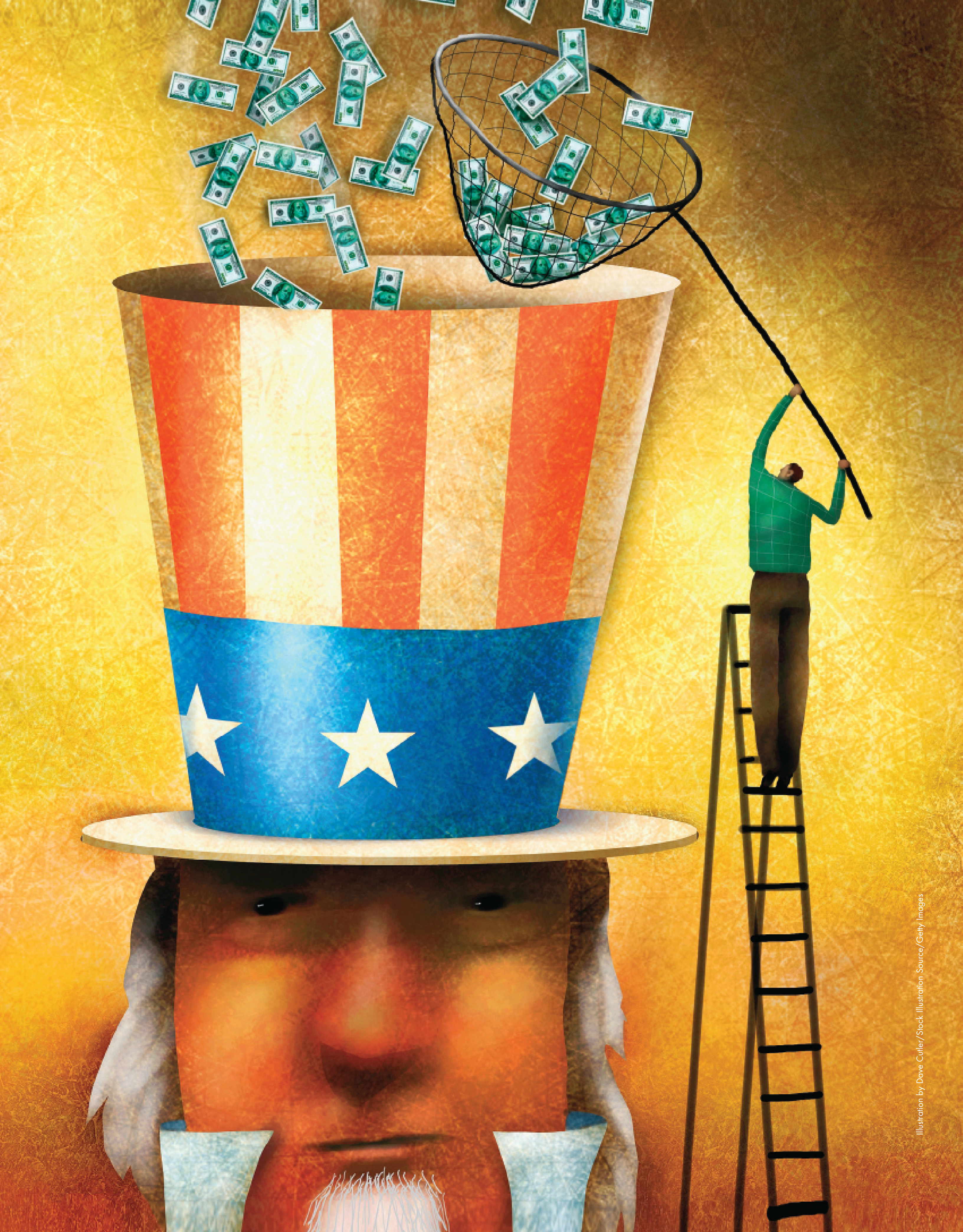

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HAPPY NEW (Tax) YEAR

The start of a new year is the ideal time to engage in tax planning with your financial team. **Use these tax-planning tips** to look ahead in 2009 and **minimize your tax bill for 2010.**

When President Barack Obama took office in January, he promised to change government policies for health care, energy, education and taxes. For taxpayers, Obama offered several glimpses during the presidential campaign into how these ideas might translate into practice.

For instance, Obama proposed rolling back President George W. Bush's 2001 and 2003 tax cuts for households making more than $200,000, cuts that currently will expire in 2010. He also proposed increasing the maximum capital gains rate to 20% for those earning more than $200,000; making permanent the estate tax with a $3.5 million exemption and a 45% rate; as well as imposing an additional payroll tax of 2% to 4% on workers with income exceeding $200,000.

