

of court on this issue. From now on, the focus instead will be on how well the employer assisted the possibly disabled employee. Human resources staff now must re-learn parts of the ADA.

FMLA Expansion

The Family and Medical Leave Act has been expanded. It now covers leave to care for family members injured in active military duty or to assist family members preparing to go on active military duty. New FMLA regulations expand employer notice obligations and otherwise significantly revise the details of FMLA compliance. It is time for your FMLA specialist to go back to FMLA school.

Other Legislative Changes

The federal minimum wage changed to \$6.55 per hour on July 24, 2008, and will increase again to \$7.25 per hour on July 24, 2009. Remember that higher state minimum rates may apply as well. Congress also passed a law providing that genetic information discrimination is now prohibited nationally.

Legislative Proposals

There is also other increased legislative activity, both at the state and the federal level. Proposals include: expand the FMLA more; paid FMLA; expand the ADA more; additions to the list of protected classes (sexual orientation); prohibit employment arbitration; mandate paid sick leave; reduce abuse of independent contractor status; making it easier to unionize, etc. The results of the 2008 election will likely accelerate most of these.

Ongoing Immigration Issues

Immigration enforcement has recently stepped up – more raids; I-9 audits (a new form); a Utah human resources person charged with criminal harboring of illegal workers; higher penalties; and greater scrutiny by the government. Certain federal contractors must now use E-Verify (the federal employment verification system). What will the incoming president/Congress do about these issues?

The Bermuda Triangle

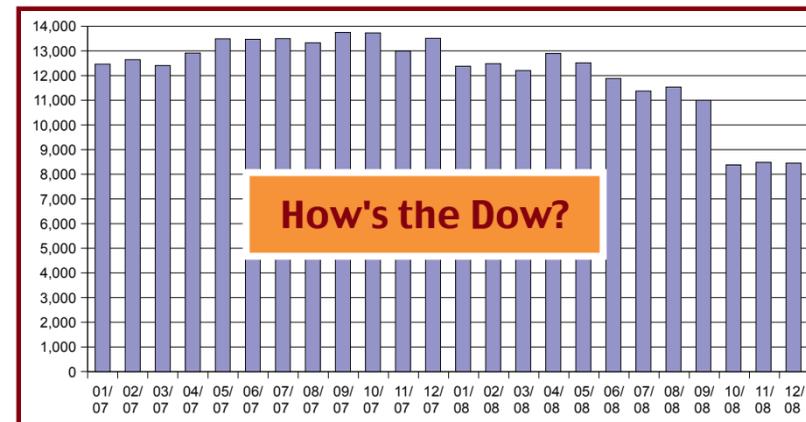
FMLA/ADA/Worker's Compensation day-to-day compliance – the "Bermuda Triangle" of employment law. More so than ever before, employers face legal liability for not dealing properly with employees who have health problems.

Technology Issues

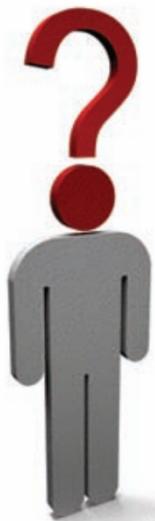
Camera cell phones at work; employee blogs; video resumes. Traditional employment issues now arise in non-traditional ways.

Layoffs Looming

There were over one million jobs lost in 2008, half of them in the last few months of the year. Remember that there are legal risks in conducting layoffs. More layoffs mean that there are now more persons who may file employment-related claims.



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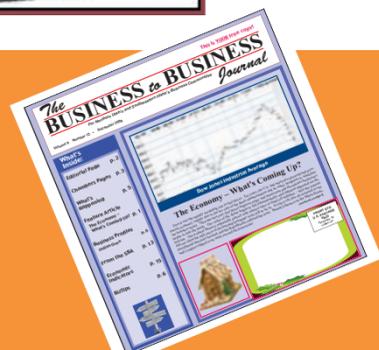
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For Northern Utah's and Southeastern Idaho's Business Communities

Volume 10 Number 1 • January 2009

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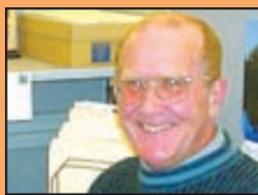
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Recession . . . We can't get away from the word, although it has been largely unspoken by the Bush administration for the past year or so. Preceded by several years of relative prosperity and growth in our nation's economy, and then by the massive upward spike in oil prices a year ago, which caused large-scale disruption in the world's economic health, and then by the meltdown of
(continued on page 8)

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FROM THE EDITOR



Brent Davis

With the holiday season now behind us and we're into a new year, I hope that all our readers had an enjoyable (and profitable) time. Of course, the big news, nationally and locally, continues to revolve around the state of our economy, as well as on the installation of Barack Obama in the White House. It is hoped that our feature article in this edition, **Recession**, will not seem redundant, but now that we are feeling the impact of the nation's economic woes here locally, we can only hope that our political leaders can find a way out of this mess so that we won't have to keep discussing it.

One ray of light during this time of economic gloom is that, despite our economic difficulties, our charitable institutions continue to function, some better than others. For example, \$4 billion was donated by philanthropic organizations during 2008, with more planned for this year. Worthy of note, however, is the fact that the Bill Gates foundation was responsible for over half that amount.

And speaking of donating, Utah is, per capita, the most charitable state in

the nation.

Also worthy of note, whether they had a good holiday season or not, is the fact that some of our local businesses continue to provide good customer service. For example, while visiting the **Wells Fargo** branch on Logan's North Main Street in front of Cache Valley Mall, two lady tellers, apparently between customers, stood at the door

Happy New Year!

and smilingly greeted me as I entered. I don't know if their courtesy was due to the holiday season or to simple old fashioned hospitality. It's also nice to be greeted in the same way by employees at **Chili's** and **The Olive Garden**, also on Logan's North Main Street.

On the other hand, my wife and I

Correction!

Ace Banner & Sign has moved to 1694 North 600 West in Logan, not 200 West, as reported in our last edition. Sorry for the inconvenience.

were disappointed upon entering one of our newer stadium theaters, finding popcorn and trash everywhere, including on the seats (and this was for an afternoon movie, which meant that the place had not been cleaned since the last showing the night before).

Nevertheless, I hope that all our businesses have an enjoyable and prosperous 2009!

Brent Davis
Editor



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More Profound (?) Quotes

"Cars with fewer than one occupant will not be allowed into New York."
(ABC news correspondent)

Quiz show host: "Of what ancient civilization was Memphis the capital city?"
Contestant: "Tennessee."
(Egypt is the correct answer)

"It's great because it's the millennium Wimbledon. There won't be another millennium Wimbledon for another millennium."
(tennis star Venus Williams)

"I get to go to lots of overseas places, like Canada."
(Britney Spears)

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Subscriptions are free, so if you know any business not yet on our mailing list, or if you haven't received a mailed copy yet, please call us at (435) 792-7258, and we will be glad to add you or them to our growing list of subscribers.

Hundreds of copies are also placed around Cache County in high traffic locations, available to tourists, out-of-town business folks who might be traveling through or visiting us, and anyone else who is interested. Or contact your local chamber of commerce or the Herald Journal in Logan (75 W. 300 N.) for a free copy.

