



Mainline Business Trust Newsletter - 1st Qtr 2009

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This issues agenda:

- Investment Strategies
- Home Mortgages & Refinancing
- Travel Advice
- Real Estate Strategies
- Accounting Advice
- Legal Advice

This publication is the major communication vehicle for the Main Line Business Trust (MLBT), an exclusive networking and social association for professionals serving individuals, small businesses and corporations. MLBT is comprised of key disciplines (see left hand panel) that are essential to the success of entrepreneurs and/or businesses. This association is constantly seeking to add additional disciplines that will bring additional expertise into the organization.

This focus for this inaugural issue is to create awareness of some of the current issues. The following articles should be of value to anyone in the process of seeking professional advice in these areas of expertise.

INVESTMENT STRATEGIES

Darkest Hours Create Inspiration

Although the markets may be tanking they are flushing out what can't survive in order to prime the system for future success. Some of the things that will happen are:

- Bureaucrats will lose their jobs and flood the employment market and some of them will become entrepreneurs by starting their own consulting companies.
 - Businesses will trim the fat in their businesses to become more efficient.
 - New creative products and services will emerge in order to make us more efficient with our tasks.
 - The market will reallocate resources to their highest use
 - Markets will create companies that create more value, new and better companies will evolve.
- This will be the biggest extinction level ever known of inefficient markets and companies.
 - Investors will learn that capitalism is good and realize that the markets are efficient on their own as long as there isn't too much government intervention.

In looking for a silver lining in all of the disruption in the markets one should see that we are already in a business climate of consolidation ala the financial industry, the auto industry and many small businesses that will get gobbled up by their more efficient competitors. And from all of this consolidation the market will be strong and ready to grow into a greater market than we have experienced in the recent past.

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ESTATE AND ASSET PROTECTION PLANNING

Resolve this year to get your personal and business legal affairs in order. If you do not have a Will or an Estate Transfer Plan, why not? Unless you have no heirs and no assets, there is not a reasoned answer you can give to that posed question. If you have an estate plan, but have not had it reviewed in sometime, maybe that time is now. Don't procrastinate another day. Get it done and check it of your "to do" list.

If you own or operate a business and have not updated your corporate records in several years (which is not at all uncommon) you are potentially exposing your Personal Assets to that business' creditors. If you are not incorporated the same is true. If a legal review and housecleaning is in order, get it done and check it of your "to do" list.

Just call or email to schedule a complimentary consultation (we do house calls, by the way) and to receive a copy of the Firm's Asset Protection Questionnaire. As the often quoted credit card ad might say "Peace of Mind is Priceless".

For over three decades, Mr. Davison and his associates have diligently represented Delaware Valley businesses and families, as well as multi-national corporations, with regard to issues that may impact their present and future legal situations.

The professional staff at JOSEPH R DAVISON, P. C. realizes that this breadth of experience is an invaluable asset, since an Ounce of knowledge and common sense always outweighs a Pound of legal ignorance and unreasoned inaction.

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HOME MORTGAGES & REFINANCING

LOWER INTEREST RATES MIGHT NOT HELP ALL THAT MUCH

The Fed has come to the end of its ability to throw its traditional lever of monetary policy - the Fed funds target rate - to lower interest rates on Treasury bonds, mortgages and corporate bonds. In order for monetary policy to be effective in the coming year, the Fed needs to embark on a new tactic: buying hundreds of billions of dollars of longer-term MBS (Mortgage Backed Securities) directly in order to push down longer term mortgage rates and restart the demand for credit. This program may be expanded to include longer-term Treasury bonds or even corporate bonds in the year ahead. While widely welcomed

by the markets (MORTGAGE RATES HAVE PLUNGED ABOUT A PERCENTAGE POINT ON THE NEWS, DROPPING FROM 6.0% ON THE 30 YEAR FIXED RATE TO AROUND 5.0%), there is reason to worry that this too might be a false start. First our credit problems are not just ones of insufficient credit demand; it is also a problem of credit supply. If the Fed flattens the yield curve by bringing down long-term lending rates, while the short-term interest rate is already around zero and can't fall any further, this will work to reduce the profits that banks derive from the spread they receive between their cost of funds and the rate at which they can lend. This might make banks even more reluctant to lend in the future, even as borrowers become more enthusiastic about borrowing.

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TRAVEL ADVICE

Should Your New Year's Resolutions Include More Travel for 2009?

Americans have always valued their vacation time, so it may surprise you that about one third of all employed Americans *do not* take all of the vacation time they earn. One study, by Management Recruiters International, found that 47 percent of U.S. executives would not use all of their vacation time. Another, by Oxford Health Plans, Inc., showed that one in five people report feeling so overworked that they are unable to use all of their vacation time.

