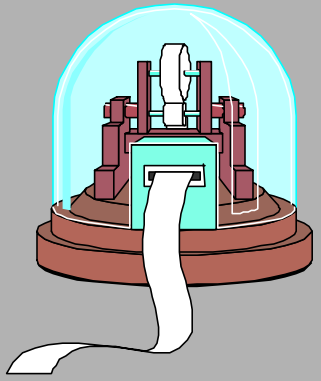


Blue Chip News

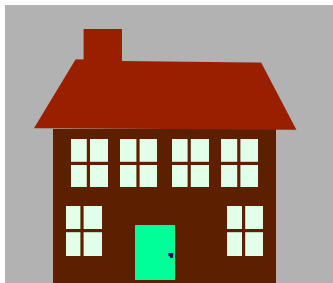
September 30, 1999

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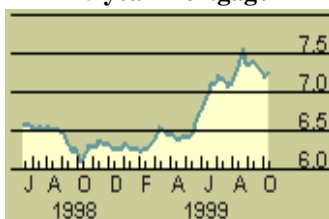


Need help with college cost check out the articles on the Hope Scholarship and Life Time Learning Credit.



Mortgage rates are climbing 15 and 30 year mortgages

15 year mortgage



BCFP'S Market Outlook

The stock market saw some extreme volatility as the third quarter came to a close. For the quarter, the bench market index, the S&P 500 closed at 1282.71 down 6.56%. I feel the market is at or very near a bottom. I believe we will see a decent gain in the fourth quarter. I think third quarter earnings reports that will start to come out in early October will get the market out of this down turn that we have been in for the last month or two.

Y2K

I do not think there will be many problems relating to Y2K but the fear of this event is very real. It may cause great anxiety in the financial markets and may produce some very large losses. I am not predicting this nor do I feel this will hap-

pen, but if real fear sets in, it could get very ugly. All I can tell you is what I am hearing and what I know to be fact. First and foremost, the financial system seems to be ready for Y2K. Banking regulators and the Security and Exchange Commission sent out forms and surveys earlier this year to financial institutions to find out if their systems are ready for Y2K. BCFP also received these forms and surveys. Let me tell you first hand, they were very comprehensive. The Electric and Gas companies seem to be working out some trouble that may have been there earlier this year. Also keep in mind, the financial markets will close on Friday 12/31/99 and will not open until Monday 01/03/00. This

means that if there are some unforeseen problems, companies will have all weekend to fix the problems before the markets reopen. My Y2K advice is this: I would not do any selling on the fears of Y2K. I understand that this is a very real concern for some people. Some even think the world is going to come to an end. If the Y2K issue is causing you great concern and you feel fearful, please reduce your exposure to financial assets. If you feel this way, the time to sell is now. If Y2K fear grips the markets, it will happen before the end of the year. You must feel comfortable with your investments and if selling makes you comfortable, then by all means do so.

Mortgage rates climb

Mortgage rates along with other interest rates have been rising. The 15 year mortgage is just off a three year

high. This has put a big damper on refinances but it has not effected home sales. I feel the Fed may raise interest

rates one more time. After that I think the Fed will stand pat. Interest rates are still low when you compare them to the last 10 years. So don't let that stop you from buying

Hope Scholarship

Articles from IRS Edited by BCFP

Beginning January 1, 1998, taxpayers may be eligible to claim a nonrefundable Hope scholarship Credit against their federal income taxes. The Hope Scholarship Credit may be claimed for the qualified tuition and related expenses of each student in the taxpayer's family (i.e., the taxpayer, the taxpayer's spouse, or an eligible dependent) who is enrolled at least half-time in one of the first two years of postsecondary education and who is enrolled in a program leading to a degree, certificate, or other recognized educational credential.

The amount that may be claimed as a credit is generally equal to: (1) 100 percent of the first \$1,000 of the taxpayer's out-of-pocket expenses for each student's qualified tuition and related expenses, plus (2) 50 percent of the next \$1,000 of the taxpayer's out-of-pocket expenses for each student's qualified tuition and related expenses. Thus, the maximum credit a taxpayer may claim for a taxable year is \$1,500 multiplied by the number of students in the family who meet the enrollment criteria described above.

The amount a taxpayer may

claim as a Hope Scholarship Credit is gradually reduced for taxpayers who have modified adjusted gross income between \$40,000 (\$80,000 for married taxpayers filing jointly) and \$50,000 (\$100,000 for married taxpayers filing jointly). Taxpayers with modified adjusted gross income over \$50,000 (\$100,000 for married taxpayers filing jointly) may not claim the Hope Scholarship Credit. Both the dollar limitation on the expenses for which the credit may be claimed and the modified adjusted gross income limitation will be indexed for inflation in 2002 and years thereafter.

Lifetime Learning Credit

Beginning on July 1, 1998, taxpayers may be eligible to claim a nonrefundable Lifetime Learning Credit against their federal income taxes. The Lifetime Learning Credit may be claimed for the qualified tuition and related expenses of the students in the taxpayer's family (i.e., the taxpayer, the taxpayer's spouse, or an eligible dependent) who are enrolled in eligible educational institutions. Through 2002, the amount that may be claimed as a credit is equal to 20 percent of the taxpayer's first \$5,000 of out-of-pocket qualified tuition and related expenses for all the students in the family. After 2002, the credit amount is equal to 20 percent of the taxpayer's first \$10,000 of out-of-pocket quali-

fied tuition and related expenses. Thus, the maximum credit a taxpayer may claim for a taxable year is \$1,000 through 2002 and \$2,000 thereafter. These amounts are not indexed for inflation.

If the taxpayer is claiming a Hope Scholarship Credit for a particular student, none of that student's expenses for that year may be applied toward the Lifetime Learning Credit. The amount a taxpayer may claim as a Lifetime Learning Credit is gradually reduced for taxpayers who have modified adjusted gross income between \$40,000 (\$80,000 for married taxpayers filing jointly) and \$50,000 (\$100,000 for married taxpayers

filing jointly). Taxpayers with modified adjusted gross income over \$50,000 (\$100,000 for married taxpayers filing jointly) may not claim a Lifetime Learning Credit. The modified adjusted gross income limitation will be indexed for inflation in 2002 and years thereafter. The definition of modified adjusted gross income is the same as it is for purposes of the Hope Scholarship Credit.

Note: College Roth IRAs are not tax free when used in conjunction with the Hope or Life Time Credit. However you can take a taxable distribution on your college Roth. I feel in most cases it is still beneficial to use the college Roth but each case must be look at separately.