Legal Issues

Business Legal Issues at the End of 2008 and Going Into 2009

(provided by The Utah Society for Human Resource Management)

Big Verdicts, Big Settlements (2008)

Starbucks	\$100 million	Tips improperly paid to supervisors (California)
Walgreens	\$25 million	Race bias in promotions
National Law Firm	\$27.5 million	Age discrimination (mandatory retirement)
L.A. Weight Loss	\$20 million	Sex discrimination (failure to hire males)
Wal-Mart	\$54 million	Sex discrimination (failure to hire males)

More Discrimination

Discrimination charges increased significantly in 2007 over 2006 totals. Some increases (e.g., retaliation up 18 percent) were the highest ever. Some increases were the highest in two decades (e.g., race claims up 14 percent). 2008 totals should be interesting – is this an ongoing trend?

ADA Expansion

The Americans with Disabilities Act amendments make it easier for employees to show a disability. Before the amendments, many ADA claims were thrown out

next year.

Business Operating Losses

In this struggling economy, many businesses are facing operating losses. Those which operate as pass-through entities, such as partnerships or S corporations, can pass those losses down to their owners. A net operating loss deduction not only provides business owners with an offset against ordinary income, but it can be applied to previous years' tax returns through the filing of amended returns for prior profitable years. This can potentially lower taxable income, increase itemized deductions, and provide a quicker tax refund.

When going through a financial loss, taxes may be one of the last things on your mind. But through proper planning, you may be able to squeeze a little lemonade from a fiscal lemon.

The above has hopefully provided you with information about minimizing your taxes. However, do not apply this general information to your specific information without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily.



You may be able to squeeze a little lemonade from a fiscal lemon!

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Eric West or Rob Lindsey

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- Lease Rate: \$4.63 PSF

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The Business to Business Journal

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(A higher credit is available for students in certain disaster areas.) The credit reduces your tax bill dollar for dollar and is available for the first two years of college or vocational expenses you pay for yourself, your spouse, or your dependents. Two cautions: Income phase-outs apply, and taking the Hope credit may limit other educational tax breaks, such as the lifetime learning credit. **ACTION:** Add up your 2008 tuition expenses to determine whether it makes sense to pre-pay first semester 2009 costs.

\$3,000 You can use up to \$3,000 of capital losses to reduce other taxable income. Is your income too high to benefit from the zero percent capital gains rate in effect in 2008? "Harvesting" tax losses to offset gains can generate tax savings. **ACTION:** Total your realized gains and losses from your 2008 transactions; then consider weeding out poorly performing investments.

\$3,500 Each dependency exemption you're eligible to claim reduces your taxable income by \$3,500. In addition to your children, dependency exemptions are available for others, including parents that you support. There's no age requirement for a qualifying relative, and in some cases your loved one does not need to live with you. However, your relative's gross taxable income must be less than \$3,500, and you need to provide over half of his or her support during the calendar year. **ACTION:** Review food, housing, and medical care support you provide for dependents. If more than one family member contributes, consider whether a multiple support agreement would benefit you.

\$5,000 Make a deductible contribution of up to \$5,000 to a traditional IRA and save tax dollars now. Contributions to a Roth IRA are not deductible, but provide tax-free withdrawals later. In both cases, growth within the accounts is generally tax-free. If you're over 50, you can contribute up to \$6,000 to an IRA for 2008. **ACTION:** Maximize your savings by contributing as much as you can to all retirement plans for which you qualify.

\$250,000 The Section 179 depreciation deduction lets you treat up to \$250,000 of the cost of business assets you purchase and place in service during 2008 as a current-year expense. The deduction phases out when you buy more than \$800,000 of assets during the year. **ACTION:** Schedule purchases of business equipment and machinery so that you'll have time to make sure that the assets are up and running before December 31st.

Effective tax planning requires a comprehensive assessment of current-year transactions, as well as your intentions for 2009 and beyond. Other factors, including financial aid for education and cash flow and liquidity needs, can also affect strategy decisions.

Tax Relief May Ease a Financial Loss

Looking for a Little Upside to a Recent Financial Downturn?

In a year noted for mortgage failures, investment losses, and natural disasters, you may be surprised to learn that help is available from an unlikely source – The Internal Revenue Service. Knowing what tax breaks are available, and how you may qualify, can be a good first step toward recovery.

Home Mortgage Debt

With falling home values, foreclosures, and floods, homeowners had little to cheer about in 2008. Fortunately, new tax laws were passed to address some of these problems. For instance, *The Mortgage Forgiveness Debt Relief Act of 2007* excludes from taxable income up to \$2 million of certain home mortgage debt that has been absolved. Forgiven debt is normally treated as taxable income. However, the new rule was extended in the recent economic stabilization law and now applies to debt forgiven in 2007 through 2012. It only covers loans incurred to purchase a principal residence. Home-equity debt used to consolidate bills or buy other items does not qualify for this exclusion.

Natural Disasters

Natural disasters pose another threat to homeowners, and the Internal Revenue Service provides a little reprieve for that as well. The amount of casualty loss incurred as a result of a sudden, unexpected event and not reimbursed by insurance is deductible on your tax return to the extent that the loss exceeds \$100 and 10 percent of your adjusted gross income. When the casualty loss occurs in a declared federal disaster area, the rules are less restrictive, allowing more disaster victims to claim losses.

Also, if your loss is in a federal disaster area, you have the option to apply the loss to your prior year's tax return, thus providing a more immediate deduction and possible tax refund. Other benefits of a federal disaster declaration may include extended tax return filing due dates, the abatement of interest and penalties during the extension period, and special tax breaks for businesses.

As strange as it may sound, a natural disaster can in fact generate taxable gain under certain conditions. If the proceeds from an insurance settlement exceed your property's cost basis, you could owe tax on the difference. However, the tax on any such gain may be deferred by re-investing the funds in replacement property within a fixed time period. The replacement period varies depending on the type of property involved.

Investment Losses

Investment losses can also generate tax breaks. The losses are known as capital losses and can be categorized as unrealized or realized. An unrealized loss occurs whenever the market value of an unsold security falls below its cost basis. While hard to swallow, such losses do not qualify for a tax deduction. Only realized capital losses – those that happen when a security is actually sold – can result in a write-off.

Generally, capital losses are used to offset capital gains within the same holding period, *i.e.*, short-term (owned for 12 months or less) or long-term (owned for more than 12 months). When capital losses exceed capital gains, up to \$3,000 can be deducted from ordinary taxable income, such as wages. Capital losses in excess of capital gains and the \$3,000 deduction limit are carried forward to the

The Chambers Page

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(Little info from the Chambers due to the holidays, it seems. – editor)

What's Happening

Rural Business Conference Coming to Brigham City

The 8th Annual Rural Business Conference, hosted by Senator Bob Bennett and The Utah Rural Development Council, is scheduled for Brigham City April 17th. The conference will feature sessions of particular regional interest as well as general information for the rural entrepreneur. A meal will probably be provided for conference attendees, who will also have the opportunity to interact and network with representatives of local businesses. There is no cost to attend the 2009 Rural Business Conference.

Conference sessions will include:

- Small Business Financing
- Running a Successful Home-Based Business
- Latest Trends in Marketing
- Selling to a Global Marketplace
- Search Engine Optimization
- Establishing an Online Storefront
- Health Care Reform
- Marketing to Domestic and International Travelers

For more information or to register online for the 2009 Rural Business Conference, visit www.ruralutah.com.

Local Businesses Among Utah's Fastest Growing

MountainWest Capital Network recently included two local businesses among its list of Utah's 100 fastest growing companies. About midway through the list were **inthinc, inc.** (formerly Inovar) and **New Dawn Technologies**, both of Logan.

