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2008 May Break Some Records

One of the records could be in your portfolio account. You may have more stock losses than normal. It might be helpful to understand how capital losses that are recognized can decrease income taxes. First, you must sell the stock to recognize the loss. Everyone's account values are lower, but the loss is not deductible until the security is sold. Remember these three other rules:

1

The net deductible loss is \$3,000. Recognized losses offset recognized gains. The net could be a net gain or net loss. If a net loss, only \$3,000 can be reported as the maximum loss to deduct against other income. The gains that can be offset include capital gain distributions from mutual funds.

2

Unused losses carry forward to future years when unused. Thus a big 2008 net loss exceeding \$3,000 can be used in 2009, or future years until used. A strategy could be to sell losers so you have a capital loss carry forward for 2009 gains (we hope!).

3

Remember the wash sale rules. If you have losses, you have to do your own laundry (just joking). Truthfully - if you sell security at a loss, you cannot repurchase that same security for 30 days. If repurchased in 30 days, the loss is not currently deductible.

We hope this provides important ground rules for 2008. One tax planning idea is to compute your year-to-date gains and losses. If you have a net capital gain, meet with your investment counselor to potentially sell off losses that you should no longer keep. Please call us if you have questions, we always have great ideas!

We welcome your feedback, questions and inquiries about our services. You can reach us at info@olbrichtstorniologroup.com or visit our website at www.olbrichtstorniologroup.com. We look forward to hearing from you!

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