

**Dave Kaufmann**

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**From:** Dave Kaufmann [dkaufmann@kaufmann-cpa.com]  
**Sent:** Thursday, October 16, 2008 3:38 PM  
**To:** dkaufmann@kaufmann-cpa.com  
**Subject:** Tax & Finance Newsletter - Buying Mutual Funds in 2008

**FROM THE YOU'VE GOT TO BE KIDDING DEPARTMENT:**

With the horrible things that have been happening to the stock market, you have one more thing to worry about when buying mutual funds before the end of the year - Capital Gains! This could be the case, even if the mutual fund drops in value for every single day that you own it this year. Let me explain.

Mutual funds, by law, must pass on any gains and losses to shareholders by the last day of the year. Some mutual funds enjoyed gains during the first half of the year. During the rest of the year, the mutual fund may have seen its value drop, but did not actually sell assets for losses. The investors that buys into that mutual fund later on in the year may get stuck for the gains from the first half of the year.

If you are interested in investing in a mutual fund before the end of the year, please contact the mutual fund to see if you will get stuck with "phantom" capital gains.

**THIS IS NOT A RECOMMENDATION TO BUY OR NOT TO BUY MUTUAL FUNDS!** I just want you to know about this potential tax trap.

Dave

David M. Kaufmann, C.P.A.  
7200 S. Alton Way, Suite B195  
Centennial, CO 80112  
Voice: 720-493-4804 Fax: 303-796-7768  
*Referrals are appreciated!*  
<http://www.kaufmann-cpa.com>

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