"The companies receiving awards have displayed the entrepreneurial spirit that is alive and thriving in our business communities," said Steven Stauffer, chairman of the Utah 100 Program and an MWCN officer. "All 100 companies receiving awards had at least 170 percent growth over the past five years, an amazing accomplishment."

IRS Makes 2009 Pension Plan Adjustments

Many pension plan limitations will change this year because of increases in the cost of living. As a result, for example, the limitation under IRS Code Section 402(g)(3) is increased from \$15,500 to \$16,500. This limitation affects elective deferrals to Section 401(k) plans and to the Federal Government's Thrift Savings Plan, among others.

For these and other upcoming IRS changes, go to www.irs.gov.

YESCO Among Utah Top Lean Manufacturers

YESCO, located in northwest Logan and manufacturer of signs, has been ranked number 6 of Utah's top 7 Lean Manufacturers. Rankings are by reduction in percent of production costs.

YESCO has reduced their production costs by 10 percent, yielding a corresponding 10 percent increase in company profitability due to lean manufacturing.

Key Relief Provisions in 2008 Economic Stabilization Act

With another tax filing season quickly approaching, The National Association of Tax Professionals is advising taxpayers about details of the recent *Emergency Economic Stabilization Act of 2008* and the effects it may have on 2008 tax filings. The following is an overview of the key relief provisions included in the Act:

Additional Child Tax Credit – An increased amount of lower-income earners will be eligible for this credit as the earned income threshold has decreased from \$12,050 to \$8,500 beginning in 2008.

Qualified Tuition Deduction – The above-the-line tax deduction for qualified higher education expenses is extended through 2009. This deduction provides a benefit whether a taxpayer itemizes or not.



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What's Happening

Teacher Expense Deduction – This provision allows teachers a deduction for up to \$250 for educational expenses. This provides a benefit whether a taxpayer itemizes or not.

IRA Rollover Provision – This provision allows qualified taxpayers to make tax-free contributions from their IRA plans to qualified charitable organizations.

Additional Standard Deduction for Real Property Taxes – The standard deduction for real property taxes for those not itemizing is extended through 2009. Taxpayers who do not itemize can add the lesser of their real estate taxes or \$500 (\$1,000 if married) to the standard deduction.

15-Year Straight-Line Cost Recovery for Qualified Leasehold, Restaurant, and Retail Improvements – This new provision allows for improvements put in service before January 1, 2010, to be written off over 15 years, not at the current standard of 39 years.

Residential Energy Efficient Property Credit – The Act has re-instated the expired \$500 credit for energy-efficient property such as doors, windows, water heaters, and central air units. This credit is re-instated for the 2009

tax year. Individuals are also allowed a residential energy efficient property tax credit for expenditures on qualified solar electric, solar water heating, and fuel cell properties. These latter credits have been extended eight years through 2016.

TravelHost Announces New Employee

TravelHost of Northern Utah and Eastern Idaho has announced that Jennifer Jarrett has joined their team as magazine editor. In this position, she will work with communities throughout northern Utah and eastern Idaho to receive information on community events and tourism opportunities. In addition to gathering information and articles, Ms. Jarrett will be prepared to write summaries and other articles as needed. As the editor, she will be organizing magazine layout with special features and community sections, reviewing and editing all content, including advertising, and formatting the magazine in preparation for printing production.

Ms Jarrett is an intern from Utah

State University where she is a senior and will graduate in June 2009. She is majoring in English with an emphasis in professional and technical writing.

Having grown up in Cache Valley and being raised in a family that enjoys traveling, Ms. Jarrett is familiar with each of the communities the magazine covers. As a staff writer for her previous college newspaper, *The Eagle*, and as a freelance editor for companies across the U.S., Ms. Jarrett brings with her a variety of skills and organizational abilities to the TravelHost team. She earned her Associate of Science degree from the College of Eastern Utah in Price.

"Jen's impressive work samples and reputation have made her an ideal

choice for our team," Associate Publisher Dwight Einzinger commented. "Her experience in writing and editing are exceptional, as well as her knowledge and experience with the ins and outs of tourism. We are pleased to have Jen on our team as TravelHost of Northern Utah and Eastern Idaho commences."

Comings, Goings, Movings, etc.

C. V. Maynard Tax Service in Brigham City is apparently closed. Their telephone number is disconnected.



BizTips

Management

Sell Yourself as if Nobody Else Will

From The Accounting and Bookkeeping Tips Newsletter
abtips@topica.email-publisher.com

Referrals are critical to the success of your business. However, it's important that, when you're talking to a prospective client or customer face-to-face or on the telephone, that you don't rely on the flattering comments made by the person who referred you, but instead sell yourself along with your products or services.

As business owners, we are often conservative by nature, and as a result of this, selling ourselves seems awkward to most. It doesn't have to be that way – we are (hopefully) natural sales people when it comes to things that we are interested in . . . our businesses.

There are some basic rules to follow to simplify the daunting task of selling ourselves and our businesses. If mastered, you can achieve a fast track to success.

Well known broadcaster Larry King indicated once that everybody is always selling something – yourself, your education, your experience, and your expertise. As a business owner, you want to be most proficient at selling yourself. You'll never sell any product which is more important.

1. Show the prospective client or customer what you can do for them. Don't, however, sell the features. Rather, sell the benefits. You can achieve this by telling of the improvements you can make to their lives or businesses and how it will benefit them. It's also beneficial to bring details of the prospective client or customer's business or personal needs into the conversation so that they can relate better to what you are offering.

Tax Planning

The bulk of the information in the next few pages is courtesy of Grover & Canfield, PLLC, CPAs, from their Annual/2008 Tax Planning Letter. For further information regarding these topics, call (435) 752-0222.

Check the Numbers for Some 2008 Tax Savings

Do you like numbers? Do you like them better when they involve tax savings? Here are 12 numbers – and 12 tax-saving strategies – to consider.

19 For 2008, the kiddie tax applies to children under age 19, as well as full-time students under age 24. What's the impact? When your child has investment income, such as dividends and interest, of more than \$1,800 for the year, the income may be taxed at your highest tax rate. **ACTION:** Consider hiring your home-for-the-holiday children in your business during the end-of-semester college break. Wages are earned income and are taxed at your child's rate.

30 Wash sale rules can limit your current-year losses on investment sales. These rules kick in when you sell an investment at a loss and buy a substantially identical investment within 30 days before or after the sale date. **ACTION:** Be careful to replace loss-generating securities with others that are similar, but not identical.

0% The capital gains tax rate on qualified dividends and gains from sales of stocks, bonds, and other securities that you've held for more than a year is zero if your 2008 taxable income is less than \$65,101 (married filing jointly) or \$32,551 (single). **ACTION:** Assess your portfolio with an eye toward realizing gains on investments in which you have a low basis.

7.5% To take an itemized deduction for medical care, your total expenses have to equal more than 7.5 percent of your adjusted gross income. Not quite there? You may be able to bunch your costs. Bunching is a classic tax planning strategy that involves accelerating expenses into the current year or deferring them to next year. **ACTION:** Calculate your expenses to date. Include amounts you paid for family members who failed to qualify as your dependents only because they did not meet the gross income or joint return test. If you're close to the 7.5 percent floor, look for opportunities to increase your deduction. Example: Schedule deductible elective procedures before year-end.

