

Estate Planning Beyond Estate Taxes

Congress has designated the third full week in October as National Estate Planning Awareness Week. In truth, all 52 weeks of the year are good times to be aware of your estate plan, which should be an essential part of your overall financial plan.

A faulty estate plan can cause unfortunate results for you and your loved ones. In 2011 and 2012 (and perhaps in future years), everyone has a \$5 million exemption from federal estate tax. Therefore, relatively few people will leave an estate that is subject to this tax. If your net worth is below \$5 million, you may be tempted to ignore estate planning.

That could be a serious mistake. Estate planning is for everyone with any assets, above or below the \$5 million mark. With a thoughtful estate plan, you can make it more likely that your assets will pass to the intended recipients with a minimum of inconvenience and expense. Estate planning also can protect you in case you lose the ability to manage your own financial affairs.

Will power

A will is a crucial part of your estate plan. If you die without one, your assets might go to people you'd rather not enrich.

Example 1. Linda Morgan was married with two children. She was in the process of filing for divorce when she died without a will. A person who dies with no will dies intestate, and his or her assets are distributed according to state law. In Linda's case, state law provided that the first \$30,000 of her assets passed to her husband, who also received one third of her remaining estate. The other two thirds went to Linda's children.



December 2011



Her husband walked away with assets that Linda would have wanted to go to her children, and he refused to pay for Linda's burial expenses.

As you can see, not having a will can deprive loved ones while benefitting someone for whom you have no regard. Anyone who is cohabiting with someone but not married should make a special effort to have a will, because state intestacy laws generally don't recognize unrelated persons. Whether you're single or married, though, you probably should have a will that was drawn up by an experienced attorney.

Title tactics

Even if you have a properly executed will, some of your assets may not be covered by its provisions. For instance, any assets that you own as joint tenants with right of survivorship (JTWROS) will pass directly to the surviving co-owner after the first death. Again, this may lead to unforeseen results.

Example 2. Matt Thomas and his brother Nate pooled their money to buy a lakeside cabin when they were young adults. They owned it as JTWROS. Both brothers married and had children; their families used the cabin for many vacations and watched the house grow in value.

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Matt died and left his assets to his wife and their two children in his will. However, Matt and Nate had never changed ownership of the cabin from JTWROS. As a result, this valuable property passed to Nate rather than to Matt's intended heirs.

That's not to say that JTWROS is a poor way to hold property. On the contrary—JTWROS offers advantages. Assets held this way go to the co-owner without going through probate, a process that governs assets that pass under a will. Avoiding probate can save time and money. However, you should evaluate property titling as part of your estate plan to avoid results such as the one the Thomas family experienced.

Beneficiary blunder

Properties held as JTWROS are not the only assets beyond the reach of your will. IRAs, employer retirement plans, life insurance policies, and various other types of assets pass to named beneficiaries.

Again, improper beneficiary designations can send an inheritance in the wrong direction. The following example is based on a real case that went to the U.S. Supreme Court.

Example 3. Phil Chandler worked for a major company for many years, building a six figure amount in his 401(k) account. His wife Peg was the beneficiary. When Phil and Peg divorced after a lengthy marriage, they worked out a comprehensive property settlement, which included Peg relinquishing her rights to Phil's 401(k).

The catch? Phil never changed his beneficiary designation. When he died, the plan administrator saw that Peg was the beneficiary and paid her the account balance. Phil's daughter sued to get the money but lost the case. To avoid such an outcome, you should make certain your beneficiary designations reflect your wishes and check them periodically to keep them current. ■



Don't Take a Vacation From Estate Planning



According to the National Association of Realtors' 2011 Investment and Vacation Home Buyers Survey, there are 7.9 million vacation homes in the United States. Many people like the idea of going to their own place for weekends and longer stays. Owners may dream of seeing children and grandchildren get together for wonderful family experiences at a treasured vacation home. These experiences may happen during the owner's lifetime, but reality can be quite different after the owner's death. If a vacation home owner leaves the house to more than one heir, serious disputes can arise. The new owners may not agree on capital improvements or who should pay for them.

Example: Jim and Karen Warner bought a New Jersey beach house decades ago. Over the years, their children and then grandchildren spent time there. Jim died and left the beach house to Karen, who left it equally to their three children at her death. The oldest child, Chris, now works for a software company in California and never uses the New Jersey beach house. Sarah, a prosperous real estate attorney in New York, uses the house often with her husband and her three children. Emily, the youngest, is an aspiring but as yet unsuccessful actress and novelist who uses the house infrequently. After a severe winter, Sarah wants to hire a roofer for extensive repairs, but Emily doesn't think they're necessary. Chris doesn't respond to calls or emails about the roof contract; he doesn't intend to pay one-third of the cost if a roofer is hired.

