

FINANCIAL insight

Spring 2008

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A few
thoughts on
a turbulent
market



D.A. DAVIDSON & CO. member SIPC
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A few thoughts on a TURBULENT MARKET

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In my three decades in the securities business, the past few months rank among the most volatile I have experienced. These are the times that try investors' souls. It is also a time that will lead to significant profits for those who weather the storm preceding sunny days to follow.

Most areas of the markets have been pummeled. The exception, of course, has been in the commodities arena: oil, metals and agri-products. In general, this has been a result of huge excesses in the real estate market aided by truly obscene lending and borrowing practices. The unwinding of this bubble has led to the freezing of many parts of the credit markets and rapid deterioration of values of many credit instruments comprised of mortgages. The dominoes have toppled as banks have found their balance sheets impaired and have been forced to remove liquidity from many areas of the credit markets. Many "players" just picked up their ball and went home.

What course of action is prudent for individual investors now? Don't panic! Commit cash reserves slowly into broadly diversified, high-quality equities. This does not mean speculation on companies that are teetering on the abyss. Many will recover; some will fail. Avoid speculation.

Opportunities in the bond market are significant. In particular, municipal bonds are quite compelling, with tax-exempt yields surpassing those of taxable government bonds. This anomaly creates a great environment for municipal securities. Bonds issued by agencies of the U.S. government likewise have seen yields rise to high levels relative to Treasury instruments. Take advantage of these high "spreads" available in high-quality agency bonds and notes. Conversely, avoid speculative low-quality bonds. It is not the time to search through the junk pile.

When will the markets return to greater predictability, stability, sweetness and light? That we cannot pretend to answer. In the past, it has occurred when people have capitulated to the fears portrayed by the media. The faint-hearted will miss the ensuing recovery.

Record Retention

In response to reader inquiries about record organization and retention, D.A. Davidson & Co.'s Wealth Planning Department has created a rather nice summary that details suggestions on retention times for individuals and businesses. The summary appears on the next two pages.

In addition, Davidson Trust Co. has created "What My Family Should Know," a planning booklet that allows you to record vital information that

your family or representatives can use to help settle financial affairs in the event of your death. This booklet can be obtained from a local D.A. Davidson office or via a trust officer at (406) 791-7320 or (800) 634-5526.


For families and individuals, a convenient manner to store your records is in a well-labeled accordion file. When you keep your important documents in a central

location in this manner, it certainly makes matters easier in the event you need to retrieve them for any purpose. It may not be a bad idea to buy a small, fireproof lock box for this purpose. Some documents should be kept in duplicate with one copy held offsite so that it's not affected by any catastrophic event. Having a home inventory for insurance purposes doesn't do a lot of good if it, too, goes up in flames along with your home.








HOUSEHOLD RECORDS

These are general guidelines only. If in doubt, retain records in question.

