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Vantage Financial Partners Limited

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COMPONENTS OF TAX COMPROMISE BILL

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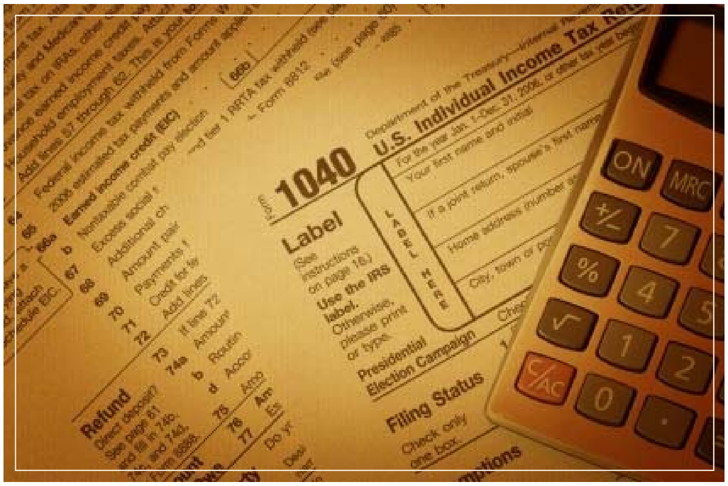

The tax compromise extending Bush-era tax cuts has now been signed into law. It has cleared up some uncertainty concerning tax rates and deductions that made tax planning problematic for both this year and next. At the least, we hope the compromise brings certainty through 2012. The following main points summarize the compromise:

- The lower tax rates of 2010 will remain in effect for all taxpayers through 2012.
  - The top individual tax rate will remain at 35%.
  - The capital gains will remain at 15% and will not rise to 20%.
  - Dividends will remain taxed at 15% and will not rise to ordinary rates.
- The planned return of high income phase-outs for exemptions and itemized deductions has been postponed two more years.
- The annual last minute Alternative Minimum Tax (AMT) patch was enacted for 2010 and will remain valid through 2011.
  - This means more than 20 million taxpayers will not see the adverse impact of this parallel tax system.
- The estate tax has been reinstated effective 2010 (by election) through 2012 at a lower rate and includes a higher exemption.
  - The estate tax rate will be 35% on estates over $5 million down from 45% on estates over $3.5 million.
  - For 2010 there is no estate tax (but there is a carry-over basis on inherited assets.) The estate now has the election for either the current law or the new law of a 35% rate for assets over $5 million and a stepped-up basis on inherited property.
- All taxpayers will see a 2% drop in their social security taxes for 2011 only.
  - This allows a small drop in taxes to stimulate the economy and replaces the Making Work Pay credit.
- Unemployment insurance benefits will be extended for 13 months through 2011.
- Businesses will be allowed to write off 100% of new investments in capital goods in 2011.
- Various family and education credits will be maintained or expanded and several itemized deductions will be continued through 2011.

As a result of the compromise, questions necessarily arise. What moves should be made, if any, by year-end 2010 or thereafter, to take advantage of the new rules? The following recommendations summarize what to do next:

- There is no need to sell capital gain assets this year just to avoid the tax rise in 2011. This should reduce your potential tax bill in 2010 if there were plans to trigger sales to take advantage of the lower tax.
- There will be no renewal of phase-outs of exemptions and itemized deductions for 2011 and 2012. Therefore there is no need to accelerate 2011 deductions into 2010 for high bracket taxpayers.

- There is no need to try and avoid AMT by adjusting state and local tax payments. With the patch you can pay property taxes and other state income and sales taxes as they come due during 2011.
- Now is the time to start an estate plan if you were waiting due to the uncertainty. While two years is not a long time, the likelihood is much greater that the exemption will be $5 million or at least $3.5 million similar to the previous law. Currently we think you should move forward to start your estate plan now.
- If you choose to make a Roth IRA conversion in 2010, you can take advantage of the IRS provision that allows you to pay 50% of the tax in 2011 and 50% in 2012. Since the rates are not changing, converting in 2010 will actually give you the two-year tax payment benefit with no tax increase cost. As a caution, we suggest you consider the possibility of being subject to AMT in 2012 and the risk that there may not be a patch in effect in 2012. Be sure to consult your tax advisor to review your specific needs.
- There is the new 100% business equipment write-off for 2011. The current provision under Section 179 includes a provision for 100% write-off of equipment but it has certain limitations. If your business expenditures will exceed these limits, you may want to consider postponing your purchase(s) until 2011.

Tax planning is never easy. This year offers many additional challenges due to unsettled revisions and many last-minute changes. Your relationship manager is available to discuss any questions you may have regarding the effect of these proposed changes on your tax planning. This article is not intended to offer specific individualized advice. For specific tax advice or interpretation of tax laws, please contact your tax advisor.

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VANTAGE NEWS

We hope you enjoyed a wonderful Thanksgiving with friends and family last month. As the Christmas celebration begins we look forward to reflecting on the wonder of Christmas with those dear to us. We hope you are able to do the same. Our celebration started with a delightful Christmas dinner at the home of Michael and Debbie.

As 2010 comes to an end, please remember we are very privileged to serve you and very blessed to call you friends. We wish you blessings for 2011 and the many years to come!

from left:
Mike, Sam B, Tom, Dave, Dan, Maria, Jay, Kim, Sam S