



FINANCIAL IQ

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Year-End Tax Planning

Benjamin Franklin once said, "The only things certain in life are death and taxes", although it seems the only certain thing surrounding taxes these days is uncertainty. Any forecast of future tax law is cloudy at best and planning effective tax savings strategies is a challenge, but remains important.

The following are a few tax planning measures that can be taken before December 31, 2010 to help plan and potentially reduce future tax liabilities.

2010 Year-End Income Tax Planning

- Complete an Income Tax Projection - It is difficult to plan for the future until you know where you are today. An income tax projection can help you identify your current and future marginal income tax rate and determine if you will be impacted by Alternative Minimum Tax.
- Accelerate/Defer Income & Deductions - Proposed tax changes may favor accelerating income and/or deferring deductions this year.
- Life Events - Have you gotten married, divorced or had children this year? These and other life events impact your filing status, personal exemptions, etc. It is important to understand how these changes will impact the taxes you owe.
- Capital Gains and Losses - Consider selling stocks/mutual funds with built-in capital losses to offset current or future capital gains. Also, with a potential increase in the rate on long-term capital gains (15% to 20% in future years), it may be prudent to accelerate some capital gains into 2010.
- Make the Maximum Contributions to Qualified Retirement Plans and IRAs - Tax-deferred growth remains a powerful tax and retirement planning tool. Take advantage of the maximum allowable contributions to IRAs and employer plans (\$5,000 for IRAs and \$16,500 for QRP's with catch-up contributions of \$1,000 and \$5,000, respectively, for those ages 50 and above).
- Plan Charitable Donations - Do you have charitable gifts to complete before year-end? Would a charitable deduction be more valuable this year or next year? Should you give cash or appreciated property? Have you considered a Donor Advised Fund? All of these questions should be considered as you undertake your charitable donations and year-end tax planning.
- Complete Planned Roth Conversions - Individuals should carefully explore with their advisor converting traditional IRAs to Roth IRAs this year.

2010 Year-End Estate Tax Planning

- Make Your Annual Exclusion Gifts - Each individual may gift \$13,000 to any individual in 2010 free of gift or generation skipping transfer taxes.
- Trust Administration - Plan for and fulfill your trustee duties including efficient distribution of trust income, issuance of crummy letters for irrevocable trusts, etc.
- Make Taxable Gifts - If you have used up your \$1,000,000 lifetime gift tax exemption and have a taxable estate, consider making taxable gifts in 2010. The tax rate is 35%. Under current law, if the assets remain in your estate they could be taxed at a 55% rate.

- Consider Accelerating Advanced Estate Planning - Talk with your advisors about accelerating plans for advanced estate planning due to a potential for a reduced estate tax exemption amount in 2011 (\$1,000,000). Also, future legislation may limit the effectiveness of some of the advanced planning techniques currently available (i.e. GRATs, Family Loans, Family Limited Partnerships).

It is unlikely you will be affected by all of the tax changes scheduled to occur on January 1, 2011, but you will likely be impacted by some. Income and estate tax legislation will hopefully be at the top of Congress' agenda when they return after the November elections. We will continue to monitor the progress of any legislation and make you aware of any relevant changes.

At your regular review meeting we will discuss how the above changes impact your year-end income tax and estate tax planning.

Single Individuals

Taxable Income	2010 Tax Rate	2011 Tax Rate (per current law)
Not over \$8,375	10%	15%
Over \$8,375 but not over \$34,000	15%	15%
Over \$34,000 but not over \$82,400	25%	25%
Over \$82,400 but not over \$171,850	28%	28%
Over \$171,850 but not over \$373,650	33%	36%
Over \$373,650	35%	39.6%

Married Filing Jointly

Not over \$16,750	10%	15%
Over \$16,750 but not over \$68,000	15%	15%
Over \$68,000 but not over \$137,300	25%	25%
Over \$137,300 but not over \$209,250	28%	28%
Over \$209,250 but not over \$373,650	33%	36%
Over \$373,650	35%	39.6%

Note: In 2011, qualified dividends will be treated as ordinary income and will be taxed at the taxpayers marginal income tax rate. Currently, qualified dividends are subject to tax at the long-term capital gain tax rate (15%).

In...or Out?

So, what's an investor to do? Markets continued to surprise on the upside, with the month of September delivering dramatic gains... 9% in the S&P 500, 8% in the DOW and 12% in the Nasdaq. It turns out that September ended up with the 3rd best returns for any month over the last ten years. That's big news, especially considering that it happened during what has historically been the market's worst month. Go figure!

Even accounting for a strong September, however, markets still barely clung to positive territory for the year, with the S&P 500 showing ever so slight gains.

