



ChoiceOne

INVESTMENT CENTER

January 2011 Newsletter

I hope you and yours had a very Merry Christmas and wish you all a Happy New Year! As empty nesters, it was great to have our children home for the holidays and have a full house again. Our son Paul did not make it home, however, he will be home on leave in March.

During Christmas we are reminded of the Ultimate Gift that God has given us. With giving in mind, many clients have asked us how they can give financial gifts. One method clients have used to give money to charities and receive annual income payments, is the use of a Charitable Remainder Trust. Charitable Trusts are a very popular estate planning tool for charitable minded individuals. A Charitable Remainder Trust (CRT), more formally called a "Split Interest Trust" under the law, is an irrevocable tax exempt trust with a non-profit organization as the charitable beneficiary (the "Remainder") and the non-charitable beneficiaries as income beneficiaries (the "Income Beneficiaries" or "Term Beneficiaries"). A Charitable Remainder Trust allows you and/or your spouse and children as the non charitable beneficiaries to receive designated annual payments during your lifetime or during a fixed term of years (up to 20 years). The annual payments to the non-charitable beneficiaries must be at least 5% of the value of the Trust's assets, they cannot exceed 50%, and the present value of the amount going to one or more qualified charities must be at least 10% of the amount contributed to the Trust. When you contribute cash or property to a Charitable Remainder Trust, the donation qualifies for an income tax charitable contribution for the value of the Remainder's interest. This is calculated according to IRS tables based on your life expectancy or the term of the Trust, current interest rates, and the rate used to calculate annual payments for the life of the Income or Term Beneficiaries. Assets inside of the Trust grow tax-free. Since the trust usually pays no income tax, the full sale proceeds realized by the Trust upon receipt of your contribution or from the sale of appreciated assets can be fully reinvested. The income that you and/or other Income and Term Beneficiaries receive is reportable as taxable income. Some Charitable Remainder Trusts can serve as a quasi-retirement plan for you.



Important Dates

- January 17—Martin Luther King Jr. Day
- February 14—Valentines Day
- February 21—Presidents Day
- March 13—Daylight Saving Time
- March 17—St. Patrick's Day



If you have any questions regarding a Charitable Remainder Trust or any other gifting strategies, please give our office a call.

Kelly Potes



"Do not the most moving moments of our lives find us all without words?" Marcel Marceau (Mime)

The Bush-Era Tax Cuts Live On!

A holiday gift for taxpayers? After a 277-148 passage in the House and an 81-19 approval in the Senate, President Obama signed the 2010 Tax Relief Act into law on December 17, extending the Bush-era tax cuts.¹ Here is the impact of the new legislation:

Current federal income tax rates are preserved for everyone. The federal income tax brackets will remain at 10%, 15%, 25%, 28%, 33% and 35% for 2011 and 2012.²

Unemployment insurance extends for 13 more months. This is retroactive, so the federal extension of long-term jobless benefits applies from December 2010 through December 2011.²

A payroll tax holiday occurs in 2011. The payroll taxes that employees pay will drop from 6.2% to 4.2% next year. (There will be no payroll tax cut for employers in 2011, only employees.) As envisioned, this will result in a savings of about \$1,000 next year for a wage earner bringing home \$50,000. This replaces the Making Work Pay credit.^{3,4,5}

Estate taxes will be milder than at any time in the past 80 years. For 2011, the federal estate tax drops to 35%. The estate tax exemption rises all the way to \$5 million. President Obama had earlier characterized these parameters as too generous, but he and Congressional Democrats ultimately accepted them.²

Tax breaks for middle-class and working-class families won't sunset. As a result of the new law, the child credit, the child and dependent-care credit, the EITC, and a \$2,500 tax credit for higher education expenses will all be around in 2011.^{5,6}



No marriage penalty. The new law wards off the comeback of the marriage penalty so that married couples may take a more generous standard deduction.⁶

Taxes on capital gains and dividends top out at 15%. Passage of the 2010 Tax Relief Act means rates will top out at 15% through 2012.⁷

Businesses may expense 100% of their investments in 2011. In fact, qualified investments made after September 8, 2010 and before January 1, 2012 are eligible for this bonus depreciation. In addition, 50% expensing will be available for qualified property placed in service during 2012, and so-called "long-lived" property and transportation property may be eligible for 100% expensing if it goes into service prior to 2013.⁷

