



Brandywine
Financial
Group, Inc.
An SEC Registered Investment Advisor

Brandywine's Daily Plan-It

AUGUST 2009

SPECIAL POINTS OF INTEREST:

- The Long Road Ahead
- Evidence for higher taxes
- Trip to New York City

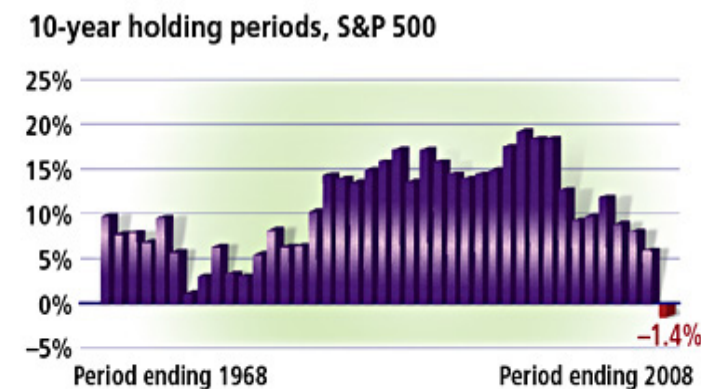
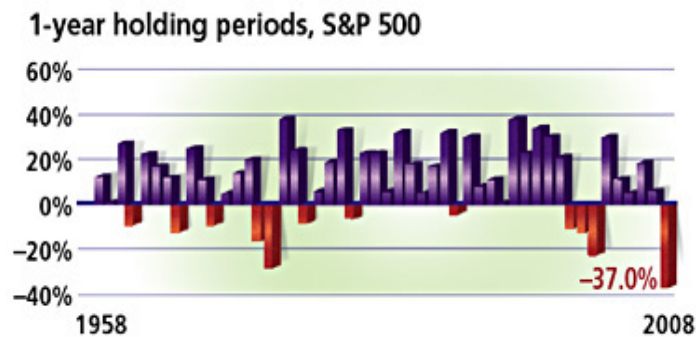
INSIDE THIS ISSUE:

The Long Road Ahead	1
Municipal Haste	2
Still Time For Stimulus Benefits	3
What's New at BFG (a must read)	4

The Long Road Ahead

Investing in stocks has never been for the faint of heart, but lately the road has been especially rocky. The recent downhill ride has left many investors wondering whether they should swear off equities altogether.

However, investors who react emotionally to current events could find themselves missing out on potential long-term opportunities. Consider the historical record. In the past, the markets have usually rewarded those



Source: Thomson Reuters, 2009, for the period 12/31/1958 to 12/31/2008. The S&P 500 Composite (total return) is generally considered representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

Shares of stock, when sold, may be worth more or less than their original cost.

who invested for the long term. Using a buy-and-hold strategy is one way to help manage risk and possibly overcome the effects of short-term volatility.

In the 50 one-year holding periods since 1958, the S&P 500 Composite (total return) experienced 12 periods with negative returns.

However, over the 41 10-year holding periods since 1958, only one 10-year period showed a negative return.

Of course, this doesn't mean you should never sell your holdings at any given point. Always consider your risk tolerance, time horizon, and overall financial goals when buying or selling investments.

The stock market has had its share of roller-coaster thrills lately, but don't be tempted to react emotionally. Call today to review the long-term implications of your investment strategy.

Municipal Haste

Are you concerned about the possibility that tax rates will go up? If so, there's plenty of evidence to support this notion.

The administration has stated that it intends to raise tax rates on people with incomes in the highest tax brackets in order to finance programs such as health-care reform.¹

The current top federal income tax rate of 35% is low by historical standards but is scheduled to revert to its original 39.6% rate after 2010. Meanwhile, the national debt is \$11 trillion and growing, and the federal government is facing more than \$40 trillion in unfunded entitlement obligations for Medicare and Social Security.²

When you consider these staggering figures plus the hundreds of billions of dollars that the government is borrowing this year to help stimulate the economy, it becomes difficult to imagine a future in which tax rates will not be significantly higher.

Fortunately, municipal bonds of-

fer an opportunity to earn an income that may be free of federal income tax.

Muni bonds offer a potential source of tax-free income that tends to be more valuable to those in higher tax brackets. The interest on municipal bonds is typically free of federal income tax. As a result, munis tend to pay lower interest rates than taxable bonds. Thus, the tax benefits from a municipal bond are partially determined by your income level.