50% Bonus depreciation is back. For 2008 you can immediately deduct up to half of the cost of qualifying new business assets. In addition, the bonus rule increases the maximum amount of first-year depreciation on luxury passenger cars and light trucks that you use in your business by as much as \$8,000. **ACTION:** Consider replacing worn-out business vehicles and equipment before year-end.

100% Subject to certain restrictions, you can claim self-employed health insurance premiums "above the line" – meaning that you can subtract them from your gross income. However, at the beginning of 2008, the IRS issued a notice spelling out the procedures that you'll need to follow to keep this deduction from being disallowed if your business is set up as an S corporation. **ACTION:** Have your business write an additional compensation check before year-end to reimburse you for premiums you paid personally.

58.5 cents Use this standard mileage rate to calculate the amount you can deduct for each business mile you or your mobile employees drive from July 1, 2008, through year-end. (For business miles driven from January 1st through June 30th, 2008, the deductible rate remains at 55.5 cents.) Remember, estimates are not

enough to support a deduction. The IRS requires adequate records, either written or electronic. **ACTION:** Maintain a mileage log, recording the date, destination, purpose, and total miles of business trips.

\$1,800 The maximum Hope Scholarship credit for 2008 is \$1,800, up from \$1,650 last year.

2008 Tax Laws

Several new laws enacted during 2008 offer year-end tax planning opportunities. Here's an overview.

• **Prepay real estate taxes.** Normally, this planning suggestion has the goal of increasing your itemized deductions. But this year, thanks to a break included in The Housing Assistance Tax Act, you can deduct state and local real property taxes even if you don't itemize deductions on your 2008 tax return. Pay your property taxes by December 31st, and you'll be able to increase your standard deduction by up to \$500 (single) or \$1,000 (joint).

• **Buy a first home.** There's a new tax credit of as much as \$7,500 for first-time home buyers. To qualify, the home must be the first you've owned in the past three years, and the home must be purchased after April 8, 2008, and before July 1, 2009. Phase-out of the credit begins when your adjusted gross income exceeds \$150,000 (\$75,000 for singles). The credit must be repaid over 15 years, starting two years after you claim it.

• **Take advantage of extended tax breaks.** Nearly three dozen expired or about-to-expire tax breaks were extended in the massive bailout legislation that was signed into law on October 3rd. Among the tax breaks that were extended through 2009 were the following:

- The optional itemized deduction for state and local sales taxes
- The deduction for qualified higher education expenses
- The above-the-line deduction for teachers who purchase classroom supplies
- The additional standard deduction for property taxes paid by those who don't itemize
- Tax-free contributions from IRAs to charities by older taxpayers
- The business research and development credit
- 15-year straight-line cost recovery for qualified leasehold, restaurant, and retail improvements

The law also increased the 2008 alternative minimum tax exemption amounts to \$46,200 for singles and \$69,950 for couples.

The 2008 laws contain other changes that can affect your tax planning, including disaster relief and energy provisions, additional breaks for farmers, ranchers, and military personnel, as well as changes to expatriation tax rules, and the home-sale exclusion rules.

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preventive care items are often covered, but check with your program administrator on specific products.

• **Book an annual check-up:** Annual physical examinations can catch health problems before they become serious issues. Many insurance plans cover 100 percent of wellness care for routine examinations, immunizations, and diagnostic tests.

• **Confirm participating providers:** Verify that your doctor is included in your plan at preferred rates before booking appointments.

The timely payment of insurance premiums is very important. Any cancellation of insurance coverage could create an additional financial burden for you and your family.

Investing

Required Distributions, Not in 2009

By **Kent Haueter**, MBA, ChFC, CFP

Harold Dance Investments, (435) 752-8484



When most people establish an Individual Retirement Account and many other qualified retirement plans, including 401(k)'s, they do not give much thought to the day when they will be required to start making withdrawals. This is referred to as the Required Minimum Distribution. The RMD will not be required for 2009.

Who should care about the 2009 RMD change?

Is your distribution set to happen automatically? Because people have been required to do RMDs, even though some would prefer not making the taxable withdrawals from their retirement accounts, many have instructed their retirement account institutions to make the withdrawals automatically. If a person does not want to take the RMD in 2009, they should contact those who handle their account and instruct them to not make the withdrawal.

Who is normally required to do a Required Minimum Distribution?

Generally speaking, if a person has a qualified retirement account (such as an IRA, pension plan, 401(k), etc.), they were required to plan for minimum distributions for the year that they turn age 70-1/2. The Internal Revenue Service has established the minimum withdrawal percentages that increase each year based on the age of the retirement account owner. The percentage relates to the prior year end account value. If the specified minimum is not withdrawn from the retirement account, the IRS imposes a 50 percent penalty on the withdrawal shortfall.

When must the RMD be completed?

In the past, including 2008, the RMD must be completed by year end, December 31st. The only exception is related to the year a person turns 70-1/2, their first RMD. They actually have until April 1st of the following year to take the required distribution for the prior year when they turned 70-1/2; however, if taking that first distribution between January 1st and April 1st, that person will need to take a second distribution for the then current year before year end.

What happens if a person has more than one retirement account?

First, RMDs are not required from Roth IRAs. If a person has multiple retirement accounts at multiple institutions, the person can withdraw the required amount from each separate account, or can withdraw the total required amount from any one of the accounts. The main guideline is that the full required amount is withdrawn.

RMDs and charitable donations

An extension has been granted, through 2009, for those individuals only who fall into the RMD category. This permits them to instruct their retirement account institutions to send a payment directly from their retirement account to a qualified charity. The amount of the donation can be up to \$100,000. This can be advantageous in two main areas. First, if the taxpayer plans to take the standard deduction (not itemize their taxes), it is more beneficial. Second, high income individuals who itemize deductions could have some deductions phased out, making this strategy helpful. Even if this strategy is used, the retirement account provider will send a notice to the retirement account owner regarding the distribution.

The information contained herein is believed to have come from reliable sources, but is not all inclusive. Individuals should consult with their own tax and financial advisors for specifics about their situation.



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2. Be your best self. It's essential that you maintain an open attitude and illustrate your enthusiasm.

3. Preparation is always the key to success. There's a lot to be gained from bringing out all the points that you want to raise and to rehearse your answers to all the possible questions you feel that the prospective client or customer may ask – especially the difficult ones.

4. Intelligent questions about the client's or customer's business or needs are welcome. They show two things – that you're prepared and that you care.

To be successful, you need to master the art of conversation, and being comfortable in conversation is a vital ingredient for success when selling. You don't often get a second chance to impress, therefore it's important that you make each meeting with a prospective client or customer a winner in selling yourself.

Investing

Is It Time to Re-Think Risk?

By **Gordon L. Nelson**, CPA, Financial Consultant

Keystone Wealth Management, (435) 713-4220



If you mention *risk* in today's tumultuous market climate, most people probably think of their rapidly shrinking retirement portfolios. In reality, investment risk takes many forms, and each can affect how you pursue your financial goals. The key to dealing with investment risk, however, is to learn how to manage it – with help from your investment professional.

A glossary of financial terms defines *risk* as "the chance that an investor will lose all or part of an investment" and does not refer to the general risk of loss. It can

therefore, be broken down into more specific classifications. Familiarizing yourself with the different kinds of risk is the first step in learning how to manage risk within your portfolio.

Types of Risk

Risk comes in many forms, including:

• **Market risk** – The likelihood that the value of a security will move in tandem with its overall market. For example, if the markets are experiencing a decline, the stocks in your portfolio may decline as well. Or if bond prices are rising, the value of your bond investments too may be rising.

