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FINANCIAL PLANNING SERVICE

Dear Client:

Due to increased client interest in financial planning, I continue to provide quarterly updates on the investments I recommend. Clients that actively use our services are aware that:

- 1) A large percentage of the investments I recommend are in the S & P 500.
- 2) I only recommend investments that my family actually owns and that we follow daily.
- 3) I am paid only on a fee basis for the time spent reviewing your portfolio and making recommendations.
- 4) I am not a registered investment advisor. Due to the fact that I only provide investment advice as an incidental part of other services, I am able to qualify for the accountant's exemption from registration.
- 5) I chart recommended investments on a spreadsheet in order to review them and to update clients on the results.
- 6) Finally, I am not a market timer. The strategy followed is buy and hold. This strategy reduces trading costs, taxes, and planner fees.

Currently, I recommend eight mutual funds. My family also has three self directed individual stock portfolios that attempt to outperform the S & P 500 due to lower costs and superior stock selection. I consider myself a value investor that likes reasonably priced technology stocks. The actual results are as follows:

	2002 (12 mos.)	2003 (12 mos.)	2004 (12 mos.)	2005 (12 mos.)	2006 (12 mos.)	2007 (12 mos.)	2008 (9 mos.)
Mutual Funds							
#1 VTSM	(21.0%)	31.4 %	12.5%	6.0%	15.5 %	5.5 %	(18.5%)
#2 MS DG	(19.4%)	27.0 %	7.7%	5.2%	11.2 %	3.9 %	(19.6%)
#3 VW	(22.3 %)	37.0 %	13.4%	5.1%	19.4 %	3.2 %	(25.8%)
#4 VS	(12.7%)	22.7 %	10.5%	7.4%	11.6 %	6.6 %	(9.8%)
#5 MS GDG	(13.6%)	31.0 %	13.8%	6.0%	21.0 %	6.7 %	(26.3%)
#6 VIG	(17.8%)	34.4 %	19.0%	14.9%	26.0 %	16.0 %	(28.2%)
#7 VWII	(16.9%)	30.1 %	18.3%	7.0%	18.2 %	2.2 %	(19.2%)
#8 V500	(22.1%)	28.5 %	10.7%	4.8 %	15.6 %	5.4 %	(19.3%)
Individual Stock Funds							
#1 JMP (25)	(13.7%)	37.9 %	15.3%	7.3%	29.1 %	(13.0%)	(20.8%)
#2 MCP (82)	(21.8%)	30.8 %	14.1%	8.9%	14.8 %	3.8%	(19.7%)
#3 WEB (40)	(21.0%)	24.6 %	12.3%	7.7%	20.4 %	21.1%	(27.7%)

Please call if you have any questions regarding my investment planning services. These services are offered to our clients strictly as an extra benefit. It is a pleasure to have you as a client.

Sincerely,
Mark C. Peters, CPA
President
Peters & Associates, CPAs, P.C.

Deducting home office won't lead IRS to audit

By Tom Herman
The Wall Street Journal

Even as more Americans work from home, many of them appear to be missing out on valuable home-office tax deductions, an Internal Revenue Service official said.

"It is questionable whether most taxpayers who are eligible to take the deduction actually do so," IRS National Taxpayer Advocate Nina Olson said in a recent report to Congress. She urged lawmakers to offer taxpayers a simpler, optional method of calculating the home-office deduction.

Among the reasons people don't take such deductions, she said, are the law's complexity and its record-keeping requirements.

Another reason: fear of being audited. "Some clients of this firm who are eligible don't take it," even after being told about the tax savings, said David A. Lifson, a certified public accountant and partner at Hays & Co. in New York City and president of the New York State Society of Certified Public Accountants. "Many people believe the home-office deduction is a red flag" for IRS agents.

Lawyers and other advisers say taxpayer fears of being audited are exaggerated. They say more people with legitimate home offices should consider claiming the home-office deduction, which would enable them to deduct the business portion of real-estate taxes, mortgage interest, rent, utilities, insurance and other items. They also say it's clear from IRS data that most people who claim the home-office deduction don't get audited.



