



PLANNING STRATEGIES INC

Registered Investment Advisor



Looking Forward

WOW! What could I possibly write about as I sit here. It's been a really boring quarter, or so. Nothing new at all. Same old boring markets.

There is no question, we are living through a time period that will be forever remembered in history. I can only imagine what the future history books will say about our good fortune. That's right – you read it correct – good fortune.

As most of you know, I am an incorrigible optimist. But you may be surprised to hear that I believe we sit atop an opportunity which comes about only once in a lifetime. Never before have you had the opportunity to own the world's greatest companies at such a discount.

There is no question, we are sure to hear about the demise of culture as we know it. That Nero is fiddling over the ruins of free markets. I have no doubt that our government is going to enter a new age of interventionism, the likes of which we have never experienced.

But what is the real problem? Simple – we can't see the forest for the trees. The panic and fear that are paraded before us every evening on the nightly ghoulish news is merely a loss of perspective. The closer we get to these

profoundly perturbing events, the more horrible they seem, and the farther away the end seems. In fact, it is always the immediate nature of the crisis du jour that causes us to declare it's unique and horrifyingly distinctive nature. "It's different this time!" Viewed from the perspective of the up close and personal human interest story of the nightly news, every crisis is indeed different – but only in the particular. With every step back, we lose some of that particular, and we gain a broader perspective.

So the \$64,000 Question is this – if indeed, we are not at the edge of some societal precipice, where are we headed? Is it a repeat of the 1930s Depression and the Dust Bowl, as the press would have us believe, or is this a remarkable once in a generation opportunity?

I have shared with some of you, my deep, and profoundly earth shattering viewpoint about what is happening in our markets. Let me try to condense my thesis for public consumption. (Should any of you wish to nominate me for a Nobel Prize in Economics, I will gladly publish the unabridged version).

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If we look at what has happened in our markets, decade by decade, a fairly recognizable pattern emerges. As measured by the Dow Jones Industrial Average, the 1930's, the 1970's, and the present decade have all been essentially flat decades.

It doesn't take a rocket scientist, to come to the conclusion, that every 30 to 40 years we have a gut-wrenching decade of dismally boring performance (although viewed from the perspective of the nightly ghoulish news, it's apocalyptic). The point that most of my colleagues in the business of providing investment advice proffer, is that following those decades of market rest, there usually follows another 30 to 40 year period of magnificent marked returns. This of course takes the nightly ghoulish news by complete surprise. Of course, they just turn to the next apocalypse du jour. But that's a different Nobel Prize winning article, which I'll write at a later date.

The thing I find more interesting, is why is this pattern occurring, and what might it tell us about our future? My theorem, is that this pattern is caused by societal shifts which are a result of technological change. If you think about it, prior to the 1930s, America was basically a backwoods country, in which the mom and pop farm was the predominant industry. The major change which was occurring, is that America was transforming itself from that backwoods nation, to the world's preeminent industrial power. Once WWII came along, we had no choice but to embrace the change, and we truly established ourselves as the world's industrial leader. In the ensuing 30 or so years, the middle class of America rose to a status envied the world over.

Then we hit the bump in the cycle, which was the 1970s. I would suggest that a new change was about to sweep over our society. No, I'm not talking rock and disco music, but the change from an industrial based society to an information based society. Computerization began it's trek from the original room-sized behemoths to today's marvels. That change brought about a fabulous transformation of our society. Remember the steel mills closing, the rust belt, and I even recall Lee Iacocca rescuing a certain car company by getting Washington to bail them out (sound familiar?). But it ultimately brought us silicon valley, the internet, iPods, and Wii games.

So what's with the 2000s? It is my contention that we are in another major period of societal upheaval. Globalization is upon us. Gone are the days of our closed societies and economies. When our government forced our bankers to start doing stupid things, it didn't just hurt our economy, the entire world got sick. Whether we like it or not, we are no longer the mighty bastion of world economics, but just one of the key players on the team.

I can hear you nay-sayers already -So why is this good for the markets? Let me answer by saying that this country has led the world since the 1930s. We have been the bastion of freedom and individual responsibility. No other economy is as free as ours. Sure we have our issues, but ultimately the world's greatest businesses have generally sprung forth from our shores. It is my sincere opinion, that no other country has the intellectual or financial capital available, to be able to take the opportunity that confronts us today. Simply, our companies are the management and logistics systems at the heart of the global economy. As the third world begins to reap the

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Tax Tidbits

By *Susanne Dombrowski*

Just in time for 2008 tax preparation and for a look ahead into 2009, here are some of the latest facts and figures:

For 2008 & 2009, non-itemizers can deduct real estate taxes. The deduction is capped at \$500 for single filers and \$1,000 for marrieds, and is added to the standard deduction amount.

The maximum taxable earnings subject to social security tax increases to \$106,800 in 2009, up from \$102,000 in 2008.

For 2008 only, the Section 179 expensing election for qualified asset purchases is increased to \$250,000, and the overall investment limit is increased to \$800,000.

The Kiddie Tax on unearned income in excess of \$1800 for 2008 (\$1900 for 2009) applies to children under 19 (or under 24 if a fulltime student). Such unearned income will be taxed at the parent's higher tax rate, unless the child's earned income exceeds ½ of their support.

The Nanny Tax wage threshold for household employees increases to \$1800 in 2008 and \$1900 for 2009. Remember that household employees can include

housekeepers and gardeners as well as nannies.

The personal residential energy credit expired in 2008, but is reinstated in 2009.

Deduction of sales tax paid in lieu of state and local income taxes paid is reinstated for 2008 and 2009.

Estate tax unified credit equivalent increases to \$3.5 million in 2009 (up from \$2 million in 2008).

Annual gift tax exclusion increases to \$13,000 per recipient for 2009 (up from \$12,000 per recipient).

Business driving standard mileage deduction will be 55 cents per mile in 2009. Medical and moving mileage deduction will be 24 cents.

Alternative Minimum Tax (AMT) maximum exemptions have been increased for 2008: \$46,200 for single or head of household, \$69,950 for married filing jointly, and \$34,975 for married filing separately.

The maximum gain exclusion for the sale of a qualified personal residence by a surviving spouse remains at \$500,000 provided that the residence is sold within two years after the date of death of the spouse.

Bazella Dombrowski: New Name-New Home

Effective January 1, 2009, the accounting firm of **Bazella Dombrowski & Co., CPA's**, has merged into the operations of **Brown Schultz Sheridan & Fritz (BSSF)**, a full-service CPA firm with offices in Camp Hill and Lancaster. Coincidental to that merger, the firm has moved its headquarters to 227 Granite Run Drive, Suite 200, Lancaster. Many of you have had the pleasure of meeting Pam Bazella and Susanne Dombrowski at our client functions.

Pam and Susanne have become principals and shareholders of BSSF. They are very pleased to join forces with a firm that has many years of experience and an excellent reputation for exemplary service and integrity, qualities that the team at Bazella Dombrowski has exhibited throughout many years.

Please join us in wishing them well in their new alliance.



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benefits of a middle class, those billions of new consumers present a huge opportunity to our management and logistics systems.

The American mom and pop farmers, the steel mill workers, and computer programmers all denied the changes occurring in our society. But their successors have always gone forward and started innovative companies which have

dominated the world markets. I have no doubt that such a seismic shift is upon us, and I look forward to riding the wave of unprecedented prosperity we are soon to experience.

Hang Ten!

Semper Fi