Employees may believe that their workloads prevent taking a longer vacation, or that their status at work will suffer. However, a growing body of research provides evidence that vacation time carries an important benefit that can't be overlooked: *it is definitely good for your health.*

One study found that women who took a vacation only once every six years or less were nearly eight times more likely to develop coronary heart disease, or to have a heart attack, than women who took at least two vacations a year. Another study found that men at high risk for coronary heart disease who failed to take an annual vacation had a 21 percent higher risk of death.

The length of a vacation is important, too. A recent study found that it usually takes people at least two or three days of vacation to achieve an average of an hour more of quality sleep than they get at home. And, you may indeed realize the full health benefits of a vacation, *only*, if you *do not* take work along with you, or *do not* check your e-mail and voice mail.

Remember that planning a vacation can be stressful in itself, especially when going somewhere you haven't visited before. To eliminate that stress, make sure that you work with a Travel Professional, who will make vacation planning headache-free by helping with everything, from destination selection, to travel insurance, to shipping your luggage ahead, plus tracking any changes to your reservations. What is really key, is that a Travel Professional will be extremely valuable in the event any problems arise.

Finally, assure your manager or employer that you'll return from vacation truly refreshed, reinvigorated and ready to be more productive than ever. Yes, it is true - *you will* be more productive!

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REAL ESTATE

Strategies for Today's Real Estate Market

With the recent turmoil in the home, mortgage and financial markets, everyone has so many questions. Should I sell? Should I buy? Or should I just be patient and do nothing? Are we at the bottom yet? These are questions I hear daily from both residential and commercial clients.

No one can perfectly time the market to accurately predict the bottom or the top. We can only know this once prices are already headed back up or down. The only realistic questions are: "Has the market dropped enough to make a sensible purchase?" and "Does it make sense to buy, sell or lease for my particular situation?"

This is unquestionably a terrific time for first-time home-buyers. There are special programs available now through the middle of 2009 - and with mortgage rates at historic 37 year lows, there may never be a better time in our lifetime.

We are very lucky that our area is always more stable and resistant to the drastic price fluctuations that most of the country has endured. That said, the largest decreases have been felt in higher-end homes, making this an ideal time for those who have been

thinking of upgrading to a larger home. The amount you could save on your new home would far exceed any decline in the value of your current home - and you can also take advantage of the low mortgage rates.

On the flip side, if you are thinking of downsizing, you might want to wait until the market stabilizes so you don't take the hit on your current, more expensive property - unless your savings in interest, taxes and utilities offsets the difference.

Commercial real estate is also feeling the pinch. There is plenty of office and retail inventory available right now, creating more competition and good values. If your lease is expiring soon, you should check the going rates and renegotiate. Or, you may want to consider taking advantage of the current low rates and purchase a commercial property for your business or investment.

As the saying goes, every problem creates opportunities - and there are many to be had right now. Consult with a professional and assess your current situation to make the most intelligent decision and seize the opportunity that is right for you.

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ACCOUNTING

First-time homebuyer credit before July 1, 2009

For qualifying home purchases in the U.S. after Apr. 8, 2008 and before July 1, 2009, "first-time homebuyers" can claim a refundable tax credit (on Form 5405) equal to the lesser of 10% of the purchase price of a principal residence or \$7,500 (\$3,750 for married individuals filing separately). (Code Sec. 36) For married individuals filing separately, the maximum credit is \$3,750. If two or more unmarried persons purchase a home together, the \$7,500 credit amount is to be shared among them in the manner IRS may prescribe. (Code Sec. 36(b)(1)) FTC ¶ A-4270; USTR ¶ 364

A taxpayer is a first-time homebuyer if he (or spouse, if married) had no present ownership interest in a principal residence in the U.S. during the 3-year period before the purchase of the home to which the credit applies. (Code Sec. 36(c)(1))

Any home purchase (including, presumably, coops and condos) qualifies but only if (1) the property isn't acquired from a person related to the buyer (under detailed rules in Code Sec. 36(c)(5)); and (2) the basis of the

property in the hands of the buyer is not determined by reference to the adjusted basis of the property in the hands of the person from whom it was acquired, or under Code Sec. 1014(a) (property acquired from a decedent).

(Code Sec. 36(c)(3)) A home under construction by a taxpayer is treated as purchased by him on the date he first occupies it. (Code Sec. 36(c)(3)(B))

Election for 2009 buyers to accelerate credit into 2008. Eligible first-time homebuyers who purchase a principal residence after Dec. 31, 2008, and before July 1, 2009, may elect to treat the purchase as made on Dec. 31, 2008. (Code Sec. 36(g)) FTC ¶ A-4272; USTR ¶ 364



RIA observation: The election effectively allows eligible first-time homebuyers who make a timely purchase in 2009 to claim the credit on their 2008 returns rather than on their 2009 returns.

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