Nearly 3.2 million returns claimed the home-office deduction for the 2005 tax year, the latest year for which statistics are available, said IRS spokesman Eric Smith. That's up from nearly three million returns for 2004.

But the IRS report said of the nearly 20 million filers who sent in Schedule C (for sole proprietors) for 2003, only about 2.7 million claimed the deduction.

Among taxpayers who do claim the deduction is Barbara Weltman, an attorney and author of several books on small-business tax matters. Weltman works in a 12-by-25-foot office built specifically as an office in her home in Millwood, a suburb of New York City. She said she has taken home-office deductions since the early 1980s and has never been audited over the issue.

Weltman said she makes sure to follow the rules — such as using her home office only for business and making sure it clearly is her "principal" place of business. She also takes photographs of her office each year and has them time-stamped, just in case she is challenged.

"Suppose you're using your home office now. But three or four years from now, you may be audited and, by that time, you may have gone back to work and are no longer using the space for work," she said.

LAY LOW:

Steps to take to reduce your chance of being audited

By Teresa Dixon Murray
Newhouse News Service

In 2000, the average tax refund was \$1,800. Last year, the average refund was about \$2,700 for people who get direct deposit, which accounts for the majority of refunds.

And the number of Internal Revenue Service audits has more than doubled since 2000.

In 2001, only about one in every 170 filers was audited. Last year, it was about one in 98. The IRS wants to get it back closer to 1996 levels, when one out of 62 filers was audited.

There's no foolproof way to avoid audits. But here are some things you can do to avoid sending up red flags with your return:

Make sure you report every last shred of income.

While deductions are more subjective and more difficult for the IRS to track, the agency gets electronic files on all the money you take in as an employee, independent contractor, day-care provider, investor and so forth. "If there's a 1099 out there, they'll definitely send you a notice on that," said Paula DiVencenzo, a certified public accountant in Akron, Ohio.

Be sure you can defend everything in your return without wincing.

People shouldn't be shy about taking deductions or credits they're entitled to. But here's a good rule of thumb: If it would take an attorney to justify what you've done through some bizarre interpretation of the law, then don't claim the deduction.

If you're wealthy, brace yourself for a notice.

The IRS audits people with incomes above \$100,000 at much higher rates. If you make more than \$200,000, you're even more likely to get audited.

Don't embellish your charitable contributions.

Starting with this tax season, you have to have documentation from the charity for every dime you donated in cash or goods. If you claim too many contributions, you might send up a flag. So don't claim the write-offs if you can't document them to the IRS.

Make your return as polished as possible.

If it's e-filed, be sure everything is filled in properly. If you mail it, make sure it's typed or neatly printed. Messy returns raise eyebrows at the IRS.

Use care with gambling losses.

High gambling losses raise eyebrows.

Realize software isn't a miracle worker.

While tax preparation software has gotten really good, it's not for everyone. If you're dealing with issues such as rental properties or small-business income, don't be stubborn or cheap.

Don't underpay your taxes.

People must pay at least 90 percent of their current year's tax liability, or 100 percent of the previous year's tax liability, or else face a penalty. And if the IRS nabs you for underpayment, count on enforcement workers crawling through other parts of your return.



TIPS

for finding the right tax professional

1

Decide if you need one. Taxpayers who have experienced a significant lifestyle change could benefit from the help of a tax professional.

2

Consult people you trust. Ask family members and friends for recommendations.

3

Find a good fit. Do the preparers specialize in individual returns or small business returns?

4

Ask about compensation. Some firms charge by type and number of forms, but most charge based on the time needed to prepare returns. The cost to prepare federal and state returns without itemized deductions averaged \$115, according to a survey by the National Society of Accountants.

5

Different strokes for different folks. Many tax preparers are certified public accountants; others are enrolled agents. There also are trained professionals working at commercial tax preparation chains. Some attorneys will complete clients' returns.

