

# Navigating The Economic Crisis



The current financial crisis has caused great concern among American citizens, creating fear about their own financial futures. It may be the only subject able to divert attention from the historic, national election facing our country. Debates and town hall meetings have been dominated by a focus on winning the war of financial recovery as opposed to the war in Iraq or Afghanistan. We are witnessing some of the darkest times in U.S. economic history. Warren Buffett, one of the most respected investors and wealthiest individuals in the world, has described this financial crisis as an “economic Pearl Harbor.”

Last week, the federal government responded by passing the “Emergency Economic Stabilization Act of 2008.” The purpose of the relief program is to bolster the U.S. financial system by restoring investor and consumer confidence, finding a workable and flexible plan to dispose of troubled assets and ultimately restructuring the financial markets. This legislation is the largest public investment in American history. It is almost impossible for the average citizen to truly understand or appreciate the scale of this government intervention. No matter how you feel about this legislation, it’s hard to deny something dramatic needed to be done to revive our ailing economy.

The federal government’s action is likely just the first of many actions to get our economy going in the right direction. On Wednesday of this week, central banks around the world cut short-term interest rates in order to stabilize global economic markets. Clearly, historic times call for historic measures.

As a socially responsible company committed to helping our employees, customers, shareholders and communities navigate through these difficult times, we believe it is Uninvest’s role to help you understand what the relief package means. But, before we go into detail about the relief package and what it means to individuals and businesses, I’d like to take a minute to remind people that what they’re seeing in the headlines and on TV is more focused towards Wall Street than Main Street. At Uninvest, our focus remains on how we can continue to help our Main Streets thrive. We’re not changing our approach to business. Our disciplined business practices have stood the test of time for 132 years. We continue to be committed to supporting and strengthening our local economy. As we talk about the details in last week’s legislation, let’s remember the Stabilization Act is a plan to minimize the impact Wall Street has on our Main Streets.

As a starting point to the recent legislation, we believe it’s important to understand why it was needed. The sub-prime mortgage crisis reached a critical stage in recent weeks, characterized by severely contracted liquidity in the global credit markets – what has commonly been termed a “credit crunch.” When financial institutions stop lending money, economies grind to a halt – wages decline, corporate investment slows, consumer spending drops, housing, auto and other retail sales fall and unemployment rises. The problem will continue to worsen unless money starts flowing again. And, the United States government is the only entity with the resources and capability to affect the change we need at this point.

This brings us to the Stabilization Act. While the details can be overwhelming for anyone to understand, there are many relief initiatives outlined in the bill to help individuals. Here are some of the key initiatives which we believe are most relevant to our customers, employees and communities.

- A temporary increase in the amount of deposits insured by the FDIC. Limits were raised for each insured account from \$100,000 to \$250,000 through December 31, 2009, giving consumers an opportunity to save more without any risk.
- The benefits outlined in the "Mortgage Forgiveness Debt Relief Act of 2007" will be extended to qualified homeowners through 2012.
- Through the end of 2008, taxpayers hounded by the alternative minimum tax will gain an immediate respite with exemptions increasing to \$46,200 for individuals and \$69,950 for joint filers. This extension of tax exemptions will benefit 24 million middle-class taxpayers.
- Several extensions of expiring family and business taxes were included:
  - For homeowners who don't itemize their property taxes, they will receive an extended \$1,000 maximum break through 2009.
  - A two-year extension of the option to deduct state and local general sales taxes, the above-the-line tax deduction for qualified higher education expenses, and the above-the-line deduction for up to \$250 of educators' expenses.
  - Extensions through 2009 of the ability of qualifying taxpayers to make tax-free contributions from their IRA plans to qualified charitable organizations.
- Parents facing college bills will also get some relief. The Hope Scholarship, a tax credit that applies to the first two years of post-secondary education, was doubled to a maximum \$3,000. And, its companion, the Lifetime Learning Credit, was also doubled to as much as \$4,000.

These are only a few highlights of the complex bill to aid our ailing economy. It will take time for the relief package to work, and it cannot work without each of us accepting our share of personal responsibility. Over the last few weeks, we have reminded everyone that this is a good time to increase your savings and ask yourself if you are living within your means. The best safety strategy during difficult economic times is to examine your financial liquidity and determine if you have enough insured funds to see you through any personal financial challenges. But, let me be clear, we are not advising you to pull out of your uninsured investments. Any strong financial portfolio consists of a diverse mix of cash, equities and bonds. Unsophisticated and emotional investors sell during these times out of fear. History tells us this does more damage to one's portfolio. Savvy investors use these times to take advantage and buy good stocks and mutual funds when they are discounted, and profit for the future.

We hope this information has helped you gain a better understanding of the recent events. At Uninvest, we remain focused on exercising discipline as we carry out our solid business practices. We encourage you to do the same. It is our goal to help you remain confident and focused on achieving your financial dreams. And, our experienced financial advisors are prepared to meet with you at your convenience to address any of your personal concerns. Thank you for your continued trust in Uninvest.

Sincerely,



William S. Aichele  
Chairman, President and CEO, Uninvest Corporation  
[wsaichele@uninvest.net](mailto:wsaichele@uninvest.net)