While it's unclear which of these tax proposals will bear fruit, or when, a new year and a new administration give taxpayers a unique opportunity to plan ways to minimize their tax burden.

"Focusing on the new year gives you the opportunity to put your ducks in a row," says tax advisor Jonathan Gassman, director of wealth management services for New York-based G&G Planning Concepts. "It doesn't have to mean pulling the trigger, though, because planning isn't about execution. It's about developing a strategy."

To create your own strategy for 2009 and years to come, consider taking these five tax-planning steps:

1) Take Inventory

Use the first quarter of 2009 to reassess where you stand financially. "Go to your tax professional, sit down with your balance sheet in hand and figure out where your exposures are," says estate planning attorney David Woodburn, who chairs the Trusts & Estates Practice Group at Akron, Ohio-based Buckingham, Doolittle & Burroughs LLP. In other words, scour your profile for financial vehicles that may be unnecessarily increasing your tax burden — your "exposures" — then ask your tax professional to help you identify new, tax-advantaged opportunities for redistributing over-taxed wealth.

Even if your 2008 tax returns aren't yet complete, reviewing your 2008 data can give you a head start on making changes in 2009. Review assets, capital gains and losses, as well as personal circumstances — such as divorce, marriage or new business ventures — then notify your tax professional, who can use that information to develop appropriate tax strategies.

Finally, review the make-up of your financial team, suggests estate attorney Beth Shapiro Kaufman of Washington, D.C.-based Caplin & Drysdale, Chartered. If you need to make changes or additions — because your tax professional has retired, for instance, or because you're dissatisfied with the advice and service you've been receiving — the beginning of the year is a good time to do so, she says.

2) Respond to Tax Law Changes

Because tax laws are always changing, it's important to sit down with your tax professional after the first of the year to shift course to reflect new tax legislation and opportunities, Woodburn says. This year, especially, there's reason to pay close attention to the evolving tax code, as a new president and new Congress almost certainly will mean new tax regulations.

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Even if Obama doesn't pull the trigger on tax law changes this year, however, the mere prospect of change offers you and your advisors the opportunity to look at the potential effect of higher or lower taxes, and move capital as needed to maximize the tax benefits.

For 2009, taxpayers should be aware of several new tax exemptions and credits that predate the Obama administration. Perhaps the most significant is a change in the $2 million federal estate tax exemption, which under the direction of an existing 2001 tax law will rise to $3.5 million this year.

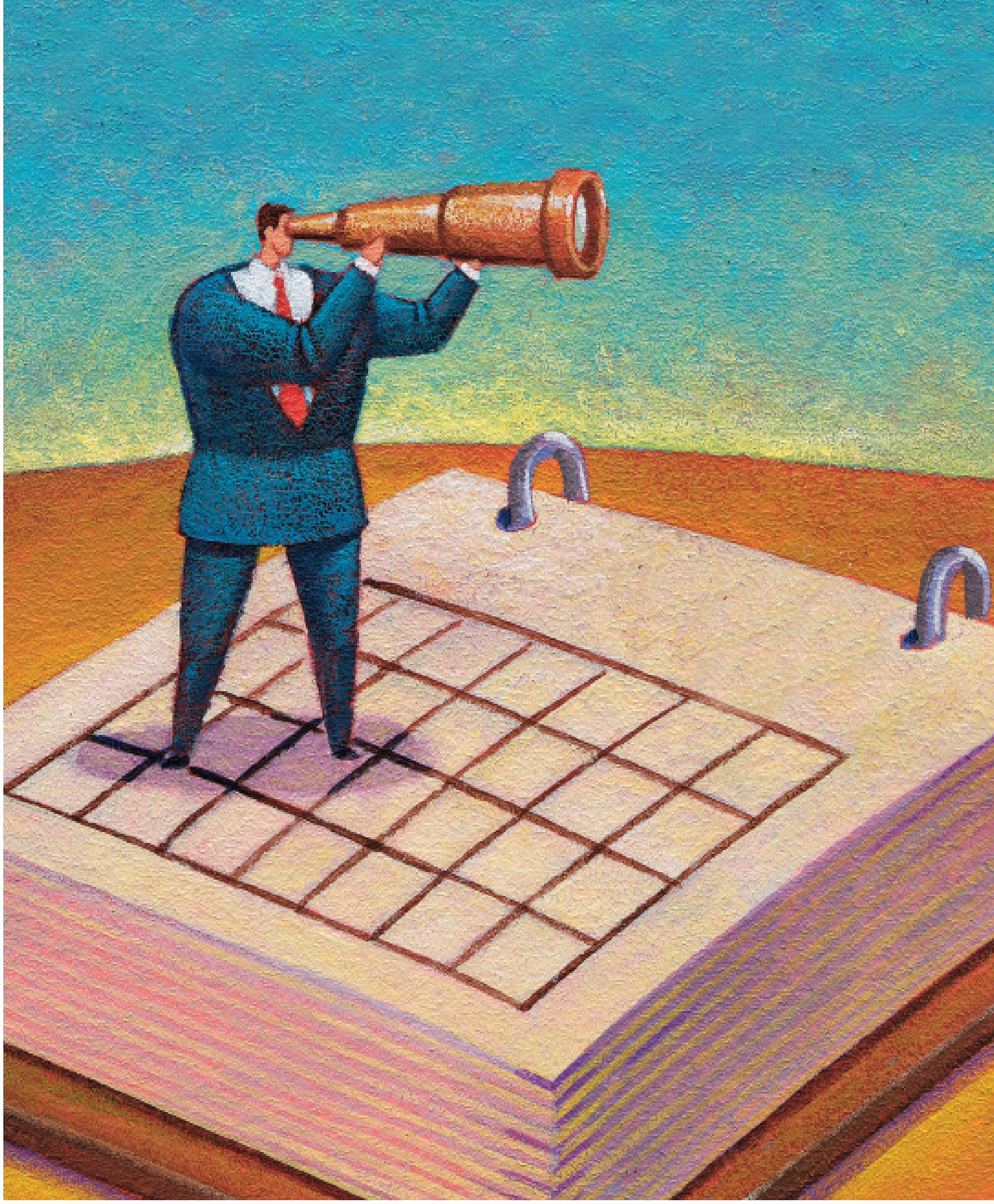
Also new in 2009 are a host of tax breaks that were included in the federal government's recent financial rescue package, which Bush signed into law in October 2008. Among the tax provisions included in that bill was a measure that raises the threshold of the alternative minimum tax. Other provisions, meanwhile, extend tax credits for renewable energy and hybrid vehicles that were set to expire in 2008, while still another extends the Charitable IRA Rollover provision. That provision, which became law in 2006 and expired in 2007, allows individual retirement account (IRA) owners over the age of 70½ to transfer up to $100,000 tax-free directly to any qualified charities. Thanks to the Emergency Economic Stabilization Act of 2008, it's now available through 2009.

