

# IT'S THE ECONOMY \$TUPID

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With the advent of our presidential election upon us it is critical that our candidates are specific on the issues at hand. According to a recent poll by the New York Times/ CBS News (March 28- April 2), 32% of those polled ranked the economy as the most important problem facing our nation today, which is an increase of 7% from October 2006. The War in Iraq as a concern went from 27% to 15% since October 2006. Most of the major economic indicators have shown that we are on the verge of a recession. Although Federal Reserve Chairman Ben Bernanke has predicted a slight growth of 1.3 and 2.0% in 2008, he has finally admitted on Wednesday that “a recession is possible”. Almost every economic indicator for the nation has shown a decline over the last three months. Total construction spending decreased for the fifth month in a row, with residential construction nearly 19% below its 2007 number. Existing home sales were 24% below February 2007 and new home sales were 30% below February 2007 level. The Conference Board's index of consumer confidence plunged 11.9 points to 64.5 which denote numbers normally associated with a recession. If prior recessions are any guide to the party in power, the Republican Party lost the 1960 Presidential election (JFK vs. Nixon) and the Democrats lost both the Presidency and the Senate in 1980 due to the recessions in those years.

So how will this affect our upcoming election? We salvaged Bear Sterns with

the consumer's money, so why can't we protect the homeowner and stabilize our economy? The key to the election will be to the candidate who has a well thought out game plan that will rescue



our economy through our housing sector. What separates our nation from the rest of the world? The American dream of owning your own home. The key to recovery is in the housing sector. It is the origin of the turmoil in the credit markets, and tighter credit conditions are the biggest threat

to overall growth. The bad news is that it is going to take time to fix. The good news is that the Fed reserve, Congress, and the White House are looking at ways to rebuild our nation by creating greater liquidity with \$200 billion of mortgage backed securities and rate cuts. But the recession is cutting into the demand for homes as well as the ability to keep jobs to maintain existing home mortgages. The future is uncertain and the candidates must face this issue with a strong financial plan. They must help the existing homeowners, while stabilizing the home market with those who have maintained a good credit rating. The candidate that develops the best plan without too much rhetoric will win the election, if the public confidence is behind them.

The greatest investment and tax write-offs are with real estate. Mortgage interest on a home is fully tax deductible. The points paid for closing is tax deductible. Thanks to the 1997 Tax Act, once every two years, single homeowners can realize a tax exempt profit of up to \$250,000 as long as the seller owned and occupied the home as a principal residence during the last five years. Real estate and property taxes are deductible. Costs associated with qualified home offices are tax deductible. Even vacation homes can qualify for tax deductions with their real estate and property taxes as well as mortgage interest as a second home. Therefore, if the market is unsure and you need to diversify your portfolio, real estate with the glut of foreclosures is a great investment.