So, what happens now? Well, in spite of September's performance, there continues to be much uncertainty regarding the market's near term direction, with plenty of bad news to go around. As evidence of this, most retail investors seem to have been voting with their feet, all but deserting the equity markets in favor of bonds ...with over \$600 billion going into fixed income over the last two years, and \$70 billion coming out of equities so far this year.

We suppose there is some logic to all this. Certainly, if you're nervous about the stock market's prospects, why would you want to invest in it? And yet, isn't that one of the times when you're supposed to be investing ...when all around you are losing their cool, when all the news out there is bad and when you've got that knot sitting right there in the middle of your stomach? Unfortunately, though, it seldom happens that way. Most investors continue to get it backwards, only moving into the market when all the conditions for investing appear to be right...which typically leaves them on the wrong side of the market... and wondering why they always seem to miss out on those good returns. Remember, waiting for all the stars to be aligned in perfect order before investing will more often than not leave you holding a portfolio of missed opportunity.

At Plancorp, since we've always been agnostic on the future direction of the market, we don't waste any time thinking about whether to be in the market or out. Instead, we continue to hold fast to one of the simplest and most valuable truths of the stock market... "There's never a bad time to invest."

Does that mean that there haven't been times when we wished we weren't in the market? Of course there have been...but that's part of what investing is all about. You end up taking the good with the bad, and hope in the end to have had a consistent investment strategy that will have served you well during the good times and the bad. This is truly what successful investing is all about, and this is the path that Plancorp has chosen to take with its clients. We reject many of the popular investing techniques that have been with us for as long as the markets themselves, i.e. stock picking, market timing and speculation. Remember, if you're having fun investing, you're probably doing something wrong. Real investing is not supposed to be a thrill-a-minute roller coaster ride, but rather a long, reasonably uneventful ride to financial independence, and if you find it boring, you've probably got it right. Mark Twain left us with some great advice about investing in the stock market that continues to have relevance today: "There are two times in a man's life when he should not speculate: when he can't afford it and when he can." We couldn't have said it better!

In the end, it is our belief that instead of trying to predict the unpredictable (i.e. the direction of the stock market, interest rates, the hot stock or fund manager, etc.), investors are much more likely to enhance their investment experience by focusing on the things that they can control...risk exposure, diversification and minimizing taxes and costs.

Plancorp Updates

We are very fortunate here at Plancorp to have many long term employees who are extremely dedicated to providing our clients with excellent service and advice. One example of this dedication to client service is Brian Wiedermann. Brian passed the ten year mark with Plancorp earlier this year and we thought we would be remiss if we did not mention how much Brian has meant to Plancorp and to our clients over that time. We are also pleased to announce that Brian has been named to Plancorp's Investment Committee as a voting member and Secretary. The Investment Committee meets at least quarterly to review issues including asset allocation, fund selection, due diligence on fund companies and our custodians, and many other topics that affect every client relationship.

In other Plancorp news:

Tom Goldberg has been named Director of Planner Development. In this new role, Tom will be responsible for formalizing our training and mentoring programs for those in our planning department in addition to maintaining his direct client responsibilities.

Chad Frazier has been named Director of Compliance. Chad has worked with Steve Frank, our Chief Compliance Officer, for years assisting him in all things compliance. In his new role, Chad will have increased responsibilities at a time when the SEC compliance regulations are going through some significant changes.

Brian King has been appointed Director of Financial Planning. As such, Brian will oversee our financial planning staff, set quarterly planning agendas and increase his already integral role in providing our best in class wealth management solutions.

Kyle Attarian recently celebrated his one year anniversary as a financial planner at Plancorp. In addition to his activities directly with clients, Kyle has worked with senior management to continually refine our internal procedures, with the goal of providing the highest level of service possible.

Tiffany Wilson, in addition to her role as a Client Service Representative, has assumed the responsibility for all client trading. In this new role, she works with the planners and advisors to review iRebal reports and executes client trades with Charles Schwab & Co. and Fidelity.

Katie Buckner recently celebrated her one year anniversary in her role as a Client Service Representative. Katie works directly with our clients and custodians to ensure timely and accurate processing of service requests and paperwork.

And finally, we would like to congratulate Ryan Miller on passing the grueling CFP™ exam. Passing the comprehensive exam, which followed completion of a nine month series of classes and interim exams, indicates Ryan's understanding of the fundamentals of financial planning and investment management. Ryan, as many of you know, began his career at Plancorp as an intern while attending the University of Missouri - St. Louis. We are proud of his development over the past three years.

DISCLOSURE:

This publication is intended to provide educational and/or general information and is not intended to provide specific legal, accounting, investment, tax or other professional advice. Rather, its intent is to form a basis for further discussion with your legal, accounting, and financial advisor.