• **Interest rate risk** – Most often associated with fixed-income investments, this is the risk that as interest rates fluctuate, so too will your return rates.

• **Inflation risk** – This is the risk that the value of your portfolio will be eroded by a decline in the purchasing trends of inflation. Inflation risk needs to be considered when evaluating conservative investments, such as bonds, money market instruments, and long-term investments.

• **Credit risk** – This type of risk comes into play with bonds. It refers to a bond issuer's ability to re-pay its debts when they mature. Bonds are given credit ratings by such agencies as Moody's and Standard & Poor's. In general, these ratings reflect credit risk. The higher the rating, the lower the credit risk. Junk bonds, which are not investment grade securities and generally have the lowest ratings, are among this category. People who invest in them typically seek higher yields to compensate for their higher credit risk.

• **International risk** – International investments also involve additional risks, including the possibility of fluctuations in the value of the dollar and the risk that political and economic upheavals may affect a country's markets.

Manage Market Risk by Diversifying

The process of diversification – spreading your money among several different

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investments – is a means of minimizing risk in your portfolio.

Also consider the potential benefits of selecting investments from more than one asset class. For instance, stocks fluctuate due to changing conditions, whereas bonds may not be affected as dramatically. In part, that may be because bond total returns may be tied more to interest income (which can cushion a portfolio) than price changes. Historically speaking, the total return of stocks has consisted of market appreciation, while the total return of bonds has been made up primarily of interest income.

Match Investment Choices to Your Goals

Before you can decide what types of investments are appropriate from a risk perspective, you need to evaluate your investments in terms of preservation of principal, generating income for current expenses, or building the value of your principal over all investment classes.

Next, examine your investment time horizon, and consider how comfortable you may be riding out short-term losses as opposed to long-term gains. Keep in mind your time horizon and the amount of volatility you may be able to tolerate in your portfolio.

At the same time, long-term investors need to be concerned about inflation. That is why their portfolios may be mostly blue chip investments, as these have historically provided the highest long-term returns and outpaced inflation by the widest margins.

On the other hand, people who need to rely heavily on the income from their portfolios, such as retirees, may seek protection from short-term losses. Their portfolios may be weighted in high quality, lower risk bond and money market investments with growth potential..

This article is not intended to provide specific investment advice for any individual. Please consult with me if you have any questions.

(Editor's note – Apologies to Gordon Nelson and to our readers.

A portion of the e-mailed text came through improperly, and text had to be added where necessary. Hopefully no significant errors were the result.)

Insurance

Fight Back After Identity Theft

Provided by Josh Barnett, Agent

American Family Insurance, (435) 750-0108



– It's the fastest growing crime in America, yet the perpetrators don't wield guns or any weapons. Oftentimes, the victim doesn't even know that they have been attacked.

Identity theft causes headaches for more than seven million Americans who spend nearly 600 hours and \$1,500 each year to clear their name. Those are staggering numbers, considering that identity theft was a relatively uncommon occurrence until just recently.

Luckily, much can be done to ward off the potential of identity theft. For one, always destroy – either by shredding, burning, or in some other way – bank and credit card statements and any other documents that can have sensitive identifying



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numbers. Another important security measure is to be very careful about the types of personal information you give out over the internet.

But no matter how careful you are with your personal information, you can still fall victim to identity theft. If that happens, it is important to know what you can do to begin to re-claim your life. These steps should be taken as quickly as possible and recorded.

Ask for your credit reports to review your status.

The three national credit reporting agencies – Equifax, Experian, and TransUnion – are each required to provide one free credit report a year upon your request. The three agencies have established a central clearinghouse for credit report requests at www.annualcreditreport.com, and you can also call for their free service at (877) 322-8228.

Place a fraud alert on your credit.

This will prevent the identity thief from opening or accessing any accounts that may have been created with your stolen information. Take note of any transactions or accounts that appear fraudulent for future reference.

Close any accounts that you think could have been compromised.

You can do so by calling the financial institution, but it is also good to follow up in writing to make sure that there is a record on file. When you open new accounts, use different personal identification numbers (PINs) and passwords to protect the accounts.

Report the theft to the Federal Trade Commission

The FTC can use your information to track identity thieves and limit their damage. The agency can investigate possible security violations by financial companies and refer the case to other agencies if the situation warrants.

File a police report.

Oftentimes, you'll need a written police report when dealing with credit companies to dispute fraudulent charges and accounts.

Investing

Bailing Update: Laying the Foundation

Provided by Adam Anderson, Financial Advisor

Edward Jones Investments, (435) 753-0153



Now that we're officially in a recession and Congress debates more bailouts, many investors are asking the questions: Can our deficit handle more debt? Will we experience inflation or even deflation? The government has responded to the financial crisis in a big way. The goals they have are to stabilize the financial system and get credit flowing again, which should lay the foundation for economic recovery.

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(continued from page 7)

intervention effort on the part of the government is likely to prevent a bad recession from developing into something worse and causing deflation. Instead of inflation or deflation, our current outlook is something closer to just "flatline," – or relative price stability.

Criticism is Easy, Leadership is Hard

Leaders have to be flexible. They have to:

- Change when conditions change
- Understand the nature of the problem and address it quickly with the right solution
- Surround themselves with a strong team
- Speak to the people they are trying to lead in a way that evokes confidence

In a financial crisis, leaders sometimes make mistakes and don't always arrive at the right solution the first time.

Who's to Blame?

Regarding the causes of this financial crisis, there's plenty of blame to go around:

1. Many people bought homes they couldn't afford.
2. Many banks made loans that they shouldn't have made.
3. Wall Street re-packaged those loans and created securities that no one understood.
4. Government stood by and watched or, in some cases, encouraged the bad behavior.

Capitalism isn't dead, but it has been wounded. That's why so many economists agree that a large response on the part of the government is necessary.

Be Patient, Be Hopeful, Stay Invested

In the meantime, we should all recognize that the government's efforts to address the crisis, while not perfect, are likely laying the foundation for economic recovery. The size of



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the response has been large, immediate, and designed to address the crisis with solutions that can work – if we give them time. New ideas will be implemented, and new mistakes will likely be made. While there are sure to be rough patches in the weeks and months ahead, our advice is this: Don't give up on America's future. A long-term bet against the American economy has historically been a bad bet.

Insurance

Consumers: Resolve to Get Smart About Insurance in 2009

From The State of Utah Department of Insurance

(800) 439-3805

As we move into 2009, a weak economy, rising unemployment, and falling home values will have important ramifications for insurance consumers nationwide. Yet while these situations pose challenges, they also provide opportunities to save on insurance costs.

"Many households will enter the new year with a smaller budget and seeking ways to save money," said Insurance Commissioner D. Kent Michie. "Now is the time for consumers to get smart about their insurance and take advantage of the opportunities to maximize their coverage, minimize their costs, and protect themselves financially."

Consumers should ensure that they and their loved ones are protected – and a good place to start is with their insurance coverage. The Utah Insurance Department offers the following tips on insurance-related concerns in the current environment that will carry into the new year.

