



Information. Industry. Ideas.

InSights

In the News

Sales Ideas

Tax & Legal

Resources

Feedback

InSights for
AdvisorsMeet the
Team

Producer Perspective

Obama Budget: COLI Tax, Dividend Deduction Cut, Life Settlement Reporting, PBGC Reform, PPACA Funding, Dodd-Frank Funding ...

The Obama administration is looking to increase federal revenues by adding a new tax on **corporate owned life insurance**, cutting the dividends-received deduction for variable life and variable annuity products, and other provisions that affect life insurers.

Analysts: Obama Budget Not That Bad for Life Insurers

If the life insurance revenue raisers in the Obama administration's 2012 **budget proposal** somehow become law, they may have only a small effect on company profits, securities analysts predict. Jeff Schuman and other analysts in the Hartford office of Keefe Bruyette Woods Inc. have come to that conclusion in a commentary on the 2012 Obama administration budget proposal.

New Estate Tax Law Poses Dilemma for the Rich

Sometimes it's hard to help pitying **rich folks**. Lately it's because the new tax law gives them yet another high-class quandary: Should they rush to give away everything to their kids during the next two years to save future estate tax? From an estate planning perspective, lifetime gifts have always had an advantage over passing assets when you die. Such gifts leave less in your estate for the government to tax, and if the assets increase in value after you have passed them along, you will not owe gift tax on the appreciation.

Estate and Gift Rules: Some Clarity, for Now

The big headline to emerge from the **tax deal** last December was that the estate tax exemption would be raised in 2011 to \$5 million, or \$10 million for married couples. Anything over those thresholds would be subject to a 35 percent tax. However, the reunification of the gift and estate tax exemption amounts has many families rethinking how they transfer wealth during life.

Family Offices Seek to Share Costs

Family offices are starting to appreciate the old maxim that a burden shared is a burden halved. "Now more than ever, in this uncertain economic climate, families are looking for ways to share strategies for sustaining small family offices and enhancing the value they provide to the clients of the office," Sara Hamilton, FOX's founder and chief executive wrote in the study "Innovating to Survive and Thrive: Meeting the Challenge of Small Family Office Sustainability."

Goodbye to GICs

Life insurer sales of guaranteed investment contracts (**GICs**) and other institutional, spread-based investment products stopped during the recent credit crisis and have just started to show faint signs of life. Some U.S. subsidiaries of European insurers may be preparing for higher Solvency II capital requirements by edging away from the institutional lending market, analysts say.

Out-of-state Owners Could Face Tax Bill

Connecticut and New Jersey residents with a Hamptons summer cottage or a Manhattan pied-a-terre are about to get a nasty surprise: **New York state** wants more taxes from them. A New York court ruled last month that all income earned by a New Canaan, CT, couple is subject to New York state taxes because they own a summer home on Long Island they used only a few times a year. They have been hit with an additional tax bill of \$1.06 million.

Tax Patent Bill Heads to Senate Floor

The Senate Judiciary Committee approved S. 23, a bill that would bar the patenting of [tax strategies](#). The practice of patenting tax strategies limits taxpayers' ability to use some parts of the tax code and tax code interpretations, and it forces financial professionals to keep tabs on strategy patents as well as changes in tax laws.

S. 267: Bipartisan Bill Could Require Retirement Income Notices

A new Senate bill, [S. 267](#), could require 401(k) plans to tell participants how much monthly retirement income their accounts might generate. S. 267, the Lifetime Income Disclosure Act bill, was introduced by Sens. Jeff Bingaman, D-NM, Johnny Isakson, R-GA, and Herb Kohl, D-WI. If adopted as written, the bill would require sponsors of 401(k) plans and other private-sector defined contribution plans to inform participants about the lump-sum value of their retirement accounts. Sponsors also would have to tell participants how much guaranteed monthly income a plan account might generate at retirement, based on the participant's age at retirement and other factors.

U.S. Judge May Toss N.Y. Settlement Case

U.S. District Judge Deborah Batts could throw out a [New York case](#) in which an insurer has challenged the sale of a policy to a party with no insurable interest in the life of the policyholder.

From Prison, Madoff Says Banks "Had to Know" of Fraud

Speaking from prison during a private two-hour interview, [Bernie Madoff](#) changed his stance a bit and conceded that unidentified banks and hedge funds had to know about what was going on ... and that they essentially just turned a blind eye.

