planner, who estimates their taxable income for the year will be $50,000 if they do nothing else. After the meeting, the Smiths sell assets and realize $30,000 in long-term gains by the end of the year. Of that $30,000 gain, $15,100 will be taxed at 0%. That's the spread between their $50,000 in taxable income, not including the gain, and the $65,100 ceiling for the 0% rate. The other $14,900 of long-term gains ($30,000 minus $15,100) will be taxed at 15%.

Many planning opportunities exist to take advantage of these lower rates. Please note with a new President and Congress next year this tax break may expire before the current December 31st of 2010 deadline.

Thanks you for listening and give us a call if we can provide additional information or if we can be of additional service.

Sincerely,

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