



DICKHOLTZ WEALTH MANAGEMENT

Strategies For Life

NEWS

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Can Your Personal Finances Survive a Recession?

Local Advisor Recommends Practical Tips to Help Consumers Get through the Downturn

CHICAGO, IL (January 19, 2009) – While the pressure is on for Washington to act quickly and approve a stimulus package, it's still going to take time to see any results of such action. So how will consumers survive through the coming quarters, until the economy stabilizes? When Lisa Dickholtz, President of Dickholtz Wealth Management, was asked for her thoughts on managing personal finances during a recession, three themes emerged:

- **Run a household as if it were a business.** When corporations experience profitable years, raises, bonuses, promotions, and new investments abounded. However, when profits are down, a company tightens its belt, implements a hiring freeze and restricts business travel. Yet, on a personal level, consumers too often cling to a particular lifestyle and resist making changes in the expenditures department. “Businesses would not likely survive with an approach like that,” says Dickholtz. “In order to adapt to this market, consumers need to reduce spending and find more frugal methods of managing necessary household expenses.” For some, that will mean small changes, but others may need to consider delaying retirement or working part-time in retirement. Revisit financial goals to reassess risk tolerance and adjust expectations.

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- **Take advantage of down market opportunities.** There is a silver lining in the current financial cloud. “Now might be a good time to convert a Traditional IRA into a Roth IRA,” suggests Dickholtz. “While income taxes on the amount being converted still must be paid; lower account values now mean the tax liability on a conversion may be lower.”

Although investment accounts are down, so are gas prices, home heating costs and even car prices. Additionally, interest rates are low and if they continue to fall, mortgage refinancing could generate significant monthly savings. For first-time homebuyers, housing prices are obviously good news. Plus, there’s a tax credit of up to \$7,500 for qualified first-time homebuyers who purchase their house after April 8, 2008, and before July 1, 2009. Although the amount of the credit over the next 15 years must be repaid, there is a break on current-year taxes at a time when budgets might be tight.

Tax loss harvesting is also a possibility. Remember, even if losses exceed the annual \$3,000 allowable deduction limit, excess losses can be carried over to a future year. That strategy could be especially beneficial if the capital gains rate increases in the future.

- **Rely on reason and stick with the plan.** Dickholtz warns against allowing the market’s volatility to play on emotions and destroy the discipline necessary for successful investing. Continue investing a set amount each month in a retirement account. Set contributions buy fewer shares when the market is up and more shares when the markets are down, resulting in an optimal average cost per share over time. Right now, the market is on sale.

Reasonable decisions depend on accurate information, so Dickholtz urges digging past sensational headlines to find the lesser known details that could be helpful. “While the \$700 billion got all the press in Congress’ bailout package, the bailout also included over 100 tax changes to the IRS codes,” explains Dickholtz. One provision affecting some taxpayers is the extension for 2008 and 2009 of an option to deduct state and local *sales* tax instead of state and local income tax. So anyone living in a state with little or no income tax that is already planning to purchase a big ticket item such as a car might want to do it over the course of the next year.

Individual taxpayers may benefit from some measures of the Emergency Economic Stabilization Act immediately. Find a more complete summary of highlights at <http://www.libertytax.com/tax-law-changes.html>.

About Lisa Dickholtz

Lisa Dickholtz has been a part of the financial services industry for 21 years. As President of Dickholtz Wealth Management in Northbrook, IL and a wealth advisor with Securities America Advisors, she specializes in aiding families, family stewards, widows and single women in the growth and preservation of personal and family wealth. Dickholtz takes a collaborative approach to addressing her client's needs by consulting with a team of professionals, including CPAs and attorneys, in order to assess and formulate customized plans for accomplishing personal financial objectives.

Dickholtz holds a Bachelors degree in Management and Finance from Purdue University. She is a CERTIFIED FINANCIAL PLANNER™ practitioner having earned the CFP® designation from the CFP Board of Standards. Throughout her career Dickholtz has made a commitment to educate others on simple but important steps that will help them to make financially sound decisions. She has conducted numerous financial planning workshops and has been featured in the Chicago Tribune.

Learn more at www.dickholtzwm.com.

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