Avoiding Acrimony

Such an outcome may be the norm rather than the exception if a vacation home is simply left to more than one individual. Therefore, if you own a vacation home, it should be integrated into your estate plan. Be realistic about the prospects of the new owners handling the bequest without disputes. One solution is to sell the vacation house while you are alive, perhaps when family use has declined. Any profit probably will be taxed as a long-term capital gain, which now qualifies for a favorable tax rate. The sales proceeds can be given or bequeathed to your heirs, who can buy their own vacation home or use the money for other purposes. If you do not sell your vacation home while you are alive, your designated heir or heirs could inherit during a weak real estate market and therefore be stuck with ongoing expenses as well as a property that's difficult to sell.

Did you know?

From 2001-2010, the annual inflation rate in the United States was 2.3%. That was the least inflationary decade since 1951-1960, when inflation was only 1.8% a year, and far below the 8.1% annual inflation rate of 1971-1980.

Another approach is to leave the house to just one child. In the Warner family example, Karen might leave the house to Sarah, and bequeath other assets of comparable value to Chris and Emily. Without the beach house to promote discord, Sarah might invite her siblings for occasional visits. Alternatively, the owner of a desirable vacation home might place the property in trust or in a limited liability company (LLC). Some funding could be provided to cover the operating expenses, and the trust or LLC documents could describe a procedure for the buyout of a beneficiary who would rather have cash than the right to use the home. ■

Convertibles Offer Bond-Like Yields, Stock-Like Potential

Historically, the stock market has offered excellent long-term returns to investors. The historic record, though, may offer scant consolation when stocks skid by 5%, 10%, or even more. Wary investors can turn to bonds or cash equivalents, but yields are depressingly low now. One possible solution is to invest in convertible securities. Converts, as they're known, may be issued as corporate bonds or shares of preferred stock. Either way, they generally pay a fixed yield that is comparable to bond market payouts. Moreover, as the name indicates, these securities can be converted to common shares, which have the potential to deliver outstanding returns. Advocates claim that convertibles have 75% of the stock market's upside potential but only 50% of the market's exposure to bear market losses. When stocks head south, the relatively high yields offered by convertibles may keep some investors from selling and thus support trading prices.

History lesson

Does the record support this favorable upside-downside outlook? Judging by the last two bear markets in stocks, the results have been mixed. Convertibles held up well in the stock market crash of 2000 - 2002, after the technology bubble collapsed. However, they provided little help in the financial crisis of late 2008 and early 2009.

From 2000 - 2002, the broad U.S. stock market, as measured by the S&P 500 Index, lost 9%, 12%, and 22% in successive calendar years. Mutual funds holding convertibles actually gained 2.5% on average in 2000, according to Morningstar. These funds lost less than 7% in 2001 and less than 8% in 2002, far outperforming stocks in those years as well.

Convertibles funds delivered solid gains throughout the bull market of 2003 - 2007. In 2008, however, the average convertibles fund lost more than 33%, nearly matching the 37% loss of the broad U.S. stock market. During the worst of the financial crisis, converts provided little shelter.

Affected by arbitrage

Many observers believe that convertibles' poor record in the last bear market was an aberration. In the years immediately preceding the meltdown, hedge funds invested billions of dollars in convertible arbitrage. That is, these funds would buy the convertible and sell short the underlying common stock, hoping to make money if the convert outperformed the stock. Hedge funds often borrowed money to buy more converts and increase their profit potential.

When the financial crisis emerged in late 2008, banks called in their loans, some investors bailed out of hedge funds, and hedge funds had to sell their converts to raise the cash they needed. This increased selling contributed to the poor performance of convertibles in 2008.

After the deluge

Since the debacle of 2008, convertibles funds have posted strong years in 2009 and 2010. As of this writing, these funds are showing substantial returns for 2011 as well. Apparently, hedge funds have pulled back from convertible arbitrage and the converts market has generally returned to normalcy. Convertibles funds now yield 2.8% on average, far higher than the 0.5% average yield of domestic stock funds and nearly as high as the 3.3% average yield of general bond funds. Consequently, investors can get current cash flow that's comparable to the interest from bonds while waiting for the long-term results that stocks might provide.

