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From the Desk of Elaine & Scott Manley

January 2009



Wealth Building Seminar Series Returns!

January 21, 2009
Money Management and
Expense Tracking

February 18, 2009
Principles of Investing
and Education Funding

March 18, 2009
Planning for Retirement

May 13, 2009
Social Security and Life
Coaching

July 22, 2009
Estate Planning

September 23, 2009
Protecting Yourself and
Your Family: Life and
Long Term Care
Insurance

November 11, 2009
Tax and Financial
Planning

Location:
Waddell & Reed Office

Time: 7:00 – 9:00 pm

Please call Cindy at
408-963-2870 to RSVP.

The seminars are free.
Bring a friend!

Securities and Investment Advisory
Services offered through Waddell &
Reed, Inc., a Broker/Dealer, Member
FINRA/SIPC and Federally Registered
Investment Advisor.

2008: The Year that Changed Wall Street

Hello Everyone,

2008 was one of the worst years in the US stock market in the past 80 years. Volatility in the US stock market was higher than some people thought possible, with as much as 10% movement up and down in a day! The low for the U.S. stock market in 2008 occurred on November 20th. Since then, we have seen the market moving upward, with volatility decreasing and the U.S. stock market returning more to normal.

We saw amazing bankruptcies and bailouts of banks and insurance companies in 2008. What may not have been as visible is that the structure of Wall Street was fundamentally changed in the past few months. At the beginning of 2008, there were 5 large investment banking companies: Goldman Sachs, Morgan Stanley, Merrill Lynch, Lehman Brothers and Bear Sterns. Investment banks were not regulated as closely as commercial banks. For example, commercial banks are allowed to loan \$9 for every \$1 held in reserve. The investment banks, without this regulation, were reported to have loaned out as much as \$30 to \$1. This ratio is known as leverage.

The investment banking companies that purchased larger amounts of mortgage

backed securities had troubles. In March, the Federal Government helped J.P. Morgan buyout Bear Sterns. In September, the government allowed Lehman Brothers to file for bankruptcy. Merrill Lynch, trying to avoid the same fate, was purchased by Bank of America. The remaining two companies, Goldman Sachs and Morgan Stanley agreed to become commercial banks. These companies went from investment banks, with relatively low regulation, to commercial banks, with higher regulation.

We think it will be years before the true significance of this change will be understood. The events of this year showed the problems that can occur with some of the complex investments used by the investment banks. We also saw hedge funds run by Bernie Madoff accused of being a \$50 billion Ponzi scheme.

Waddell & Reed has been in business since 1937. We use investments that are highly regulated and completely transparent. We work hard to achieve and keep your confidence and trust. We are at Waddell & Reed because we have found it to be a company of honest and trustworthy people. Lets have a much better 2009!

Elaine

Scott

Waddell & Reed Office Closed for Remodeling January 24 – January 30

We are expanding our office and making upgrades that includes painting and new carpeting. The improvements will include some asbestos removal, so we will be moving out all the furniture and the offices will be unavailable for the week. We will have limited access for meeting with clients in Suite 480. Elaine and Scott

will be working from home for the week and our phones will be forwarded there. We will be available to help you with anything you need during the week, but we will not be scheduling appointments for that week, unless there is something urgent.



We thank you for your business and we're never too busy for your referrals.

Contribution Limits for 2008 & 2009

Remember to contribute to your Traditional IRA, Roth IRA and SEP IRA by April 15, 2009.

The table below lists the contribution limits for retirement and education savings accounts for tax years 2008 and 2009.

	Tax Year 2008	Tax Year 2009
IRA , deductible, Annual Contribution Limit	\$5,000	\$5,000
- Age 50 and over annual catch-up	\$1,000	\$1,000
- Adjusted Gross Income Limit, Single Filers	\$53,000 - \$63,000	\$55,000 - \$65,000
- Adjusted Gross Income Limit, Joint Filers	\$85,000 - \$105,000	\$89,000 - \$109,000
IRA , non-deductible, Annual Contribution Limit (No AGI Limit)	\$5,000	\$5,000
- Age 50 and over annual catch-up	\$1,000	\$1,000
Roth IRA, Maximum Contribution	\$5,000	\$5,000
- Age 50 and over annual catch-up	\$1,000	\$1,000
- Adjusted Gross Income Limit, Single Filers	\$101,000 - \$116,000	\$105,000 - \$120,000
- Adjusted Gross Income Limit, Joint Filers	\$159,000 - \$169,000	\$166,000 - \$176,000
401(k) & TSA , Annual Contribution Limit (No AGI Limit)	\$15,500	\$16,500
- Age 50 and over annual catch-up	\$5,000	\$5,500
Simplified Employee Pension (SEP)	Lesser of \$46,000 or 25% of compensation (at or below \$230,000)	Lesser of \$49,000 or 25% of compensation (at or below \$245,000)
SIMPLE IRA, Annual Contribution Limit (No AGI Limit)	\$10,500	\$11,500
- Age 50 and over annual catch-up	\$2,500	\$2,500
Coverdell Education Savings Account, Annual Contribution Limit	\$2,000	\$2,000
- Adjusted Gross Income Limit, Single Filers	\$95,000 - \$110,000	\$95,000 - \$110,000
- Adjusted Gross Income Limit, Joint Filers	\$190,000 - \$220,000	\$190,000 - \$220,000

Notes: 1. The annual gift tax exclusion is \$12,000 in 2008 and **\$13,000 in 2009**.
2. The estate exclusion is \$2 million in 2008 and \$3.5 million in 2009.

The information contained in this newsletter is for informational purposes only. It should also not be construed as advice meeting the particular investment needs of any investor and does not constitute a solicitation for the purchase or sale of any security. Waddell & Reed does not provide legal or tax advice. Please discuss any financial matters with qualified professional prior to making financial decisions.

Visit our website at www.manley.wra.com

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