The principal value of bonds will fluctuate with market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost. Bond interest paid by a municipality outside the state in which you reside could be subject to state and local income taxes. If you sell a municipal bond at a profit, you could incur capital gains taxes. In some cases, municipal bond interest could be subject to the federal alternative minimum tax.



Breaking the Bonds of Taxes

Municipal bonds are sold by state and local governments. Some munis are designed to raise immediate capital to cover expenses and are backed by the taxing power of the issuing government. Revenue bonds are issued to help fund infrastructure projects and are supported by the income the projects generate. Municipal bonds tend to have low default rates.

Although no one is sure when changes to the tax code may be made in the future, higher taxes may be inevitable. Call today to discuss strategies that may help lower your tax burden with municipal bonds.

- 1) Office of Management and Budget, 2009
- 2) Bureau of the National Debt, 2009
- 3) U.S. Department of the Treasury, 2008

Still Time for Stimulus Benefits

The American Recovery and Reinvestment Act of 2009 offers some short-term tax benefits designed to encourage consumer activity and boost particular sectors of the economy. You might consider taking advantage of the following temporary provisions before they expire.

Homebuyer tax credit — Americans who have not owned a home during the last three years may claim a refundable \$8,000 tax credit for the purchase of a principal residence, as long as the home is not sold within 36 months of purchase. This credit phases out for single filers earning more than \$75,000 and joint filers earning more than \$150,000. (Purchases from January 1, 2009, through November 30, 2009, qualify.)¹

Deduct your new ride — Buyers can deduct state and local sales and excise taxes for one new vehicle purchased in 2009 (after February 17). This includes cars, SUVs, light trucks, and even motorcycles or RVs — up to the first \$49,500 of the vehicle purchase price. The deduction phases out for single filers earning more than \$125,000 and joint filers earning more than \$250,000.²

American Opportunity Tax Credit — Families with hard-working college students will appreciate this incentive for higher education. It temporarily increases the former HOPE Scholarship credit from \$1,800 to \$2,500 per year for single filers earning less than \$80,000 and

joint filers earning less than \$160,000.³

1–3) CCH, 2009

WHERE WILL THE MONEY GO?

This is how the \$787 billion recovery bill breaks down (in billions):



Source: Recovery.gov, 2009

What's New at Brandywine

Associate Wealth Advisor replacement update.

As many of you are aware Justin decided to take a different career path and I have been interviewing individuals to handle his duties and responsi-

bilities. After about 50 resumes, and 10 interviews I have identified several individuals who I believe will make a great addition to my team. I will be making the final decision this week. The individual will be starting after Labor Day and I hope you will all wish him a warm welcome.

His extension will be x:11.

I will be disseminating a more formal announcement in the weeks to come.

~ Raymond

From Raymond's Desk

Gotta love Broadway! Last week I had an appointment with a referral from a client (thank you!) in New York City on Wednesday. So I figured while I was there, I would catch a show on Broadway since I was in town. After my appointment I went over to the hotel, I stayed at the Marriott Marquis right on Time Square, which is walking distance to the August Wilson Theater.

I was so excited to see the show I forgot to eat dinner! Wait it gets better...I get dressed walk about 6 blocks up to the theater in the summer heat, ticket in hand for the Wednesday 8 o'clock show and would you believe the ticket I had was for the Saturday night show!! I didn't even look at the ticket when it was delivered in the mail to make sure I had the correct date!! I made the best of it though I went out and had a fantastic dinner, Rigatoni "Grandmom Style," at a little Italian Restaurant called La Masseria located at 235 W. 48th Street off of 8th. I highly recommend it, if you are in NYC.

Ok..well I still had my Saturday night ticket so I called Marriott when I got back to my room after dinner and booked another room for Saturday night, I wasn't going to waste the ticket! Long story short I went back up on Saturday had an early dinner at another fantastic Italian Restaurant called, Esca, located at 402 W. 43 Street on the corner of 9th Ave. For dinner I had the Bronzino, WOW! It was another fantastic meal, and one of the best glasses of wine (or two) I have had in a long time! For my wine lover's it was: Rosato "il Rogito" Cantine Del Notaio 2006 Basilicata, fantastic bottle!

The show was mind blowing! Jersey Boys, is a musical of the unknown story of the Four Seasons, the iconic band of the 60s. The band's hummable and captivating songs and tunes are catchy, like "Sherry", "Big Girls Don't Cry", "Walk Like a Man" and "Can't Take My Eyes Off of You", but millions of audiences hardly knew the struggle, rise to fame and fall of the band. It is by far the best show I have personally scene to date and would recommend it to anyone who loves the music of that era as I do, or are just interested in a great all around performance.