1. Falling Home Prices Signal Time to Review Your Insurance Costs.

Homeowners looking for ways to save money in 2009 should start with their insurance. In the last year, home prices nationwide declined 16.6 percent. With equity dwindling, it makes sense to review your homeowner's insurance and see if there are any ways to save, such as:

- **Insure your home, not the land:** Homeowners policies do not provide protection for your land, so make sure that the value of the land is not included as part of your coverage amount.
- **Make sure that you are receiving all the discounts you are entitled to:** Discounts are typically given to people who have more than one policy with the same insurer; have security or safety systems such as smoke detectors, deadbolts, and fire alarms; are 55 or older and retired; or live in homes located in eligible homeowners associations. Some insurers even offer discounts if all residents of the home are nonsmokers.
- **Consider increasing your deductible:** If your deductible is \$250, raising it to \$500 should decrease your premiums. Raise it to \$1,000 and you can save even more. Just two caveats: 1) Make sure that you can pay the higher deductible if disaster strikes, and 2) Check with your lender, as some home loans have a clause that specifies a maximum property insurance deductible.
- **Make home improvements:** Upgrading your electrical, plumbing, and heating systems could improve the safety of your home and therefore reduce your premiums.

2. Newly Unemployed Face Maze of Health Insurance Options

With 1.9 million lost jobs in the first 11 months of 2008, many people are already struggling to maintain health insurance coverage – and those numbers are expected to increase in 2009. A variety of choices exist, but it is important to examine options early, as some expire within weeks of losing your job.

- **Spouse's plan:** A spouse's plan is typically the most affordable option, but you have to act quickly. You should request special enrollment within 30 days of losing coverage from your previous employer's plan.
- **COBRA:** Rights and entitlements under The Consolidated Omnibus Budget Reconciliation Act guarantee access for continued coverage for 18 months if you purchase insurance through a large employer. You have 60 days to elect coverage. COBRA coverage can be expensive because you are required to pay the full premium yourself, but it is also retroactive once you elect it, so consider using those two months to evaluate other health insurance options.

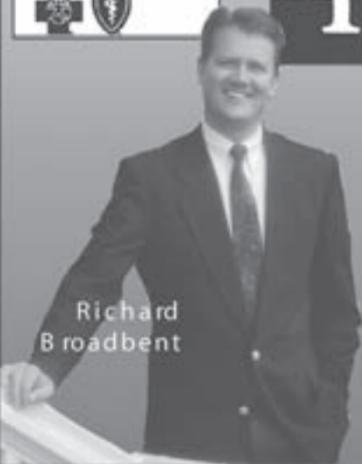
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towns to hold off on planned financing and requiring others to pay unexpectedly high interest rates for existing debt. Other cities are nervous about how their financing will be received in the marketplace.

Additionally, Utah lodging facilities experienced a 4 to 5 percent drop in occupancy rates statewide during November. The occupancy rate that month statewide was at 62.2 percent, down from 66.8 percent a year earlier. Salt Lake County hotels experienced a similar slide, from 72.1 percent in 2007 to 66.8 percent in November.

Existing home sales along the Wasatch Front fell sharply in November compared with a year ago, bucking the trend of the western region which, overall, saw a rise in sales. The volume of homes sold decreased 16.5 percent from October 2007 to October 2008 in the area composed of four Wasatch Front counties – Salt Lake, Davis, Utah, and Weber Counties.

Orders of durable goods and telecommunications hardware in Utah are down, reflecting the overall national contraction in the economy.

Despite recent increases in the number of Utahns seeking protection from creditors, the state can no longer claim the distinction of being one of the bankruptcy capitals in the country.

Owners of 1,812 properties in Utah received some type of foreclosure-related filing in October, up nearly 73 percent from the same month in 2007.

Despite national and Utah economic problems, business, state, and local government leaders recently broke ground on what will be a five-lane, \$250 million highway in south Salt Lake County, connecting to Interstate 15. However, with a recession and lower-than-anticipated tax revenues, the Utah Department of Transportation announced that it is delaying about 50 projects totaling \$3.9 billion.

As a matter of fact, at the end of 2008, state leaders were working to reconcile Governor Huntsman's proposal to scale back the state budget by 7.5 percent, while the state Legislature was proposing a cutback of twice that amount. Other localities began considering similar cutbacks due to high fuel prices (which have been trending downward sharply) which in the meantime have been eclipsed by the national recession.

On the positive side, Snowbird and Alta ski resorts have requested permission from the Salt Lake Ranger District of the Uinta Wasatch Cache National Forest to add capacity to their individual properties. This reflects an anomaly in the bleak data outlined above: The snowmobiling and winter sports industry experienced healthy growth during 2008, generating \$27 billion worth of economic activity in the country.



Locally, many businesses closed out 2008 in deteriorating, if not dismal, shape. Auto Liv, which has long been a very healthy Box Elder County asset, recently announced employee layoffs, and many others too are trimming their staffs. Retailers nationally reported poor sales during the recent critical holiday season with only Wal-Mart, dollar stores, and fast food restaurants reportedly doing well. Wal-Mart, it is worthy of note, greatly expanded its advertising activities during that time, keeping it safe as the world's largest and most successful retailer, although many of their temporary workers are now being laid off. A number of upscale stores, locally and nationwide, at the same time have been doing poorly, and many have gone out of business, as one hears on almost a daily basis. Even our local chiropractors have been negatively impacted as people hold onto their wallets, uncertain of what the country's economic future ultimately will be.

To properly assess what the above data means to us locally, in terms of our economy and employment, the following figures may prove useful:

Employment, percent of total/# of employees			Average Annual Payroll	
Health Services	10.0%	125,300	Health Services	\$4.3 billion
Manufacturing	10.3%	128,200	Manufacturing	\$5.6 billion
Education	10.8%	134,800	Education	\$3.8 billion
Retail	11.9%	148,200	Retail	\$3.8 billion
Lodging/Food Services	7.8%	98,350	Agric., Forestry, Fishing	\$0.1 billion
Construction	7.3%	92,046	Construction	\$3.9 billion
Public Administration	6.1%	76,915	Public Administration	\$3.4 billion
Other	35.8%	451,401	Mining	\$0.7 billion
			Wholesale	\$2.5 billion
			Transportation	\$2.5 billion
			Information	\$1.5 billion

The bulk of the above information and data is from The Utah Department of Workforce Services and Zions Bank/Jeff Thredgold & Associates of Salt Lake City. Data directly above is from The Wasatch Front Focus.

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Update on Government Rescue Efforts

Many investors have underestimated the size and scope of government efforts to address the current financial crisis. The effort is much greater than the \$700 billion "rescue plan" that Congress approved. According to a calculation performed by *Bloomberg News*, the U.S. government is actually prepared to provide more than \$7.7 trillion of assistance in the form of spending, capital injections, loan guarantees, and loans. The ultimate cost will likely be a fraction of this total, since much of the aid is in the form of buying assets that are expected to have value, backing loans, and making loans that are likely to be repaid. The pledges, amounting to half the value of everything produced in the nation last year (our gross domestic product), are intended to rescue the financial system after the credit markets seized up 15 months ago.

The unprecedented pledge of funds includes \$3.2 trillion already tapped by financial institutions in the biggest response to an economic emergency since The New Deal of the 1930s. The commitment dwarfs the plan approved by lawmakers, the Treasury Department's \$700 billion Troubled Asset Relief Program.

Depression? The Numbers Don't Add Up.

Saying this is the worst financial crisis since The Great Depression is not the same as saying this financial crisis will lead to a Great Depression. Currently, 100 percent of the financial economists polled by Blue Chip Economic Indicators believe the U.S. economy is in a recession, but not one believes that we are headed for a depression.

