

Pine Haven Investment Counsel, Inc.

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January 14th, 2012

Dear Clients, Prospects, and Friends

It's that time of year when we're deluged with reviews and lists of the past year as well as resolutions and forecasts for the coming year.

After all the dramatic moves in the S & P 500 in 2011, we only saw a 2.1% *gain*. This underscores a reason for *not* reacting to big swings. However, with the intensity and volatility of last year and the turning of the New Year, we've taken to increased introspection and reading. One of the more enjoyable and light reads has been "The Behavior Gap" by Carl Richards. Carl is an investment advisor and is known for his paper napkin illustrations of personal finance and investing (he is often highlighted in the *New York Times* Bucks Blog).

Glancing over the table of contents, you'll recognize that we share many values with the author. Chapter 3 is titled "Ignore Advice, Make Fun of Forecasts." His point, and repeatedly ours, is that advice is not one size fits all. What's appropriate for one individual or family will be completely unique from their neighbor.

Were you thinking of including a resolution regarding your finances this year? Consider one of our favorite quotes from Carl's book: "Financial Plans are worthless but, the process of financial planning is vital."

We're looking forward to our continuing discussions regarding your particular situation.

As you might see, we are in the process of personalizing your quarterly report to show a stated investment objective. Over the coming months we will be contacting you to ascertain your objectives to ensure that we have it correct. Perhaps your situation has changed?

Cheers to a happy new year full of comfort and joy,

-Paige

Paige Johnson Roth, CFA®
Principal

-Kori

Kori Allen, CFP®
Principal

The Emergency Economic Stabilization Act of 2008 and Year-End Reporting

Pine Haven Investment Counsel, Inc. – Commentary – 4th Quarter 2011

By Kori Allen, CFP® and Paige Johnson Roth, CFA®

This year-end commentary will concentrate on new regulations that effect taxable accounts and your taxes (not exciting but important and inevitable!). There are some significant new IRS tax reporting requirements that affect investors.

The goal of the Emergency Economic Stabilization Act of 2008 is to ensure that investors accurately report gains and losses of securities in their annual tax filings. This year will be the first time that custodians like Schwab will report some cost basis information to the IRS, as well as to you, the taxpayer.

To help facilitate the reporting process and make your tax preparation easier, Schwab has redesigned its *Form 1099 Composite* to include cost basis and gain/loss information. The new rules require brokerages to report cost basis information on any equity security purchased after January 1, 2011 (and on Mutual Funds starting after January 1, 2012). On the 1099 Composite form, these securities are called “covered” securities and will be the only ones reported to the IRS. Schwab is also reporting to you, the investor, cost basis information it has on all “uncovered” securities that were sold in the past year. The form notes which securities are covered and which are uncovered as this will be needed to complete the redesigned *IRS Schedule D (Capital Gain/Loss Schedule)*.

Cost basis is information that Pine Haven has provided to you (or your CPA) in the past in a report called the Gain/Loss Report. In the past year we’ve been working to match our information with what Schwab has on file so the 1099 Composite form will reflect the same information as our Gain/Loss Report. We will be reviewing the Schwab 1099 Composite forms against the Gain/Loss Report before sending these forms out to you in February (if they are needed).

As a courtesy, and to facilitate your tax filing, Schwab is also providing new information on the 1099 Composite form - some of the new features are listed below:

- Cost basis (what you paid for the security)
- Date the security was acquired
- Holding periods—assets are grouped by short-term and long-term
- An indication if the cost basis is covered by the legislation (covered/uncovered)
- Summary of fees (in case you can deduct these from your taxes!)

Additional Resources are available from our website: www.pinehaveninv.com.

If you, or your tax advisor, have any questions or would like to schedule time to review the new form and discuss the changes, please don’t hesitate to contact us.