Therefore, you might want to include convertibles in a diversified portfolio. Converts have risks and are not for everyone, but some investors may appreciate the combination of significant yield and potential stock market gains. ■

Did you know?

In fiscal 2010, the federal Pension Benefit Guaranty Corporation paid nearly \$5.5 billion to participants in failed single-employer pension plans. That was an increase of 34% from 2006, when PBGC paid just over \$4 billion in such benefits.

Did you know?

In the spring of 2011, the Standard & Poor's/Case-Shiller Home Price Indices had dropped nearly 33% from the peak levels of mid-2006. They were back to the price levels of the summer of 2003.

Social Security

Social Security benefits will go up 3.6% in 2012... the first hike in two years. The earnings limits will be heading up, too. Individuals who turn 66 in 2012 will not lose any benefits if they earn \$38,880 or less before they reach that age. Individuals between 62 and 66 by the end of 2012 can make up to \$14,640 before they lose any benefits. There is no earnings cap once a beneficiary turns 66. ■

Benefit Plans

Several key ceilings on retirement plans will be higher next year. The maximum 401(k) contribution rises to \$17,000 in 2012, up \$500 over this year. Individuals born before 1963 can put in as much as \$22,500. The contribution limits apply to 403(b) and 457 plans as well. The ceiling on SIMPLEs will remain \$11,500. Folks age 50 or older in 2012 can put in an additional \$2,500. Plan contributions can be based on up to \$250,000 of salary next year. The payin limitation for defined contribution plans increases to \$50,000 in 2012. That's a \$1,000 increase for Keogh plans, profit sharing plans and the like. Anyone making over \$115,000 is highly paid for plan discrimination testing. The benefit limit for defined-benefit plans is set to rise to \$200,000 next year. There's no change in the payin limits for IRAs and Roth IRAs. The limits remain at \$5,000, plus \$1,000 more for anyone who was born in 1962 or earlier. ■

Year-End Tax Planning for IRAs

During 2011, many news reports focused on federal budget deficits and government debt. Will taxes be increased to address those issues? That's certainly a possibility. If you have large amounts of pretax money in a tax-deferred traditional IRA, you may owe tax on future withdrawals at a high tax rate. Moreover, if you die and leave your traditional IRA to loved ones, your beneficiaries might owe hefty taxes as they draw down the inherited IRA.

One way to avoid or reduce this potential problem is to convert all or part of your traditional IRA to a Roth IRA. After five years and after age 59½, all withdrawals from the Roth IRA are tax free. (For Roth IRA beneficiaries making withdrawals from an inherited account, the age 59½ rule does not apply. The age 59½ rule does apply, however, to a surviving spouse who treats the deceased spouse's Roth IRA as his or her own Roth IRA.)

Example 1: Lynn Mason, age 50, has \$100,000 in a traditional IRA. This account contains only pretax money. If Lynn converts her traditional IRA to a Roth IRA in 2011, she will report \$100,000 of taxable income from the conversion. By the time Lynn reaches age 59½, she will be able to withdraw any amount, free of income tax. Even if her Roth IRA is \$150,000, \$200,000, or more, Lynn can take tax-free withdrawals, regardless of income tax rates in effect at that time. There are several advantages to converting a traditional IRA to a Roth IRA before year-end 2011:

Income tax rates

The tax rates for 2011 range from 10% to 35%. If you convert a traditional IRA to a Roth IRA this year, the tax rate will be in this range. Tax rates have been much higher in some prior years, and they might move back up, perhaps as early as 2012.

Five year clocks

Converting a traditional IRA to a Roth IRA at any time in 2011 starts the five year clock at January 1, 2011. Therefore, you'll meet the five year requirement in just over four years, on January 1, 2016. In reality, you may start two, five year clocks with a Roth IRA conversion in 2011: one for the 10% early withdrawal penalty period and one for taxation of withdrawn earnings.



Example 2: Lynn Mason converts a \$100,000 traditional IRA to a Roth IRA in 2011 and pays income tax on a \$100,000 conversion. Going forward, Lynn can withdraw up to \$100,000 from her Roth IRA at any time without owing income tax, because she has already paid tax on that money. However, Lynn is only 50 years old. Therefore, any withdrawal before the five year mark will be subject to a 10% penalty. If Lynn pulls out \$90,000 in December 2015, for instance, she will not owe income tax but will owe a \$9,000 early withdrawal penalty. By waiting until January 2016, Lynn can pull out up to \$100,000, totally tax free. The early withdrawal penalty lapses five years after a Roth IRA conversion, even if you are still younger than age 59½, which is the usual date this penalty expires.

