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Weekly Financial Article for the Week of March 10, 2008

THE RULES TO GET YOUR REBATE

Don't miss out on the money the government wants to give to you.

This year, most married taxpayers (filing a joint return) are poised to receive a rebate of \$600 or more as a result of the economic stimulus plan that President Bush signed into law. But getting this great rebate isn't automatic. There are procedures to follow before you can find that check in your mailbox or those added funds in your bank account.

You must file a return. The key thing to remember is: you must file a 2007 federal income tax return to get a rebate.¹

If you are retired and your taxable income is very low, you may not have filed a federal tax return for years. Do it this year, or wave goodbye to your rebate.

If you are a low-income retiree ... you may think your earned income is too low to qualify for a rebate. But if you received at least \$3,000 in earned income, SSI or certain veterans' benefits in 2007, you qualify for the minimum rebates of \$300 for singles and \$600 for married couples - even if you aren't projected to owe taxes for 2007.²

Retirees with 2007 earned income of at least \$3,000 in wages, Social Security benefits, certain veterans' benefit payments and railroad retirement benefits should report this amount on Line 20a on Form 1040 or Line 14a of Form 1040A. Aside from that, on your 2007 1040 or 1040A Form provide your name, address and Social Security number, and write the words "Stimulus Payment" at the top of the form. Follow these steps, mail it in, and you are eligible for a rebate.³ (If you've already filed a federal return stating that you earned less than \$3,000 in 2007 but have since discovered that you qualify for a rebate, you can file an amended return using Form 1040X.³)

If you are a middle-income retiree or a high-income retiree ... file your federal tax return as usual. If you have earned more than \$3,000 in qualifying income, the IRS will simply process your 1040 Form and issue a rebate. If your adjusted gross income is more than the caps of \$75,000 for single filers and \$150,000 for joint filers, you may get only a partial rebate or no rebate at all.²

Make sure you file on time. The IRS will begin issuing these rebates in May, but if you file after April 15, your rebate check may arrive weeks or months later.² If you owe back taxes or child support, the IRS may garnish part of your rebate as it sees fit.⁴

In the coming weeks, the IRS will send you two notifications. The first will explain the rebate program, and the second will confirm the amount of your rebate. (The second mailing will probably arrive 7-10 days before you get your rebate check, or at about the same time a direct deposit rebate is made.)

The 1973-75 recession. Ah, yes. Remember waiting in line for gas? Remember buying gas only on even or odd days according to your license plate? This one occurred not only due to the OPEC embargo, but also as a byproduct of the U.S., U.K., and other key nations going off the gold standard in the early 1970s. That move devalued the dollar and other benchmark currencies. So in October 1973, OPEC decided to price oil relative to the price of gold instead of the value of the dollar. Its member nations also cut production levels. Over the next few months, crude oil prices quadrupled.⁸ Commodities prices took off. The bull market in commodities lasted until the dawn of the 1980s. When the OPEC embargo hit, Wall Street was already in the middle of a bear market. Yet just a short time later, in July 1976, the Dow hit 1,011, its highest point between January 1973 and October 1982.⁵

Some perspective. Until the last quarter-century or so, recessions commonly and cyclically occurred every few years. Only two post-WWII recessions have lasted longer than a year.¹ Some analysts feel this is due to the evolution of the U.S. economy over the years: today, consumer spending and the service sector are huge drivers, not just manufacturing. While no one has a crystal ball, what is apparently the first recession in seven years may fall in line with recent economic examples, to have only brief and temporary effects.

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