



CEDRUS

Capital, Life and Family - Integrated.

180

A Reverse Angle, Well Balanced

December 2009

www.cedrusfinancial.com

Special points of interest:

- The Message from our President John Scott
- Read the tax-saving tips article
- Do you know someone that needs our help?

A Peak at future articles to come.

Why have a family Business Plan?

New SEC Regulations to help protect against the Madoff Issue

Cedrus 180°, a new way of thinking

Finishing Well Life after 50

Contentment vs. Financial Freedom

Why Family Meetings are important

Conflicts of Interest in the financial world

The Message

Welcome to our new communications program. As a Cedrus client, you can now enjoy reading various forms of commentary, advice and timely facts that will keep you informed and up to date. You can expect this monthly, along with many other forms of communication.

This is our first copy of Cedrus 180. We hope you find value in its content and solicit your feedback in layout and use of topics.

This holiday season at Cedrus we honor those with a giving heart. During our 23 years of experience providing advice to families, we have seen major transformations in their pursuit towards significance

Cedrus has been honored to participate both financially and in giving time and talent to sev-

eral organizations in 2009. Many of these worthy causes were introduced to us by you, our clients.

It is inspiring to witness the hearts of certain faithful givers who actually donated more this year than ever before. Many organizations have struggled due to fears associated with declining markets, an unstable economy and politics. So giving more during a recession comes at a perfect time for those in need.

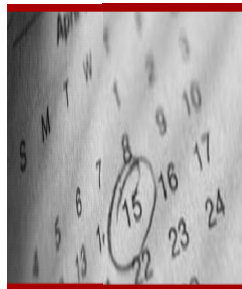
At Cedrus, we grew as a company and individually by being a small part in this spirit. Thank You. It made a tough year..., fantastic.

John A Scott
President
Cedrus

2009 Tax Planning in Light of Likely 2010 Tax Hikes

Background

- The U.S. faces its highest deficit since World War II, according to Congress.
- While proponents of government spending credit it for staving off systemic failure across financial institutions and limiting the rise in unemployment and bankruptcies, lower spending and higher revenues are required to shrink the resulting deficit.
- Tax hikes are the likely source of revenue. Possible tax increases:
 - o Many states have already instituted tax hikes (income tax and sales tax).
 - o Non-tax surcharges (such as a fine for not having health insurance) may be instituted.
 - o Other tax breaks (such as educators' deductions, tuition and fees deduction, limits on farm loss deductions and the sales-tax deduction for new vehicles) are set to go away.



- o Proposals for a Federal 4.5% surtax on wealthiest taxpayers, a value added tax, and others.
- o Federal income tax for the top brackets is scheduled to rise from 33% and 35% to 36% and 39.6%, respectively, in 2011. Capital gains will rise from 15% to 20%. The Increases could come sooner.

Some Possible Steps to Consider

- Use up capital loss carry-forwards, which do not transfer to estates (they terminate with the investor).
- The wash sales rule prevents you from claiming a loss on a sale of stock if you buy replacement stock within 30 days before or after the sale. However, keep in mind that the wash sale rule does not apply to tax-gain harvesting. A stock or mutual fund can be sold to lock in the

2009 Tax Planning continued

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gain and then can be immediately repurchased at the higher cost basis.

- Remember - if call and put options expire without being exercised, their premiums are counted as a capital loss.
- Review holdings for worthless securities, which can be sold for a loss:
 - o Needs to be “wholly” worthless to take a loss.
 - o Proof is on the taxpayer.
 - o There is a special statute of limitations, section 6511(d)(1), if the taxpayer claims the loss in the wrong year.
 - o Sell the worthless security for a nominal amount to set the date of the short-term or long-term loss. However, a security must be deemed worthless (trading at \$0.00) on December 31 to be claimed as worthless on a tax return.
- Review tax forms - especially schedules C, E, F for sole proprietorships, rental property and farms

- o Drive down adjusted growth income by accelerating expenses/deferring income
- o Pay taxes on gains now before potential tax increases
- o Convert a Traditional IRA to a Roth IRA; Earners making less than \$100,000 adjusted gross income can convert before 2010. Those making more can convert in 2010, claiming 50% of the conversion amount as income in 2011 and 50% in 2012 – a rule that does not apply for other years.
- o Note: Income restrictions for new contributions are not lifted for Roth IRAs, only the conversion limit has been lifted.
- o Small-balance IRAs are good prospects for conversion—the tax bite is small.
- o Don't forget catch-up contributions for IRA holders; \$1,000 more for clients turning age 50 or above in 2010. Check client ages in

Cedrus

350 Indiana St . Suite

200

Golden, CO 80404

Phone: 303 273-0100

Fax: 303 273-0300

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