Example 3: Suppose that Matt Davis, age 58, converts a \$100,000 traditional IRA to a Roth IRA in December 2011. In 2015, Matt's Roth IRA has grown to \$130,000. Matt withdraws the entire amount.

In this example, Matt has not met the five year requirement, which he would have met on January 1, 2016. Nevertheless, Matt will owe no income tax on the \$100,000 he converted because he already has paid income tax on that money, and he will not owe the early withdrawal penalty because he will be 62 then, and, thus, older than 59½. However, Matt wishes to withdraw the full \$130,000 from his Roth IRA. The last \$30,000 will be earnings. That \$30,000 will be subject to income tax because Matt did not meet the five year requirement, but will not be subject to a 10% penalty because he will be older than 59½. If Matt had waited until January 1, 2016 to make the withdrawal, he would owe no tax at all on the withdrawn earnings.

Reversing course

In each of the examples in this article, a taxpayer converted a \$100,000 traditional IRA to a Roth IRA and, consequently, reported \$100,000 of taxable income. These taxpayers might have to pay as much as \$35,000 to the IRS because of the conversion and additional amounts in state and local income tax. Individuals with larger traditional IRAs may have to pay even more on Roth IRA conversions. Fortunately, you can reduce the tax you'll owe. A Roth IRA conversion can be recharacterized until October 15 of the next year. A 2011 conversion can be reversed, in full or in part, up to October 15, 2012. The amount recharacterized goes back into your traditional IRA. Recharacterization offers lookback tax planning opportunities. Suppose that Lynn Mason fills out her 2011 tax return and discovers that she has \$120,000 of taxable income, as a single taxpayer, without counting her Roth IRA conversion. In 2011, the 28% tax bracket for single filers goes up to \$174,400 of taxable income. In this scenario, Lynn could decide to cap her Roth IRA conversion at \$54,000, keeping her in the 28% tax bracket. She could recharacterize \$46,000 worth of her conversion back to a traditional IRA. After waiting for more than 30 days, Lynn can reconvert that money to a Roth IRA in a 2012 conversion.

Total recall

Suppose that Lynn Mason implements a \$100,000 Roth IRA conversion in late 2011, as illustrated. In mid-2012, the stock market has fallen, and Lynn's Roth IRA has dropped to \$80,000. Lynn decides she does not want to report \$100,000 in taxable income to get a Roth IRA now worth only \$80,000.

As a result, Lynn recharacterizes her entire conversion and avoids paying any tax on the transaction. Say that Lynn recharacterizes on October 10, 2012. On or after November 10, 2012, she can reconvert to a Roth IRA. Assuming that her IRA's value has not changed by then, Lynn will have a Roth IRA and owe much less tax than she would have owed with a 2011 conversion. ■

Roth IRA Contributions

- For 2011, workers and their spouses can contribute up to \$5,000 to Roth IRAs. Those 50 or older by year-end can contribute up to \$6,000.
- To make the maximum contribution, your modified adjusted gross income must be less than \$107,000, or less than \$169,000 on a joint return. If your income is slightly higher, you can make a partial contribution.
- The deadline for 2011 Roth IRA contributions is April 15, 2012. If you establish your first Roth IRA with a 2011 contribution, the five year clock for tax-free withdrawals of earnings begins on January 1, 2011.

Year-End Tax Planning for Itemized Deductions

In 2011, the standard deduction is \$5,800 for single taxpayers and \$11,600 for married couples filing a joint tax return. Single taxpayers can add \$1,450 if they are 65 or older by the end of 2011 and \$1,450 if they are blind. For couples filing jointly, these additions are each \$1,150 in 2011. Most taxpayers use the standard deduction.

However, you may reduce your tax obligation by itemizing deductions on Schedule A of Form 1040. Suppose you are entitled to an \$11,600 standard deduction as a couple filing jointly. If your itemized deductions exceed \$11,600, you will be better off itemizing deductions. Some tactics may help you increase your itemized deductions:

Medical expenses

You can deduct medical expenses to the extent that they exceed 7.5% of your adjusted gross income (AGI). Therefore, if you are at or near this threshold for 2011, you may want to incur elective expenses by year-end.