Client Perspective

The \$5 Million Tax Break

Congress has set sweet new terms for the [gift tax](#), and families are tearing up their estate plans to take advantage. For the next two years, the gift-tax exemption jumps to \$5 million from \$1 million for individuals and to \$10 million from \$2 million for couples — meaning people can give away that much without paying a penny in taxes. What's more, the tax rate on gifts above those amounts fell to 35 percent from a scheduled 55 percent, a boon to ultra-wealthy people who want to give away even more money.

A Referee for Family Disputes

For years, couples have hired divorce [mediators](#) to avoid court battles. Now growing numbers of mediators are specializing in disputes that relate to older adults, such as those over inheritances and caregiving responsibilities.

Long-term Care: New Fixes as Insurers Are Rolling Out Alternatives to Pricey Coverage

As [long-term care](#) insurance grows increasingly expensive and harder to get, insurers are stepping into the breach with new life policies and annuities that pay out long-term care benefits during one's lifetime. But the new products may be an imperfect substitute.

Decision Time for 2010 Roth Converters

For those wealthy individuals that took advantage of the [Roth IRA conversion](#) ability granted to them in 2010, 2011 presents the year of big decisions regarding that conversion. Individuals with Roth accounts that took a value nose-dive with their investments may be better off to extending their 2010 return and look to re-characterizing the account back to a Traditional IRA.

More People Take Responsibility for Their Wealth Management

The involvement of retail investors in their money management traditionally has been in inverse proportion to their wealth. Affluent investors were more active, while those with less money were more passive. Now, more people are taking responsibility for their wealth management. The trend has become a shared goal of brokers and advisers. "The client has ultimate responsibility for the [management](#) of his wealth," said John G. Taft, CEO of RBC Wealth Management and chairman of SIFMA.

Soaking the Wealthy: An American Tradition

Americans like to tax the [rich](#). As a nation, we rely more on progressive taxes — and less on regressive ones — than any other developed country. We impose no broad-based consumption tax, standing firm against the global popularity of value-added levies. But we make ample use of corporate and individual

income taxes —touchstones of progressive politics for more than a century.

The Tax Code as Parent Trap

One of the most frustrating aspects of the [income tax code](#) is that so many complicated provisions affect ordinary people doing ordinary things. These folks don't have exotic investments, just expensive ones —namely, children.

Taxation Without Complication

Americans are confused about deductions, exemptions and other special treatments in the Internal Revenue Code. If Congress repeals a tax break to reduce the deficit, does that mean it's raising taxes and stealing money from your pocket? Or is it cleaning up a backdoor form of federal spending — what economists call a tax expenditure? Here's an idea: Stop the unproductive debate over how to characterize tax breaks and focus on what really matters: setting a [tax policy](#) that raises the necessary revenue in a way that's fair and simple, and doesn't discourage work, investment and growth. Using those criteria, a lot of entrenched tax breaks would disappear.

Tax Cheats: Fess up Without Going to Jail

In an effort to give those hiding money in [foreign accounts](#) a way to resolve their tax issues, the IRS has offered another window of opportunity. The individuals have until August to report the accounts and face reduced penalties.

[In the News](#) | [Sales Ideas](#) | [Tax & Legal](#) | [Resources](#)
[Feedback](#) | [InSights for Advisors](#) | [Contact Your Advanced Sales Resources Team](#)

61638 3/11 | INS-13688-11

For internal use only. Not for distribution to the public.

Partner. Preserve. Prosper.

Any U.S. federal tax advice contained in this communication, unless otherwise specifically stated, was not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any matters addressed herein. The opinions expressed in these articles are those of the author and may not necessarily reflect those held by NFP Securities, Inc. This is for general information only and is not intended to provide specific legal, tax, investment advice or recommendations for any individual. NFP and its subsidiaries do not provide tax or legal advice. Comments concerning the past performance are not intended to be forward looking and should not be viewed as an indication of future results. The articles and links provided within this newsletter are for informational purposes and have not been verified for accuracy by NFP. Use of this newsletter and its articles with clients is prohibited unless written permission has been obtained from the copyright holder. No party assumes liability for any loss or damage resulting from errors or omissions or reliance on or use of this material. All guarantees are subject to the claims-paying ability of the issuing insurance company. Circular 230: U.S. Federal tax advice contained in this communication, unless otherwise specifically stated, was not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any matters addressed herein.