Record Type	Retention Time	Rationale
FAMILY		
<p>✓ Advisors (ex. financial consultant, attorney, accountant)</p> <p>Insurance</p> <ul style="list-style-type: none"> life health vehicle property umbrella <p>Health-care provider</p> <p>Licenses to practice</p> <p>Education and employment</p> <p>Birth certificates</p> <p>Death certificates</p> <p>Adoption certificates</p> <p>Custody agreements</p> <p>Citizenship</p> <p>Military records</p> <p>Copyrights and patents</p> <p>Employment</p> <p>Passport</p>	<p>Permanently, until changed</p> <p>Expires or is redeemed</p> <p>Expires</p> <p>Expires or vehicle sold</p> <p>Expires or property sold</p> <p>Expires or is redeemed</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p> <p>Permanently</p>	<p>Name, address, phone for referral if needed for emergency¹</p> <p>Keep all insurance information to include: Policy number, name of insured, beneficiary, company, agent, amount of coverage¹. If policy expires, retain for 4 years beyond expiration³.</p> <p>Document name of provider where records are filed¹. Keep in a secure place¹. Document qualifications and employment history¹.</p> <p>Eligibility status with Veterans Affairs¹</p> <p>Proof of ownership rights¹</p> <p>Proof of spouse earnings (estate tax savings)¹</p> <p>Can be used to obtain new passport¹.</p>
PROPERTY		
<p>✓ Vehicle titles, bills of sale</p> <p>Home inventory</p> <p>Guarantees and warranties</p> <p>Abstract for real estate</p> <p>Burial lot</p>	<p>Life of Vehicle</p> <p>Life of Property</p> <p>Life of Property</p> <p>Expiration or Life of Property</p> <p>Permanently</p>	<p>Proof of ownership, value¹</p> <p>Video or pictures, documented value, kept off-site¹</p> <p>Needed for proof of purchase¹.</p> <p>Prove clear title¹</p> <p>Note plot numbers, proof of ownership¹.</p>
FINANCIAL		
<p>✓ Bank statements</p> <p>Cancelled checks</p> <p>Brokerage statements</p> <p>Investment confirmations</p> <p>Home improvement records</p> <p>Mortgage records</p> <p>Government bonds</p> <p>Mutual fund statements</p> <p>Pension and profit-sharing statements</p> <p>Social Security statement</p> <p>Pay stubs</p> <p>Contracts/notes/debts</p> <p>Credit card statements</p> <p>Account books</p> <p>Tax returns</p> <ul style="list-style-type: none"> federal state 	<p>7 years</p> <p>7 years</p> <p>7 years</p> <p>Permanently</p> <p>7 years</p> <p>3 years after paid</p> <p>Permanently</p> <p>7 years</p> <p>Permanently</p> <p>Year to Year</p> <p>Until you get a new stub</p> <p>Life of Property, debt</p> <p>1 month to 7 years</p> <p>7 years</p> <p>7 years to permanently</p> <p>7 years to permanently</p>	<p>If needed for tax purposes²</p> <p>If needed for tax purposes²</p> <p>If needed for tax purposes²</p> <p>If needed for tax purposes²</p> <p>Certain deductions may apply²</p> <p>If needed for tax purposes²</p> <p>Income tax, gift tax report, replacement if lost, estate settlement¹</p> <p>If needed for tax purposes²</p> <p>Document contributions and payments¹.</p> <p>Discard old statement when new statement arrives³.</p> <p>Keep all year-end statements permanently¹.</p> <p>Prove status for estate settlement¹.</p> <p>Depends upon personal/business uses².</p> <p>If needed for tax purposes²</p> <p>Supporting documents 6 years²</p> <p>Supporting documents 6 years²</p>

Record Type	Retention Time	Rationale
 LEGAL Will Power of attorney Living will Trust agreements Marriage certificates Divorce decree	Permanently, or until updated	Keep a copy of all legal/estate documents at home, with originals with your attorney or keep them in a safety-deposit box or other secure location. It is advisable to notify someone as to the location of the original documents. Destroy all outdated copies to avoid confusion or mistakes in the dispersal of your estate. Update as needed as your financial/family situation changes.

SMALL BUSINESS RECORDS

 GROSS RECEIPTS Cash register tapes Bank deposit slips Receipt books Invoices Credit card receipts Forms 1099-MISC	7 years	Keep all documents that prove income received from your business. Also keep supporting documents that show amounts and sources of the income ² .
 PURCHASES Canceled checks Cash register tapes Credit card receipts Invoices	7 years	These are items you buy and resell to customers. Keep all documents that show the amount paid, and that the amount paid was for a purchase ² .
 EXPENSES Canceled checks Cash register tapes Account statements Credit card receipts Invoices Petty cash receipts	7 years	Documents should show the amount paid and that the amount was for a business expense ² .
 TRAVEL, TRANSPORTATION ENTERTAINMENT, GIFTS Airline ticket receipts Rental car receipts Hotel receipts Meals, misc. expenses	7 years	If you deduct travel, transportation, entertainment, or gifts, you must keep documentation to prove certain elements of the expenses ² . See IRS publication 463 for detailed explanation.
 ASSETS Property Machinery Furniture	7 years	You will need to keep documentation that shows cost basis, current value and records to compute depreciation and gain or loss when asset is sold ² .
 EMPLOYMENT TAXES	At least 4 years	Keep all records of employment ² .
 FARM/AGRICULTURAL	For specific information, refer to IRS publication 225, Farmer's Tax Guide.	

Contributing Sources:

1. *Your Important Papers: What to Keep and Where*, Goetting, Marsha A., Ph.D., CFP, CFCS. Professor and MSU Extension Family Economics Specialist. Reprinted, May 2004. Montana State University
 To obtain a full copy of this document, please visit: <http://www.montana.edu/wwwvpb/pubs/mt9611.pdf>
2. Internal Revenue Service, Publications 552, 583 and 225, <http://www.irs.gov>. Accessed January, 2008
3. The Oechli Institute, *Document Retention Guidelines*, www.oechli.com. Accessed January 2008

These are general guidelines only. If in doubt, retain records in question.