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InSights

In the News

Sales Ideas

Tax & Legal

Resources

Feedback

InSights for
AdvisorsMeet the
Team

Producer Perspective

Shift to Wealthier Clientele Puts Life Insurers in a Bind

As Congress looks for new revenue sources to deal with budget deficits and the [life insurance](#) industry continues to shift away from the historical middle class to wealthier Americans, the safety net provided by the industry may be eroding.

Finding Deductions to Offset Roth Conversion Income

Writing that check for the tax due on converted funds is the likely sticking point in explaining the benefits and factors in performing a Roth conversion. One way to get around this is to be creative in planning. More specifically, to find deductions to [offset](#) the conversion income. Using charitable lead trusts is one example of the options given in this article.

IRS Rules Homeowners Can Deduct for Mortgages of up to \$1.1 million

In a recent revenue ruling, the Internal Revenue Service states that mortgages of up to \$1.1 million can be [deductible](#) under IRC section 163(h). The IRS ruled that taxpayers can tack an extra \$100,000 of home-equity indebtedness onto the \$1 million limit for home-acquisition indebtedness. Previously, home-equity indebtedness had to be part of a separate loan, not used to acquire the home.

The Fed's Magic Wand Can't Stand up Against the Economic Snowball

There is nothing that the U.S. government, the [Federal Reserve](#) or tax cutters can do to make our economic pain vanish overnight. So when are we going to know when things are getting better? They may, in fact, be getting better now, but it's going to take a long time for the wound to heal completely.

Top 400 Charities See Billions Less in Donations

Donations to the nation's biggest charities dropped 11 percent last year, a decline that was the worst in the two decades since The Chronicle started its [Philanthropy 400](#) ranking of the organizations that raise the most from private sources.

Kyl Predicts Two-year Extension of Bush Tax Cuts

Senate Minority Whip [Jon Kyl](#) (R-Ariz.) recently predicted that in the upcoming lame-duck session, Congress would extend all Bush-era tax cuts for two years. "[The] most likely scenario in this divided Congress is a temporary extension of current rates for all Americans, probably for two years," he wrote in *The Wall Street Journal*, adding that debate on the tax cuts should spur movement toward overall tax reform.

Account Probe Moves East

After well more than a year of doggedly pursuing wealthy and not-so-wealthy individuals with hidden bank and investment accounts in Switzerland, the Internal Revenue Service and U.S. Justice Department are stepping up their [foreign account](#) crackdown.

Strategic Options

Smart executives can look like dummies if they pay little attention to managing their [stock compensation plans](#). The life of corporate executives is stressful enough without the added downer of losing the compensation they've spent all those hours earning. Award holders need to ensure they are working with an advisor and an accountant with expertise in this area. They also need to take some time away from their hectic schedules to make sure they understand the types of awards they own and the strategies that are available to them. If executives can do that, they will unlock the full value of their

paychecks.

QOC I, Life Insurance Settlement Company, Files for Bankruptcy in Florida
QOC1 LLC, formed for the purpose of purchasing life insurance policies, filed for Chapter 11 [bankruptcy](#), declaring over \$160 million in assets.

Tax-cut Expiration Could Give Some U.S. States a Windfall

Most of the 30 U.S. [states](#) that don't impose their own estate or inheritance tax stand to see an ocean of money pour in if Congress allows the federal estate tax to return in the form that it existed in 2000, before Bush-era tax cuts. All of the states had a "pick-up" tax linked to the federal estate tax until changes in 2001 eliminated the federal levy. If the federal tax comes back, so does the state tax, according to *Forbes*.

How to Take the Worry out of Retirement: Using a Split Annuity Strategy

Suggesting a [split annuity strategy](#) to clients who are worried about their future retirement income may just be the way to ease their worries and land additional sales.

Client Perspective

You're Not Alone: More Nations Are Taxing the Wealthy to Close Budget Gaps

The international trend of lowering income taxes for the wealthy appears to be over. The 2010 average tax for all nations is inching up 0.3 percent as governments look to tax the top brackets to fund stimulus programs and close budget deficits, according to a [KPMG study](#). Europe has seen the most increases, with the U.K. increasing its top rate from 40 percent to 50 percent, the highest rate increase in the world. But some countries, including Denmark and Croatia, have lowered their income tax rates for top earners.

Study: State Pensions Will Run out of Funds in the Near Future

Several state and municipal pension plans will be unable to provide the benefits promised to retirees in 10 years, according to a [study](#) by Northwestern University and the University of Rochester. Based on current assets, Philadelphia can continue to pay promised benefits only through 2015, according to the study, while Boston, Chicago and Cincinnati will be insolvent after 2025.

The Rising Threshold for Being in America's Top 1 Percent

The threshold for the [One Percent Club](#) has more than quadrupled since 1980. While the cut-off fell slightly in 2008 – about 7 percent owing to recession and global financial crisis – it will likely resume its steady march higher.

State Sales Taxes Increase to Highest Level Since 1982

U.S. [state sales taxes](#) are the highest in at least 28 years, averaging 5.52 percent through September, as states and other municipalities look to close budget gaps with tax increases. Arizona, Kansas and New Mexico raised their sales tax rates this year, but California is still the state with the highest state sales tax rate at 7.25 percent.

More Americans Anticipate a Tough Slog Toward Retirement

The sputtering economy is stressing Americans' ability to save for [retirement](#). Although fewer employers in recent years have offered pensions, many have also recently cut back on matching their workers' contributions to retirement savings accounts, such as 401(k)s. More Americans are borrowing from their retirement accounts for emergencies caused by unexpected unemployment, eroding their savings further with the resulting steep fees and taxes.

Just Visiting?

If you're not careful, an extended stay in a state can lead to [residency status](#) and a huge tax bill. When it comes to slamming the tax hammer on the wealthy, one area's government officials are intently focusing on is state residency. Specifically, when is someone legally a resident of a state or other tax jurisdiction and subject to its taxes?

The Federal Tax Law Is an Uncertain Mess — Here's How to Plan Anyway

With tax rates for the middle class set to rise along with the re-emergence of the estate tax, many people are left wondering what to do. A few do-it-now [suggestions](#) provided in this article include maximizing one's 401(k), setting up GRATs and giving consideration to Roth conversions (and, potentially, reversions).

Estate Planning with Annuities

A better understanding of options and riders that **annuities** offer can open a host of estate planning ideas. This article highlights a few of these benefits in three case studies regarding retirees and soon to be retirees.

A Beneficiary We Shouldn't Forget to Ask Our Clients About

In good times and in bad, Americans love their 77 million dogs, 90 million cats and assorted other domesticated creatures. And while the wealthy might be a tad more cautious with a dollar these days, when it comes to making certain "Spot" is sitting in the lap of luxury – both during and after the life of his owner – it seems that money is no object. This article addresses how some of the nation's wealthiest people are leaving huge chunks of their estates to their **pets** — to the chagrin of their human relatives.

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