In fact, we doubt that this will even be the worst economic recession since the 1930s. The ten most pessimistic economists in the Blue Chip survey on average believe that the fourth quarter of 2008 will be the worst quarter for the U.S. economy. They also believe that the economy will shrink by 5.3 percent, on average, in the fourth quarter.

Does anyone remember the 1980s? Early in that decade, the U.S. economy experienced a "double-dip" recession. It consisted of a nasty recession from January 1980 through July 1980, a brief recovery, then another recession from July 1981 through November 1982. The economy contracted by 8 percent in the second quarter of 1980, a decline rate considerably worse than what economists foresee today. Additionally, unemployment, inflation, and interest rates would need to rise quite a bit to match the levels in the 1980s.

Bailout Breakdown

The bailout includes a Federal Reserve program begun October 27th to buy as much as \$2.4 trillion in short-term notes (called commercial paper) that companies use to pay bills, and \$1.4 trillion from the Federal Deposit Insurance Program to guarantee bank-to-bank loans, which started October 14th.

Automakers Not Included – Yet

The tally also doesn't include money to the big three U.S. automakers (*although President Bush allocated some \$7 billion to them in late December – ed.*). President-elect Barack Obama has said that he favors financial assistance to keep them from collapse. Secretary of the Treasury Henry Paulson told The House Financial Services Committee on November 18th that the \$250 billion that had already been allocated to banks through the TARP is an investment, not an expenditure.

Take a Lesson from History

Two very large mistakes were made during the 1930s that led to The Great Depression:



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- First, the government responded to the stock market decline and modest recession by doing nothing for three years.
- Second, when it did act, the government did the opposite of what it should have done. The Fed raised interest rates and let banks fail, and the president and Congress raised taxes on personal income, corporate income, and estates. Then tariffs on imports were raised, which triggered a similar response from our trading partners. World trade plunged.

Current efforts to offset the impact from this current financial crisis have three important characteristics:

1. They're big.
2. They're immediate.
3. They're aimed in the right direction.

The goals are to stabilize the financial system and get credit flowing again, therefore laying the foundation for economic recovery.

What About the Deficit?

Worrying about the deficit, the debt, and the dollar is not the current focus of policymakers for good reason: That's what government officials worried about in the early 1930s, and it was a big mistake. For those investors today who are concerned about the deficit, we should point out that the current deficit of \$650 billion (for the 12 months ended October 31st) is just 4.4 percent of our \$14 trillion economy. That figure is lower than in the 1980s and pales in comparison to figures during World War II, when the deficit reached 28 percent of gross domestic product.

What About the Debt?

The federal debt is how we fund our deficits over time. While this figure too is likely to increase in the short term, as a percentage of the economy at 37 percent of GDP, this ratio is still below the recent peak of 49 percent in 1994 and well below the high of 108.6 percent reached in 1946.

In spite of the large increase in federal debt, the cost of servicing that debt has actually declined due to the massive drop in interest rates over the last 25 years. Gross interest payments on the federal debt are currently less than 10 percent of total government spending. In the early 1990s, it was nearly 20 percent.

What About Inflation?

Since the beginning of this crisis, inflation expectations and traditional inflation hedges (like commodities) have plunged. Consumers tend to tighten their belts in a weak economy, and companies traditionally find it very difficult to raise prices. Demand for oil and other commodities has dropped, which also leads to lower prices. Many speculators who were betting on ever-rising prices have been squeezed out of the market. While the government is pouring money into the system, we do not believe that these efforts over the longer term will prove to be inflationary because when the economy is on a more solid footing, it's likely that much of this effort will be reversed.

What About Deflation?

Deflation describes a condition where prices in general are falling. The U.S. economy experienced a brief period of falling prices during The Great Depression. While deflation now is possible, it's very rare. We believe that the massive *(continued on page 11)*



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Recession

(continued from page 1)

our mortgage/housing industry, the word *recession* has finally and belatedly been acknowledged as a fact just recently. In our past few editions, we have addressed several issues relating to our current economic debacle, with emphasis on what we can expect with the impending changeover in our national leadership.

But how is that debacle affecting us locally? For the best part of the past year, at least early on in our nation's downward economic plunge, Utah and Idaho remained relatively immune to what was going on outside the intermountain west, or at least it was delayed in reaching us to the extent that it has done in the rest of the country. But the virus has finally reached us, or has it?

The Business Cycle Dating Committee of the National Bureau of Economic Research, the "official scorekeeper" of the U.S. economy, announced on December 1, 2008 that a peak in economic activity occurred in the U.S. economy in December 2007. As a result, the current U.S. recession officially began in December 2007.

The national media typically describes a recession as two consecutive quarters of declining gross domestic product. According to the NBER, however, a recession "is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators."

The current recession, now in its 13th month, is likely to be the longest since The Great Depression. The current recession already exceeds the duration of 8-month recessions during July 1990 to March 1991 and March 2001 to November 2001.

Consensus estimates of economists in recent weeks suggest a return to modest, but positive, U.S. economic growth is likely during 2009's second half. Such a development would see the current recession lasting 18 to 20 months. However, the severity of employment losses announced on December 5th, combined with highly anxious domestic and global credit markets, suggest that such economic forecasts could be stretched out by a quarter or two.

Greater than expected job losses during November, combined with major upward revisions to previously announced job losses in September and October, resulted in a tenth, and perhaps final, interest rate cut by the Federal Reserve in mid-December from 1.0 to 0.25 percent.

Interest rate cuts have picked up speed around the globe in recent weeks, with substantial cuts by central banks in Europe, the United Kingdom, China, Sweden, and New Zealand. Such reductions, with more to come, were made in response to a growing awareness that the global economy is now likely in recession, as in the United States. For the first time in the post-World War II period, the U.S., Europe, and Japan are all in recession at the same time.

National Employment

The U.S. Department of Labor reported a net loss of 533,000 jobs in November 2008, the 11th monthly decline in a row, and the worst monthly job report in 34 years. In addition, previously estimated job losses during September and October were revised higher by 199,000 jobs. This brings the nation's job losses during 2008 to well over one million.

The U.S. unemployment rate jumped to 6.7 percent in November, the highest in 15 years. The current 6.7 percent jobless rate is



a full two percent higher than the 4.7 percent rate of one year ago. At the same time, the average hourly wage rose only 0.4 percent (seven cents) to \$18.30 hourly, a rise of 3.7 percent over the past 12 months.

Goods-producing employment continued to decline in November, with a net loss of 163,000 jobs. Manufacturing employment fell by 85,000 positions, while construction lost another 82,000 jobs. On the other hand, mining added 4,000 jobs during the month, although this latter may be offset by Rio Tinto's recent announcement that they have in the works plans to reduce their workforce by several thousand in the near future. Rio Tinto is the parent company of Kennecott Copper on the Wasatch Front.

Service-providing employment also declined sharply in November by 370,000 positions. The professional and business services sector lost 136,000 jobs, while the leisure and hospitality sector lost 76,000 jobs. The retail trade sector lost 91,000 jobs in November, reflecting weak holiday sales. On the other hand, the education and health services sector added 52,000 jobs in November, while the government sector added 7,000 jobs (this latter may cause some consternation to many of our readers – editor).

The estimated net decline of 1.9 million jobs during 2008's first 11 months is a painful contrast to the average annual gain of 1.9 million net new jobs during 2005 to 2007. Such losses are likely to build in coming months.

