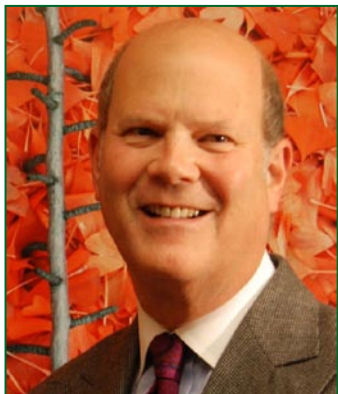


B²: Bud's Brainstorms

Insights you need in 60 seconds or less



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WEALTH MANAGEMENT
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Year End Planning Opportunities

As year-end approaches, we are vigilant for planning opportunities that remain viable. The Roth IRA Conversion strategy is one that received a lot of exposure in 2010, but there are others to be aware of, including:

- Distribution of C-Corp dividends
- Sale of appreciated property
- Acceleration of gains on installment sales
- Sale of bonds with accrued interest
- Sale/repurchase of bonds trading at a premium
- Liquidation of underperforming non-qualified annuities
- Exercise of compensatory stock options
- Accelerate distributions from "grandfathered" pre-2005 non-qualified deferred compensation plans

You may recall from our last newsletter that beginning on 01/01/2011, long term capital gains tax rates will increase to their pre-2003 levels (see below tables). Given this, please consider selling or otherwise disposing of appreciated property and recognizing the taxable gain in 2010. Additionally, if you have realized capital gains deferred on an installment note, you may want to consider accelerating the unrecognized gain to 2010.

Ordinary Income

2010	2011 & beyond
10%	15%
15%	15%
25%	28%
28%	31%
33%	36%
35%	39.6%

Capital Gains

2010	2011 & beyond*
0%	10% / 8%
15%	20% / 18%

* In general, the 8% and 18% capital gains rates only apply to long-term capital gains on property that has been held more than five years at the time of sale

Also beginning on 01/01/2011, "qualified dividends" will be subject to ordinary income tax rates (as dividends were taxed prior to the 2003 tax year). Accordingly, C-Corps with "excess" earnings and profits should consider making larger dividends in 2010.

Distribution of C-Corp Dividends Example:

During the 2010 tax year, the sole shareholder of XYZ Corp. (a domestic C-Corp eligible for "qualified dividend" treatment) was contemplating making a \$1,000,000 dividend to himself payable either (a) in one lump sum in 2010 or (b) in \$200,000 increments over the next five years. The sole shareholder expects to be the highest marginal income tax bracket for 2010 and all future tax years.

	Lump Sum	Pro Rata
Income Tax Liability in 2010	\$ 150,000	\$ 30,000
Income Tax Liability in 2011	-	79,200
Income Tax Liability in 2012	-	79,200
Income Tax Liability in 2013	-	79,200
Income Tax Liability in 2014	-	79,200
Total Income Tax Liability	\$ 150,000	\$ 346,800

Note: Assumes a 15% capital gains tax rate on dividends in 2010 and a 39.6% ordinary income tax rate on dividends for 2011 and beyond.
Source: Robert S. Keebler, CPA, MST, AEP (Distinguished)