6

Buyer beware. If someone hasn't even looked at your records but promises a big refund, that's someone to avoid. Another red flag is raised by preparers who want to be paid a percentage of the consumer's refund, because their work might not hold up in an audit.

Source: The Associated Press

Law Firms Boost Hiring To Diversify Practice Areas

BY NATHAN KOPPEL

The economic downturn has forced many law firms to downsize and cut spending. But a smaller group is on the prowl, looking to expand even as their earnings are falling.

Firms with relatively strong balance sheets are hiring lawyers from competitors that are hurting from the dropoff in mergers, debt offerings and other staples of the legal business. Leaders of these firms figure that being bigger and more geographically diverse will help them weather downturns in particular market sectors and capitalize on complex business opportunities that require a variety of specialties. In most cases, they're even giving the new hires raises.

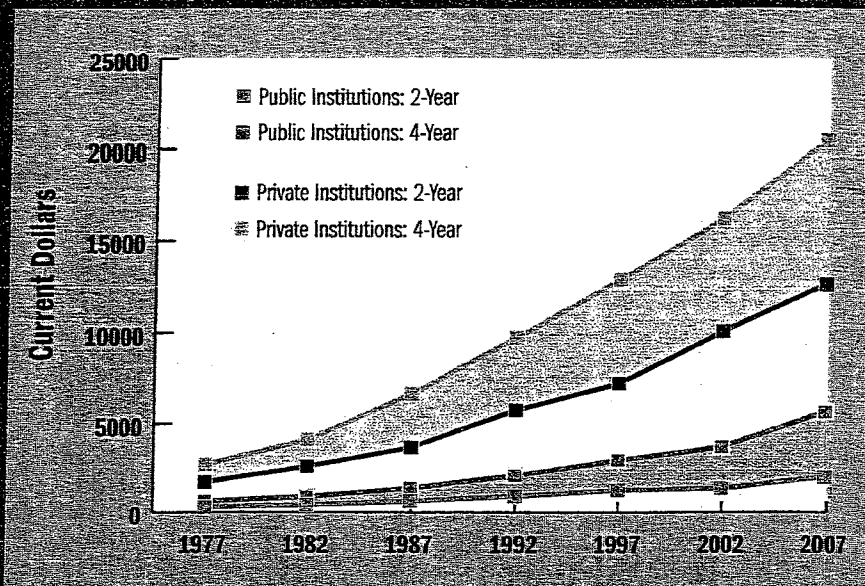
Last month, **Heller Ehrman LLP**, a San Francisco-based firm with about 600 lawyers, voted to close its doors, in part because of the economic downturn. In recent weeks, many firms have come forward to pick up Heller's pieces. On Thursday, **Orrick, Herrington & Sutcliffe LLP** of San Francisco plans to announce it is hiring at least 27 Heller partners. Orrick's profits per partner may be down this year for the first time in decades, partly because of costs associated with hiring new partners, but the firm remains in growth mode, says Chairman Ralph Baxter. "We have a long-term growth strategy, and we try to act on that and not to overdose on short-term economic results," says Mr. Baxter, who last month engineered the acquisition of a small German law firm.

The growth strategy being pursued by some firms can be risky, with demand falling for many services.

K&L Gates LLP has acquired medium-size firms in Texas and North Carolina this year and hired 45 partners from other firms. "We have no debt—no long-term debt, no short-term debt—and therefore have a balance sheet that allows us to grow aggressively into a downturn," says Peter Kalis, chairman of the 1,700-lawyer firm.

Other firms are shelving growth plans until the economy rebounds. Law-firm mergers in the first three quarters of 2008 totaled 58, up from 44 a year earlier. But mergers slowed in the third quarter, according to data released this week by the legal consulting firm Altman Weil Inc.

Average Annual Undergraduate Tuition and Fees for Full-time Students in Degree-Granting Institutions



Source: NCES 2008