Utah Employment

The Utah unemployment rate was estimated at 3.7 percent in November, unchanged from the prior month, but significantly below the national 6.7 percent rate. The 3.7 percent rate compares to a 2.8 percent rate during the same month a year ago.

Utah's unemployment rate averaged 2.7 percent in 2007, 3.0 percent in 2006, 4.2 percent in 2005, and 4.9 percent during the 2000 to 2004 period. These rates compare to an average Utah unemployment rate of 3.5 percent between 1995 and 1999.

Total Utah unemployment declined by an estimated 2,200 jobs (down 0.2 percent) over the past 12 months. This decrease compares to a revised gain of 700 jobs in the prior year-over-year period. The 0.2 percent decline marks the first 12-month employment decline since the July 2002 to July 2003 period.

Utah added 47,800 jobs in 2007, 55,700 jobs in 2006, 43,700 jobs in 2005, and 30,200 jobs in 2004. These totals compare to gains averaging 38,000 new jobs annually during the 1994 to 2000 period and a net loss of 1,300 jobs in 2001 through 2003. More recently, job losses, leading to lesser income creation and softer retail spending, have had a negative impact upon Utah's small businesses.

Cache County employment grew by 200 jobs (0.5 percent) in the latest 12-month period. The area's jobless rate was 2.5 percent, up from the historically low 2.0 percent rate of one year ago. Elsewhere in Utah, Weber County experienced a decrease of 900 jobs (-0.9 percent) from a year ago. Joblessness registered 4.0 percent, up from the 3.3 percent rate one year ago. Davis County payrolls increased by 300 jobs (0.3 percent) in the past year. The unemployment rate was 3.1 percent in the latest month, up from 2.6 percent one year ago. Salt Lake County employment fell by 500 jobs (-0.1 percent) over the year. The county's unemployment rate

was 3.2 percent in the latest month, up from 2.6 percent last year. Utah County employment declined by 2,000 jobs (-1.0 percent) over the last 12 months. The area's jobless rate was 3.0 percent, up from the 2.4 percent rate of one year ago. Washington County payrolls declined by 2,100 jobs (-3.8 percent) in the past year. The unemployment rate was 4.7 percent in the latest month, up from 2.7 percent one year ago.

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In summary, then, Utah's nonfarm wage and salaried job count for November 2008, as compared against November 2007, is estimated to have contracted by 0.9 percent. October's employment profile, also an employment contraction, has been further revised downward by two-tenths of a percentage point to -0.4 percent.

Approximately 11,500 jobs have been removed from the Utah economy over the past year, lowering total wage and salary employment to 1,260,900. Approximately 51,200 Utahns were considered unemployed in November 2008, compared against 38,600 last November, an increase of 12,600 unemployed workers.

A General Assessment of the Recession and Utah's Economy

Mark Knold, chief economist for the Department of Workforce Services, commented, "The national financial crisis that unfolded in mid-September into early October and stunned the stock market has rapidly translated into not only an additional deterioration in the Utah economy, but an acceleration in that deterioration. That may sound double-speak, but it means that the economy is continuing to lose jobs, and the pace of those losses is picking up. Moving from a loss of 5,200 jobs on a year-to-year basis in October to an 11,500 year-over-year loss in November represents a hefty increase in lost jobs. Employment in manufacturing and construction has been in a prolonged decline, and it continues to get worse, but the key shift has been the movement of lost jobs into the services sector – not only the largest, but normally the most stable and stalwart segment of the state economy. The last time we saw employment fall like this in Utah was in late 2001, when we were entering that period's dot-com recession."

More industries in Utah are now shedding jobs than adding them. Six industrial sectors are showing year-over-year job losses, while five are still recording some employment gains. The current downturn has the potential to become a historic event in post-World War II Utah. The sharpest employment decline in the state since that war was a 2.5 percent contraction in 1954. The 2001 to 2003 period was the longest span of sub-par employment activity in Utah, with the low point being 2002 with an employment contraction of 0.7 percent. The current situation has the potential to be both deeper and longer than either of those two periods.

Initial claims for unemployment insurance, while already above last year's levels, took a noticeable jump in Utah in the middle of October. Claims normally rise this time of year due to seasonal slowdowns or cessations within some industries, but even with that, the levels are up. A year ago, in the first week of November 2007, around 1,400 new applicants filed for unemployment benefits. In the first week of November this year, new applicants numbered nearly 2,500. And for the first week in December, those claims have risen to nearly 3,600.

People not only initially file for unemployment claims, but will continue to draw claims until they either find a new job or their tenure and/or eligibility runs out. In terms of the monetary benefits paid for these continued unemployment claims, they were running 100 percent higher in Utah at the end of 2008 than were paid out of the unemployment insurance system in 2007.

Utah's unemployment rate is definitely on the rise and will continue to rise for possibly the next two years. But *underemployment* is also conjectured to be

on the rise in Utah. The U.S. Department of Labor recently announced that nationally, 7.3 million people were working part-time in November although they wanted to work full-time. This is 62 percent higher than a year ago. Most of these people are working less because their hours were cut. It is supposed that this same phenomenon is at play in Utah. Calls to the Utah Department of Workforce Services from Utah employers exploring the benefits versus costs of either having a layoff event or instead cutting back worker hours have increased. These increased inquiries lead to speculation that the reported upswing in national underemployment is also a factor here in Utah.

The recent shift in the Utah employment situation from service-providing industries being job producers to now being job shedders signals a more fundamental shift in the nature of the Utah economic slowdown. The goods-producing side of the economy – like construction and manufacturing, which make up only 20 percent of all Utah employment – is historically expected to drop jobs in toughening economic times. But the service-producing industries often bend but don't break in these environments. When they *do* start to shed jobs as an assemblage, then you know the economic downturn is becoming deeper.

Professional and business services, financial activities, information, and the small category called *other services* are all industries now showing year-over-year job losses. The leisure and hospitality industry, along with retail trade, is vulnerable to also moving onto this negative side of the ledger in coming months.

The Utah economy is caught in the downward influence of the national economy. The national economy appears locked in a downward spiral in which employment, incomes, and spending are collapsing together. They tend to be self-reinforcing, with something

needed to step in and break this spiral. That is the goal of the federal economic stimulus activities currently being generated in Washington D.C. There is a bit of a negative timing obstacle currently at work as the nation is operating in a quasi-leadership environment between both a new Congress and a new presidential administration. New leadership will formulate its own cohesive economic directives, but those measures are delayed until January 20th in an environment where swift action is essential. Therefore, the timing of the anticipated economic stimulus is being delayed.

For the first time since 2003, Utah's economy is coping with year-over-year job losses, dashing hopes that Utah would remain largely insulated from the nation's economic crisis. Economic reality, however, appears to have caught up to Utah during 2008, slowing both the number of people moving here and the state's total population growth. Still, Utah has inched to nearly 2.8 million people in the 12 months ending June 30, 2008.

In recent years, Utah boasted some of the best appreciating housing markets in the nation, but the state has now fallen to number 29 for housing-price appreciation. Home prices in Utah fell 1.64 percent in the third quarter of 2008, compared with the same period a year earlier. Nationally, home prices declined 4 percent for the year-over-year period. Mortgage rates are now at their lowest level in 40 years, but prospective home buyers seem to be waiting to see if they will go yet lower.

Other indicators reflect the effects the national recession is having on Utah and the intermountain west. For example, the tight global credit market is forcing some Utah

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