

Fall is Harvest Time

Fall in Central New York is a beautiful time of year. Sunny days and cool nights produce splashes of color across the hills and in our yards. This is the time to store the toys of summer and prepare for the winter to come. As we prepare our yards and homes, we also need to prepare for the upcoming tax year end, and for the filing of our returns after the year closes.

Over the next few months, we'll be reviewing all of our clients' taxable portfolios to see if there are any losses we can use to offset gains that were realized over the course of the year, in effect "harvesting" those losses to help keep your income taxes at a minimum. The markets have produced a bountiful run-up since March of this year, and we've been reaping some of those profits to cash in the last few months. Our goal is to ensure that your taxable portfolios don't produce gains that cause unnecessary taxation. We strongly encourage you to review taxable holdings you may have invested elsewhere, and let us know if there are gains that you may need us to help offset by looking for loss positions in your taxable portfolio. Now is the time to begin the analysis so we can take advantage of avoiding the wash sale rules, which require waiting 31 days to repurchase the same position if you wish to take a loss for tax purposes. After 31 days, you can repurchase the position and your loss will remain intact. Your new cost basis is the new purchase price. The law also allows a \$3,000.00 deductible capital loss in excess of capital gains to offset ordinary income. Where appropriate, we want to make sure we take advantage of that too!

If you, like many people, have been trapped into the Alternative Minimum Tax (AMT) over the past few years, or if you think you may be subject to the AMT this year, be sure to consult with your income tax advisor. Neither New York State income tax nor real estate taxes are deductible against the AMT. So if you find that you are subject to the AMT, there's no point in prepaying your New York State income tax or your real estate taxes before December 31, as it will not result in a tax deduction.

Since we're planning ahead, we want to make you aware of something for 2010. Over the past few years, taxpayers have been allowed to convert a traditional IRA to a Roth IRA, but only as long as Adjusted Gross Income was below \$100,000 for the year. Beginning on January 1, 2010, the income cap of \$100,000 has been lifted, allowing anyone to convert traditional IRAs to Roth IRAs, regardless of income for that year. Since distributions from traditional IRAs will always be ordinary income taxable, and distributions from Roth IRAs will never be taxed, this is an opportunity to pay some taxes up front so you won't ever have to again. The Roth IRA is also a powerful tool in the fact that there is no requirement to take distributions beginning at age 70 ½. The ability to make the conversion does not mean that everyone should do it. Each situation needs to be examined independently, as a conversion is really a part of



Ted Sarenski CPA/PFS, CFP
President, CEO

INSIDE THIS ISSUE:

Is the Dollar Pushing the Market Higher? 2

Moving Back! 4

YEAR TO DATE PERFORMANCE (2009)

Dow Jones Industrials: 13.49%

S&P 1500 Composite: 17.90%

S&P 500 (Large Cap): 19.26%

S&P 400 (Mid Cap): 30.14%

S&P 600 (Small Cap): 19.46%

Int'l Developed Mkts: 28.97%

Int'l Emerging Mkts: 61.20%

YIELDS & RATES

2-Yr T-Bond Yield: 0.92%

5-Yr T-Bond Yield: 2.33%

10-Yr T-Bond Yield: 3.42%

30-Yr T-Bond Yield: 4.27%

30-Yr Mortgage Rate: 4.99%

“.....We strongly encourage you to review taxable holdings you may have invested elsewhere, and let us know if there are gains that you may need us to help offset by looking for loss positions in your taxable portfolio”



Kevin VandenBerg MBA, LIFA
COO, Director of Managed Portfolios

effective income tax and estate planning, and there may be different implications based on each taxpayer's unique situation, both today and in the future. If you do anticipate taking advantage of the conversion in 2010, and you have earned income, you may want to consider making a non-deductible contribution to your traditional IRA in 2009. The non-deductible portion can be converted in 2010 with the rest of your IRA, and you'll only owe tax on any growth between the time you made the contribution and the time of conversion. You'll be seeing more from us about this opportunity in future correspondence.

So, as you prepare your yard and home this fall for the winter to come, think of ways you can prepare your financial home before year end, as well. Then, as you sit in your favorite chair next to a warm fire, while winter rages outside, you can relax fully knowing that everything has been planned for appropriately.

Is the Dollar Pushing the Market Higher?

The market continued to rally through the third quarter despite the notion of our economy losing more jobs, the continuing wave of home foreclosures and a poorly positioned consumer. The saying "markets climb walls of worry" comes to mind when looking at the advance of the market and the economic backdrop we seem to be facing.

One well-known Wall Street veteran of over 40 years, Art Cashin, is sticking to his bearish sentiment and was recently quoted on CNBC saying, "It has been tough being skeptical about this market rally. It's almost like being at a dinner party where the food is tainted but everyone is enjoying it. At least until they wake up the next day and find out they have food poisoning."