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Example 1: Ron and Jill Carson have AGI of \$100,000. Thus, the threshold for deducting medical expenses is \$7,500. If the Carsons have unreimbursed medical outlays of \$9,000 in 2011, for example, they can deduct the excess \$1,500. In November 2011, the Carsons add up their medical payments for the year to date and discover a total of \$7,200. Consequently, they decide to buy new prescription eyeglasses, get dental checkups, and so on, by year-end. Once they top the \$7,500 mark, additional medical payments will be deductible in 2011. On the other hand, suppose the Carsons have only \$5,000 of medical expenses by mid-November. They might decide to defer all possible outlays until 2012, hoping to go over the threshold next year. Taxpayers who owe the alternative minimum tax (AMT) can deduct only medical expenses that exceed 10% of AGI. If you regularly pay the AMT, use 10% of AGI as the threshold for deciding how to handle elective medical costs near year-end.

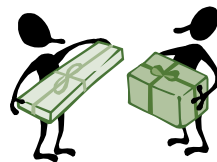
Miscellaneous itemized deductions

The miscellaneous category of itemized deductions includes unreimbursed employee expenses, investment expenses, and tax preparation fees, among others. Here, the threshold for deductibility is 2% of your AGI. Therefore, if your AGI is \$100,000, the threshold is \$2,000. With \$2,500 of miscellaneous itemized deductions in 2011, you can take a \$500 deduction. If your total for 2011 is \$1,950, you'll get no deduction.

For year-end planning, you can focus on the publications and online services you use in order to generate taxable investment income as well as on unreimbursed employee business expenses you usually incur. If you expect to be over the 2% threshold, pay with tax deductible dollars in 2011. If you'll be shy of that threshold, wait to pay until 2012, when you might get a deduction. Again, taxpayers who owe the AMT face a different set of rules: miscellaneous itemized deductions are not deductible for AMT calculations.

Charitable contributions

Many people make charitable donations at the close of each year to demonstrate the holiday spirit and also to lock in tax deductions. You can get your tax break by writing a check. In many cases, though, you'll find more tax efficient ways to do well while doing good. You usually will come out ahead by donating appreciated securities instead of cash. By giving away appreciated securities, you're also giving away the built-in tax obligation.



If you are at least age 70½, you have another tax planning opportunity this year: you can make charitable contributions up to \$100,000 directly from your IRA. Congress extended this tax benefit through 2011, so seniors should consider taking advantage of this opportunity by December 31. If you qualify, you won't get a tax deduction for the contribution, but you will avoid reporting taxable income.

Example 2: Linda Morris is 75 years old. She makes \$20,000 worth of charitable contributions each year, divided among four recipients. This year, Linda's required minimum distribution (RMD) from her IRA is \$15,000. Linda directs her IRA custodian to send \$5,000 apiece to three of her favorite charities. She makes a \$5,000 donation to her other favorite cause. What does this accomplish? Linda fulfills her usual philanthropic intentions. She also reduces her taxable income by \$20,000: \$5,000 with a deductible contribution plus \$15,000 by avoiding her RMD. What's more, by not taking her RMD, Linda avoids increasing her adjusted gross income (AGI) by \$15,000. Reducing her AGI, in turn, may help Linda claim larger deductions elsewhere on her tax return. She may increase her tax benefits from medical expenses, miscellaneous itemized deductions, and rental property losses, for example.

Unfortunately, you can't make qualified charitable distributions from an IRA to a donor advised fund. If you are older than 70½ and wish to contribute from your IRA, you must spell out each request to your IRA custodian. ■

Did you know?

From 2001-2011, IRAs increased from 22% of U.S. retirement savings to 27% of the total, passing government plans and defined contribution plans such as 401(k) plans.

Year-End Tax Planning for Long-Term Capital Gains

Under current tax law, investors owe no more than 15% on long-term capital gains and on qualified dividends. (Most dividends paid to investors are qualified.) Similarly, low-income investors owe 0% tax on long-term capital gains and qualified dividends. Investors can use this 0% tax rate if their taxable income—after deductions—is no more than \$34,500 as a single taxpayer or no more than \$69,000 on a joint tax return. The 0% tax rate is scheduled to remain in effect through 2012.

However, Congress may act to abolish this special rate. In the meantime, you may be in a position to take advantage of this tax break before year-end 2011.

Help Wanted

You should keep the 0% tax rate in mind if you are helping relatives to make ends meet.

