

# T. Dennis Connally Consultant, P.C. Certified Public Accountant

JULY 2003

## “Economic, Geopolitical and Investment Climate”

In lieu of the present economic, geopolitical, and investment climate, we feel it is critical to provide individuals with relevant and non-biased information. As investors once again are swept away by the anticipation of double-digit market moves, we would like to ask you to step back and reconsider the big picture.

- \* *Why did you start investing?...or...Why have you not started?*
- \* *What process has driven your investment selections so far?*
- \* *How do you measure risk? Manage Risk?*
- \* *What asset class has made money in a negative market environment (other than bonds)?*

We have found that clients desire consistency, but “fall” for “what’s hot” when all seems to be moving well. The UBS Global Allocation portfolio’s consistency has provided many clients with desired market exposure and lowered portfolio volatility.

Below you will find a couple of illustrations our clients have found helpful in understanding the importance of consistency in a portfolio.

### **\$100,000 Invested (January 1990-September 2002)**

	100% S&P Performance	80% S&P Upside Returns 25% Downside Returns
Value	\$306,178	\$814,488
Annualized Return	9.2%	17.9%

We feel that the introduction of risk-management strategies into your portfolio could provide you with principal protection that is vital to most investors.

### **How Do Losses Affect Your Account?**

Percentage Decline	Recovery Return Needed
10%	11%
20%	25%
30%	43%
40%	67%
50%	100%
60%	150%
70%	233%
80%	400%
90%	900%

Mr. Connally or a member of his support staff can arrange a meeting or phone conference. You may reach Dennis at 770-920-2890.

### **Summertime Tax Tips**

Summertime may be get-away time, but you can't get away from the tax issues—and preparing yourself for some tax breaks sure beats putting your head in the sand, even if you are at the beach. Check out these tips for newlyweds, working students, and parents with children at day camp ... and have a great summer!

#### **Advice for Newlyweds**

Being, or marrying, a June bride may be a “Cloud Nine” experience, but there are some practical things to attend to when the honeymoon's over and you get your feet back on the ground.

- \* Report any name change to the Social Security Administration, so your name and social security number will match when you file your next tax return.
- \* Report any address change to the U.S. Postal Service—they'll forward your mail and let IRS know your new address.
- \* Consider whether you'll file joint or separate returns.
- \* If you're buying a home, find out which expenses may be deductible and which are not.

#### **Tips for Working Students**

All employees have income tax withheld from their pay, right? Not necessarily. You may exempt from withholding if:

- ◆ you can be claimed as a dependent (usually on a parent's return),
- ◆ your total 2003 income will not be over \$4,750.
- ◆ your unearned income (interest, dividends, etc.) will not exceed \$250, and
- ◆ You had no income tax liability for 2002

You'll still have to pay Social Security and Medicare taxes, but skipping unnecessary income tax withholding will put more money in your pocket now. Read Form W-4 carefully before filling it out for your employer.

If customers tip you, those tips are taxable. You must keep track of the accounts, include them on your tax return, and - if they total \$20 or more in a month - report them to your employer by the middle of the next month.

### **Summer Day Camp**

Many working parents must arrange for care of their younger children during the school vacation period. A popular solution - with favorable tax consequences - is a day camp program. Unlike overnight camps, the cost of day camp counts as an expense towards the child and dependent care credit. Of course, if you qualify you'll get some tax benefit, even if your childcare provider is a sitter at your home.

This credit may save you more in 2003 than before. You may now figure the credit on up to \$3,000 of expenses, \$6,000 for two or more children. The credit rate ranges from 20% to 35% of expenses, depending on your income. The 35% rate applies if your income is under \$15,000; the 20% rate, if your income is over \$43,000.

\*\*\*\*\*

On May 5, 2003 the tax act was passed regarding capital gains tax rates being reduced from 20% to 15% and in some cases to 10%.

This pertains to clients that have an installment sale or sales that you are collecting monthly, quarterly or annual payments on. When compiling your information for the year 2003, it is imperative that you list the actual dates and the amount of payment you've collected by the date that the amount was deposited into your bank account. The reason being is that all deposits made between January and May 4th will be taxed at the 15% and/or 10% rate. But, in order for us to properly handle the return in the computer programs, each payment received has to be entered by the date it was deposited to your bank account. I recognize this is more information that you will have to supply but it is well worth it since you will be saving anywhere from 5% to 10% in the new capital gains tax rate reduction. This is just one of many factors of the new tax act. If you should have any questions or should feel as though we need to have a tax planning telephone conference or meeting we are delighted to schedule this at your convenience.

\*\*\*\*\*

**If anyone receives the child tax care credit please be sure to bring the documentation to your tax appointment next year!**

# THE TOTAL SOLUTION



**For All Your Individual & Business' Challenges & Opportunities**

## **Real Estate**

Real Estate Sales:  
Commercial, Residential, Land  
Real Estate Management  
Find Real Estate for Buyers

## **Business Brokerage**

List Businesses for Sale  
Find Businesses for Buyers  
Business Liquidations  
Acquisitions & Mergers  
New Business Start-Ups  
Business Plans, Projections,  
Proformas

## **Loan Request Application**

SBA  
Conventional

## **Accounting**

Tax Return Preparations  
General Bookkeeping  
QuickBooks Training & Consulting

## **Financial Review**

With your bank or other  
Financial Institution  
Bonding and/or Insurance Company

## **Computer Services**

IT Consulting  
Computer Network Integration  
Software Installation & Configuration  
Hardware Installation & Upgrades

## **Financial Management**

Budget Analysis  
Cost Analysis  
Product Pricing  
Market Analysis  
Financial Statement Analysis  
Life Insurance Policy Sale &  
Cash Conversion  
Management & Collection of  
Accounts Receivable, Notes, &  
Open Accounts

**All of the above services & more are through the Association of  
Network Realty Group, Inc—The Network Group and  
T. Dennis Connally Consultant, P.C.—Acuate Computer Consultants, Inc.**

Please call Larry Grady or Dennis Connally at 770-920-2890 ext. 11 or visit  
**[www.networkfinancialgroup.net](http://www.networkfinancialgroup.net)**