3) Give Earlier Rather Than Later

Another important tax law change in 2009 affects the federal annual gift tax exclusion, which will rise to $13,000 in 2009 from $12,000.

It's best to make exclusion gifts — and all gifts, for that matter — early in the year rather than later, Kaufman points out. Even in a down economy, assets may appreciate if they're given all of 2009 to grow, particularly if the economy rights itself before year's end. "The current economic environment offers a number of interesting opportunities," she says. "There's got to be some silver lining to a down market, and one advantage is that it enables you to give away more assets at lower values."

Giving gifts in January rather than December also helps you avoid tax complications that sometimes arise when checks are written in one tax year and cashed in another.



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4) Explore New Opportunities

A new year is a good time to research new tax-advantaged tools, according to Gassman. Because current interest rates are so low, he favors grantor retained annuity trusts and charitable lead trusts, both of which allow a future transfer of wealth at a reduced gift tax cost.

"People who have significant wealth might want to take a look at some of these other unique techniques," Gassman says. "They can give away assets at a low value today, and they'll grow over time outside of their estate with no transfer tax costs."

If you're planning to pass on considerable assets to children or grandchildren, Gassman says, this year is a good time to consider establishing a dynasty trust or a gift, which similarly allows for the transfer of a substantial amount of wealth to future generations with little or no estate taxes.

Meanwhile, if you're retiring in 2009 or 2010, explore the tax treatment of different distribution options. And if you're working, look for ways to maximize deductions throughout the calendar year — by planning strategic business purchases, for instance, or making energy-efficient improvements to your home in pursuit of environmental tax credits.

5) Consider Deferring Income

Smart tax planning involves monitoring the tax implications of not only money that's going out, but also money that's coming in. For that reason, it may be a good idea to defer anticipated income.

For instance, consider making and maximizing 2009 contributions to IRAs, simplified employer plans, Coverdell savings plans and 529 plans. Again, the earlier you act, the better, because these savings vehicles allow earnings to accumulate tax-free.

In more promising economic climates, Kaufman says that another tax-saving option is to defer capital gains from stocks and securities. Because significant gains are unlikely in the current economy, however, 2009 may be a good year to realize capital losses instead, which are tax deductible up to $3,000 per year until they are exhausted.

Whatever tax savings strategy you decide to pursue, avoid any temptation to procrastinate. Even a lazy New Year's Day isn't too early to start getting everything organized. "The sooner you start out in your planning, the better off you're going to be," Gassman says. ■