Example 1: George and Meg Warner have a substantial income and live comfortably. They also help to support Meg's widowed mother, who has a modest income. From time to time, the Warners send Meg's mother a check for \$1,000, \$2,000, or more. Instead, the Warners could give Meg's mother appreciated securities. They could give her \$20,000 worth of stock that they bought years ago for \$12,000, for instance. That stock is really worth only \$18,800 to the Warners, who would owe a 15% tax on an \$8,000 capital gain, if they were to sell those shares. Meg's mother could sell the shares and owe 0% tax on the \$8,000 long-term gain, as long as the added income does not push her over \$34,500 in taxable income for 2011. Then she would have \$20,000 to spend, which might last her for some time. Will George and Meg face gift tax consequences? That will depend on several factors, including the amount of gifts they previously have made to Meg's mother in 2011. The annual gift tax exclusion, which is \$13,000 this year, and the current \$5 million exemption for gifts not covered by the exclusion, probably will keep the Warners from owing gift tax.

Example 2: Olivia Brown has a sizable income and ample net worth. Her only child, Greg, is a yoga instructor whose wife, Natalie, stays home with their two children. The young couple has a taxable income of \$30,000 a year, which barely covers their expenses, and Olivia would like to make a generous gift. Instead of writing a check, Olivia could give appreciated securities that the young couple can sell. Greg and Natalie Brown can have up to \$39,000 worth of additional income from long-term capital gains this year and owe 0% federal tax.

Olivia will have to file a gift tax return if she gives Greg and Natalie more than \$13,000 apiece in 2011. Those excess gifts won't be taxed as long as Olivia's lifetime taxable gifts are \$5 million or less. The excess gifts, however, will reduce Olivia's eventual estate tax exemption, dollar for dollar. Assume that Olivia has never made any taxable gifts in prior years. She gives a total of \$50,000 worth of securities to Greg and Natalie in 2011. The first \$26,000 are covered by this year's gift tax exclusion (\$13,000 apiece), and the other \$24,000 will reduce Olivia's future estate tax exemption. Assuming an extension of current law, with a \$5 million estate tax exemption, the \$24,000 of excess gifts will reduce Olivia's exemption to \$4,976,000.

No Kidding

The kiddie tax limits the tax benefits of transferring appreciated securities to very young recipients. This tax applies to the unearned income of all children under age 18, many 18-year-olds, and many students under age 24. In 2011, unearned income over \$1,900 reported by these kiddies will be taxed at the parents' rate, so long-term capital gains are likely to be taxed at 15%, not 0%. Therefore, if you are planning to take long-term capital gains, you may get more tax advantages by giving the appreciated assets to people not affected by the kiddie tax. In addition to retired parents and young workers, graduate students older than 23 may be able to receive these gifts, sell them by December 31, and take thousands of dollars worth of gains at the 0% rate.

The 15% Solution

The future of the 0% tax rate is uncertain. Similarly, Congress might increase the current 15% tax rate on Long-term capital gains for years after 2011; taxpayers with income over \$200,000 may be especially vulnerable. Therefore, if your plans include selling assets held more than one year-perhaps to pay college bills-you may want to sell those assets by year-end 2011, when you can count on a 15% tax rate. ■

Year End Notes

Forms 1099

Businesses that paid \$600 or more in 2011 to unincorporated vendors must report the payments using Forms 1099. You must mail the recipients' copies by January 31, 2012 and the IRS' copies by February 29, 2012. If you need forms or help, let us know. We'll be glad to help you.



Rowles & Company, LLP is an unincorporated business, and should receive Form 1099 if you paid us \$600 or more for service to your business. This does not include personal income tax returns and advice. ■

Reduced Rate

The United States Revenue Act of 1921 introduced a preferential tax rate on long-term capital gains, which was capped at 12.5% for sales of assets held for at least two years, while the top ordinary tax rate was set at 58% for net income over \$200,000.

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Upcoming Events...



You are invited to join us on December 6, 2011 for our 9th Annual Toys for Tots Wine & Cheese Social held at our Baltimore Office from 4:00 p.m. to 7:00 p.m. Special refreshments and a surprise will be provided for children who attend our social. Live music from Pet Rock!



Please bring your new unwrapped gifts for children ages birth to 18. If you are unable to join us but would like to make a donation, please drop off your toys before December 6th. Last year we were one of the top ten supporters in the Baltimore region, thanks to your support and help!

Please RSVP by November 29th by calling us at 410-583-6990. ■

Note the Dates...

- Our offices will be closed on Monday, December 26, 2011.
- Our offices will, once again, be open on Saturdays, beginning January 7, 2012 through April 14, 2012.