



## Top 7 Financial Planning Ideas for 2007

- 1) **Philanthropy** - A distribution from an Individual Retirement Account (“IRA”) directly to charity will continue to be tax-free for those over age 70½. Keep in mind that this rule is only available through the end of the current year, so be sure to take advantage of this opportunity if you are eligible to do so. The current maximum tax-free distribution is \$100,000.
  
- 2) **Income Tax** – In the wake of the Democratic takeover of Congress in the fall, many people are wondering what to expect. Though we don’t claim to have a crystal ball, the new players have already started to show their cards. Incoming Chairman of the House Ways and Means Committee, Charlie Rangel, has stated that the Alternative Minimum Tax (AMT) will be his highest priority, though it will be difficult to get something meaningful done because of the substantial revenue that the AMT raises. Nancy Pelosi, as the new Speaker of the House, will set the agenda and control the process. There is an expectation that the new leadership in Congress will revert to the “pay as you go” budget rule. Meaning, that all revenue and spending legislation must be deficit neutral (i.e., any tax cuts must be paid for with offsetting revenue increases). They have also said that Estate Tax relief is not a priority (see below).
  
- 3) **Income Tax** - The 15% tax rate on long-term capital gains was extended through 2010. However, there is a concern that the folks in Washington are considering enacting a tax surcharge on the wealthiest Americans. Stay tuned.
  
- 4) **Retirement Planning** - Corporate executives should check if their employer offers the new Roth 401k. The benefits of a Roth 401k were made permanent by the Pension Protection Act last year. In brief, you forgo a current income tax deduction so that distributions in retirement will be tax-free. This is especially efficient for younger executives. We would be happy to help you evaluate whether it makes sense for you to choose the new Roth 401k rather than continuing with your old 401k.



- 5) **Estate Planning** – We have not yet received any clear indication from Washington about the future of the estate tax. However, there are still numerous planning opportunities that can be utilized despite the cloud of uncertainty. For example, giving away your annual exclusion gifts each year (\$12,000 per individual; \$24,000 if married) and eroding your lifetime unified credit (\$1m per individual; \$2m if married) should be seriously considered.
  
- 6) **Estate Planning and Asset Protection** – In the past few years we have worked with numerous families who were looking to leverage gifts to their children and consolidate their various family entities (trusts and children’s accounts). There are a few benefits to creating a family investment vehicle: greater investment opportunities and buying power by aggregating the assets; discounts for lack of control and minority interests when making a gift (or sale); and potential asset protection benefits for your children.
  
- 7) **Philanthropy** – This should continue to be a very hot topic in 2007 due to the recent changes made by the Pension Protection Act, as well as the record-setting gift made last year by Warren Buffett to the Gates Family Foundation. Gifting of appreciated securities to foundations and donor advised funds will continue to be widely used. We are also seeing a re-emergence of the use of Charitable Remainder Trusts as a means to diversify a low-basis, concentrated portfolio.

There is a common theme in our planning ideas: structure is critically important. And getting started early with the right advisors is equally important. We would be happy to help you to navigate these tricky waters.