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## PUBLIC SECTOR QUARTERLY NEWSLETTER

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### Things You Should Have Learned From 2008-2009

Know yourself and know your risk tolerance – One of the lessons learned in the past year is that many investors thought they had a higher tolerance for risk than they actually did and panicked when their portfolios started losing money – in many cases, more quickly and dramatically than anticipated.

Because your money can be an emotional subject and emotions can often lead one in the wrong direction, there are few things more important than knowing you as an individual investor. That means examining your attitude towards risk – understanding the potential for seeing your investments lose value and how you might react in various situations.

Develop a plan and stick to it – if you don't already have one, you should develop a strategy for investing. Jumping in and out of the market is not an investment strategy. Ever since the market rebound began to take shape in March, 2009 many investors have

talked repeatedly about missing a moment in time to get back in the market. We encourage our investing clients against trying to “time” the market and urge them to take a longer-term view and a holistic approach to investing and saving.

Dollar cost averaging can be a simple way to ease into investing in the stock market. You may also want to think about how to diversify your portfolio(s) - based on both your particular investment goals and risk tolerance – and should use an appropriate asset allocation among various investment vehicles.

### Inflation Having Little Effect on Tax Rates

Tax rate brackets and various tax benefits will remain unchanged or change only slightly in 2010 due to low inflation, according to the Internal Revenue Service.

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax

benefits are subject to inflation adjustments each year, but because recent inflation adjustments have been minimal, many of these benefits will remain unchanged or change only slightly for 2010.

Key provisions affecting 2010 tax returns filed by most taxpayers in early 2011 include the following:

- The value of each personal and dependency exemption available to most taxpayers is \$3,650, unchanged from 2009.
- The new standard deduction for heads of household is \$8,400, up from \$8,350 in 2009. For other taxpayers, the standard deduction remains unchanged at \$11,400 for married couples filing a joint return and \$5,700 for singles and married individuals filing separately. Nearly two out three taxpayers take the standard deduction rather than itemizing deductions, such as mortgage interest, charitable contributions, and state and local taxes.
- Various tax bracket thresholds will see minor adjustments. For example, for a married couple filing a joint return, the taxable income threshold separating the 15 percent bracket from 25 percent bracket is \$68,000, up from \$67,000 in 2009.
- The annual gift tax exclusion remains unchanged at \$13,000.

## Conservative Investment Strategy

CPS Investment Advisors continues to engage in passive/active management of investment portfolios, primarily utilizing low cost index stock and bond funds. The current anecdotal evidence strongly supports the benefit of this long term conservative strategy.

You should take the time to contact your trusted financial advisor and discuss these important issues. Retirement/financial planning should be an ongoing process throughout your lifetime.

If you have any questions regarding these matters presented in this newsletter or Retirement Income Planning issues in general, please do not hesitate to contact me at CPS Investment Advisors, [mLawton@cpalliance.com](mailto:mLawton@cpalliance.com) or 863-688-1725.

## Financial Glossary: Dollar Cost Averaging

The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. Eventually, the average cost per share of a security will become smaller and smaller.

Sources: CPS Investment Advisors Financial Marketing Newsletter, 4<sup>th</sup> Quarter 2009; Mark Rowan, Market Watch; Laura Saunders, Wall Street Journal; [www.investopedia.com](http://www.investopedia.com)