The tax break for IRA gifts to charity returns. The IRA charitable rollover, as it was informally called, was much beloved by non-profits and IRA owners, but it went away in 2010. In basic terms, it allowed someone 70½ or older donate up to \$100,000 in IRA assets annually to one or more qualified charities. This opportunity is back for 2011 – and the especially good news is that Congress included a special rule in the new tax bill allowing IRA gifts made in January 2011 to count for 2010.⁸

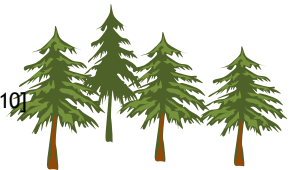
An AMT patch, of course. Congress decided it might as well take care of that. It passed an AMT (Alternative Minimum Tax) fix as part of the 2010 Tax Relief Act, thereby exempting about 20 million middle-income households from a potential \$3,900 average leap in federal income taxes.⁶

What's the price tag of all this short-term tax relief? It is sizable. The federal deficit is projected to increase by about \$858 billion over the next two years as a consequence.⁵

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Randy's Words of Wisdom

Thank you to all who made it thru 2010 in one piece. Here is a look back at some of the headlines we contended with in 2010; US Congress Approves Healthcare Overhaul, BP Oil Rig Explodes, Wikileaks Releases Classified Documents, Ground Zero Mosque Controversy, Chilean Miners Trapped in Collapsed Mine, 2010 US Midterm Elections, Full Body Airport Scanners Lead to Controversy, North Korea Suspected of Sinking South Korean Naval Vessel, Unemployment Jumps to 9.8%. Yet the world did not end. As scary as these news events were, the US as well as world economies actually improved. Most stocks and bonds increased in value and here we are beginning another year. While I don't have a crystal ball, 2011 will surely have equally dramatic headlines. While Kelly and I are watching the impacts of these events on your finances, we ask you to focus on the most important things in life; family, health, and friends. At the end of the day the headlines eventually become yesterday's news and looking back they don't seem all that important anymore. Take care and have a blessed New Year!



"Happiness doesn't depend upon what we have, but it does depend on how we feel about what we have." William Hoard

A Seed of Kindness!

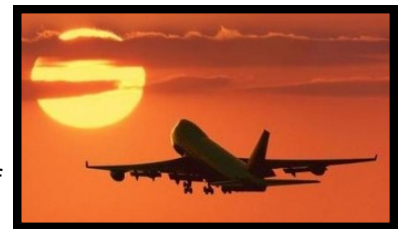
One winter night, an old couple dashed into the lobby of a small Philadelphia hotel, hoping for a room. But the clerk said, "All the rooms are full," As they started to leave, he asked, "Would you be willing to sleep in my room? It's not a suite, but I think you'll be comfortable." At first they were reluctant, but insisted, "Don't worry, I can sleep in the office." So they accepted. The next morning when it was time to check out, the old gentleman said to the clerk, "Thank You. You should be manager of the best hotel in the country. Maybe someday I'll build one for you." The clerk was amused, and he smiled and thanked the man. Two years later, the clerk received a round-trip ticket to New York City with a letter thanking him again for his kindness. The old couple invited him to come and visit them. Although he'd forgotten the incident, the clerk decided to accept the offer. When he arrived in New York City, they took him to the corner of 34th Street and 5th Avenue. "That," said the elderly gentleman, pointing to a magnificent skyscraper, "is the hotel I built for you to manage." "You must be joking," the clerk replied. "I assure you, I'm not," said the man. The gentleman's name was William Waldorf Astor. The hotel was the original Waldorf-Astoria. The young clerk was George C. Bolt, its first manager.

Don't forget to sow a seed of kindness today, for you never can tell what your harvest will be.

Taken from: www.homewithgod.com

Elizabeth Expressions

I hope everyone has enjoyed the holiday season as I have with my family and friends, but I am also glad to have them behind me. Only three basketball games left for my son and then I hope to get a small break from sports. During my break, I am hoping to take my children on a vacation to Florida for a few days to visit my grandma. My daughter is enjoying band and they are in their concert season, and are doing a wonderful job. As for myself I am still taking classes at Baker and working on my Bachelor's Degree and enjoying the time I get to spend with my family. Until next time, have a safe and Happy New Year!



Becky's Observations

Where has the time gone? It seems like it was just yesterday that we were entering 2010. Even though I am not married and don't have kids sporting events to run around to I have kept very busy with being Senior High Youth Group Leader at church, Secretary of Women's Ministry, and spending time with my family and my two nephews and niece. The kids grow so fast.

I have also enjoyed working with each of you this past year. It is our goal to plan a variety of events that fall into place with your interest.

We host these events to show our appreciation of you as a valued client. Please continue to keep us updated on what activities interest you.



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