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Dear Clients:

ARE WE THERE YET?

A favorite question by young and old who are bored and looking for action, the answer is always the same and different for each. It all depends on where you are going! Today's economic picture has turned bleak, as it has before, so first thing to do is to not worry. It does no good and can actually make you ill.

Our government has created a problem and now seeks to correct it with the same recipe - borrow our way out with other people's money. They seem to think that the answer to everything is to lower interest rates. The problem is that they are taking the money from the savers and giving it to the spenders again, thinking that the spenders will go out and borrow up the economy. Most of the borrowers are full up with debt. Having a strong dollar would go a long way in reducing the escalation of energy and food prices.

Recession, depression are all words being thrown around to entertain or scare the public. The most important thing now is to not jump around or run away. When you are lost the most important thing is to stay where you are so help can find you. Many people are rushing to get out of Adjustable Rate Mortgages to find the benefits of fixed interest rates. Problem is that the interest rates are higher and you are paying closing costs including points. Some have a couple of years remaining on the interest only or ARM loans and this represents real money, do not be too quick to leave money on the table. Talk to a person other than the mortgage broker on the benefits of refinancing.

This year's tax returns showed a greater presence of Alternative Minimum Tax, do not be alarmed, it shows up gradually or when you have an extreme tax preference situation (large long term capital gain or lots of dividends or lots of children or high state income tax or combinations of these).

I still recommend more savings and/or paying down debt. The savings can take the shape of maximum contributions to retirement (best), monthly contributions to mutual funds, paying off credit cards (best), or paying extra on the mortgage, rounding up the payment. Give us a call if you are confused on what action to take, we can help you make the right decision. Remember, we do not charge for phone consultation. Thank you for your continued business.

Sincerely,

A handwritten signature in black ink that reads "Barry B. De Marr".

Barry B. De Marr, CFP, EA