



There are two times when people forget their investment principles.

At the top of the market and at the bottom.

- Remember to stay the course.
- Focus on your long-term goals.
- And work closely with our financial advisor.

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# Monthly Market Monitor

## December 2008

### A Double Whammy May Potentially Exist for Investors

As you know when ever a stock or mutual fund is sold a long or short term taxable loss or gain occurs. However, did you know that you can incur a capital gain on your mutual funds even when you have sold nothing? Yes, it's true, and here is how it works. Mutual fund managers buy and sell stocks through out the year as their research dictates they should. As they do, capital gains and losses are created (the taking of profits and losses). However, the majority of those profits and losses and the resulting taxation is passed on to the investor.

Many mutual funds own stocks that have increased in value since the stock market has performed well over the past five years. This makes for an interesting capital gains situation as we close out 2008. Investors in mutual funds have liquidated their holdings at record rates, particularly in the last few months, resulting in some mutual fund managers being forced to sell stocks with gains to meet these liquidation demands.

These gains are then realized and must be distributed to shareholders before the end of the year. So a double whammy potentially exists for investors: double digit losses in value and tax liabilities on the capital gains generated. So if you receive a form 1099 from your mutual fund company in January, you'll understand why. Contact me today for a complimentary portfolio review.



Linda Specht  
Investment Advisor Representative\*

For more information or to schedule an appointment please call

**209-444-3354**

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