

The Obama administration has made its first big decision by signing the \$787 billion stimulus bill. Unfortunately, it has been difficult to determine exactly how this bill will affect you.

While it is not yet final, the following provisions are those that may directly affect you in the upcoming year.

- **Tax Credits-** The first broad targeted provision is for income tax credits. A tax credit reduces your tax liability dollar for dollar. This directly reduces your tax liability rather than just reducing your taxable income.

The bill proposes a tax credit in the amount of \$400 for individuals and \$800 to married couples filing jointly. This credit is proposed for both 2009 and 2010 resulting in an overall tax reduction of \$800 per person. Of course, there is a caveat. In order to be eligible for the credit, your adjusted gross income must be less than \$75,000 for individuals or \$150,000 for a married couple filing jointly. According the US census bureau, this accounts for over 63% of US households\*.

- **Unemployment-** Another popular topic in today's news is that of unemployment. With unemployment rates rising, many individuals seem to be in a state of panic. In order to help ease the pain, the bill is proposing that the first \$2,400 in benefits be tax free. Traditionally, you are taxed at your regular income tax rate on all unemployment benefits. So, while it may not seem like much, this benefit will result in some savings for those who are currently out of work. In addition, funds are being earmarked to assist with training and employment services through a variety of different grants geared towards expanding individuals' opportunities.

- **Education-** Due to the recent unemployment increase, more professionals are going back to school. In order to assist these individuals, the stimulus bill has earmarked \$16.14b to this cause. These funds are planned to be used to increase the limit on Pell Grants, Student Loans, Financial Aid, and College Work Study candidates.

There are also funds going to K-12 education. The programs are structured to prevent cuts to critical education programs and services including special education programs, data systems to analyze student data, education for homeless children, and programs to increase teacher quality.

- **Health Care-** A hot button we have all been hearing about is that of HealthCare. With costs rising and claims being denied something has to be done. \$26.65b of the bill is proposed to assist with this problem. These funds are slated to help in a variety of different areas including computerizing health records, in order to cut costs and increase efficiency, Prevention and Wellness funding, in order to help with chronic disease before



it is too late, Community health centers, to help those Americans who are uninsured, and Training Primary Care providers in order to help with any shortages in care.

In addition to these health benefits, the bill also proposes a subsidy for Cobra. If you have lost your job, and you qualify, the funds allocated are expected to subsidize 65% of the cost. In addition, if you did not initially elect COBRA coverage, you may have the opportunity to go back and do so.

- **Housing Crisis-** Lastly, we should all be seeing the foreclosures on our blocks beginning to be fixed up and hopefully sold. The bill allocates \$4.2b to help neighborhoods purchase and rehabilitate foreclosed properties. By doing so there will be less vacant homes in the neighborhood and more housing for those in need. There are a variety of other housing measures most of which offer assistance to low income housing developments and those living in rural areas. In addition, the mortgage assistance relief act is in the works. This act is designed to allow homeowners who are “underwater” to refinance their homes or renegotiate their loans allowing them to stay in their homes.

Overall, while not all measures may seem necessary, it does appear as though jobs will be created, which will boost spending, which will ultimately boost the economy.

Although it may be painful, it is important to continue to monitor your financial portfolio as strategies and programs evolve in this challenging environment. Clear direction is key to weathering this climate. If you have any questions on how these proposals may impact your present financial profile please contact me and we can set up a time to discuss our current strategy.