Skeptic or supporter, the market keeps moving higher as many money managers remain underinvested in equities and continue buying on dips. The market has been in a "technically overbought condition" for much of two months now, but doesn't show any signs of relenting. The market could continue moving higher through this earnings season and rally into the new year if earnings AND revenues continue to surprise to the upside. Our concerns for an overall market pullback have been pushed out to early to mid-2010 due to the extension of unemployment benefits, continuing support from stimulus projects, the longer time frame for lower interest rates and overall government assistance. Although this may be good for our economy in the short term, the deficit implications are a long term negative. We'll have to pay the piper at some point in time, but the real question is, "When?"

The question now entering investor's minds is, "What keeps driving the market higher?" The move from the March lows was a snapback rally

“A weaker dollar may mean more jobs in the long run, but more expensive prices in the short term.”

“As long as the decline in the US dollar is orderly, it may help us out of our current economic crisis.....”

after the notion of a US financial system collapse was taken off the table through significant Government support. From May through August, it was the news that fewer and fewer people were losing jobs every month. The jobless report was over 700,000 early in the year and has made its way to the mid-200,000 point. However, job losses are still occurring and initial jobless claims are still over 200,000 per month. The market's move higher in the last few weeks has been driven by the significantly lower dollar. This move has been supported by comments from Fed Chairman Bernanke that “interest rates would remain low for an extended period of time.” Relatively lower interest rates in the US, when compared to other currencies, means a lower dollar until interest rates begin moving higher in the US.

What does a weak dollar policy mean for the average American Joe? More jobs down the road due to American companies becoming more competitive (lower prices), but more expensive prices on imported goods, higher expenses for Americans traveling overseas, a perceived greater risk of holding US dollars and dollar denominated securities (US stocks), and higher inflation over the longer term. The main focus for Americans will be higher prices on many goods made in other countries. Consider that a pair of eye-glass frames made by a European company that cost \$96 last September would now cost \$106 due to the devaluation of the dollar against the Euro. On a larger scale, a \$20,000 European car now costs \$22,083. Although this type of price inflation might be avoided by buying American, many US companies tend to increase their prices despite having cheaper input costs in order to gather more profits. The end result over the long term may be more jobs, but higher overall prices and inflation.

Another problem of the falling dollar and one of great concern is rising oil and other commodity prices (especially gold). Since these commodities are denominated in dollars and the dollar is worth less, members of OPEC aren't getting the price that they are used to for their oil. In essence, they are receiving a pay cut for the same product due to our declining dollar. Since they want to be compensated at least the same as they have been in the past, the price of oil is increasing. The same is true for gold. Since gold is denominated in dollars, the lower dollar leads to a higher gold price (all things equal). However, if you're shopping for diamond jewelry, you're in luck. Since diamonds are pegged to the US dollar, prices of average quality diamonds should be headed lower.

As long as the decline in the US dollar is orderly, it may help us out of our current economic crisis by making US companies more competitive and US products more attractively priced. The real trouble would arise if large countries with huge dollar reserves, such as China, India, and the Middle Eastern Oil countries, were to band together and decide to “liberate themselves” from the dollar standard by pushing for a multi-currency reserve. If this were to happen, vast amounts of US dollars could flood currency markets and send the dollar significantly lower. This would be similar

We will be hosting a seminar on November 18 at 5:30 pm. More details to follow in the mail.



Julie M. Leone MBA

to a huge spike in inflation over a very short period of time. This would be tough on those without exposure to foreign markets and those with heavy fixed income exposure.

Overall, we believe a weaker dollar policy is prudent in the near term until the US is well on its way to recovery. However, our government must be supportive of a stronger dollar in the long run to preserve the buying power of hard working Americans and also to preserve the United States' financial well-being with regard to the rest of the world. This will mean budgetary constraints, lower spending, fewer government programs/assistance, a commitment to a lower deficit, and increased incentives for entrepreneurial investment.

Moving Back!

We're happy to welcome Julie (Vitale) Leone back to DB&B Financial Services! Julie was responsible for mutual fund evaluation, financial planning and asset allocation analysis for our clients from 1998 until 2002, when she relocated to Michigan. While in Michigan, Julie continued to provide research assistance on a part-time, remote basis for a few years. She recently moved back to Central New York, and we're happy to have her back on board. Julie will continue contributing to our research and asset allocation functions, while also assisting in operations, client service and client communications.

DB&B Financial Services, LLC Contact Information

Ted Sarenski, CPA/PFS, CFP ~ President, CEO ~ TJS@DBBLLC.COM ~ 315.234.8117

Kevin E. VandenBerg, MBA, LIFA ~ Director of Managed Portfolios ~ KEV@DBBLLC.COM ~ 315.234.8118

Gail Gardner, MBA, CFP, ChFC ~ Director of Financial Planning ~ GEG@DBBLLC.COM ~ 315.234.1681 ext. 260

Barbara Spears ~ BJS@DBBLLC.COM ~ 315.234.1681 ext. 266

Brian Wells, CPA/PFS ~ BJW@DBBLLC.COM ~ 315.234.1681 ext. 162

Julie M. Leone, MBA ~ JML@DBBLLC.COM ~ 315.234.1681 ext. 246



Barbara Spears



**Gail Gardner MBA, CFP, ChFC
Director of Financial Planning**



Brian Wells CPA/PFS