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Bridging the Succession-Planning Gap

Financial advisors work countless hours helping clients plan their financial futures. But, unfortunately, too many advisors need help planning their own financial futures. Today, only about 18 percent of independent advisors have a well-defined business succession plan that is ready to implement, according to a recent survey. For many advisors, their practice and the equity locked inside are the keys to their retirement plans. But too many advisors lack a strategy to maximize the value of their business and eventually liquidate their equity to fund a comfortable retirement.

Republicans, Blue Dogs Target Estate Tax

A bipartisan group of House members introduced legislation that would permanently and fully repeal the estate tax. On a conference call, Rep. Kevin Brady, R-TX, a senior member of the House Ways and Means Committee, called the tax "one of the worst parts" of the current tax code and said repealing it would offer more certainty to family farms and small businesses across the country. He also indicated that he was worried that senators might not feel the urgency to deal with the estate tax right now, given that lawmakers just enacted new rates less than four months ago.

Succession Not Succeeding for Family Business

Wealth managers with family business owners for clients may want to prepare for some rough transitions ahead. A recent PricewaterhouseCoopers survey of more than 1,600 family-owned or managed businesses around the world found that 27 percent expect to change hands in the next five years. But 47 percent of the companies had no succession plans in place; 34 percent of companies based in North America expect to bypass their families altogether for succession, according to the report "Kin in the Game." Even getting a family business to the third generation can be a trial; only 15 percent of family-owned companies last past the second generation, a U.S. Trust, Bank of America Private Wealth Management study says.

IRS Releases 2011 "Dirty Dozen" Tax Scams

On April 7, the Internal Revenue Service released its annual list of the 2011 "dirty dozen" tax scams. The top items on the list include hiding income in offshore accounts, identity theft, return preparer fraud and filing false or misleading tax forms. Promoters frequently end up facing heavy fines and imprisonment. Meanwhile, taxpayers who wittingly or unwittingly get involved with these schemes must repay all taxes due plus interest and penalties.

Preliminary 2009 Income Statistics Show Recession's Effects on Taxpayers

The Internal Revenue Service (IRS) released its winter 2011 issue of the ***Statistics of Income Bulletin***, featuring preliminary data on 140.5 million individual income tax returns that were filed for tax year 2009. The numbers show the financial carnage wreaked on individual households by the economic downturn that began in 2008 and accelerated in 2009. However, retirement income was up, reflecting the first wave of baby boom retirees, and, perhaps, the forced early retirement of many individuals. Also, homebuyer credit claims were up due to tax law changes. Net capital gains plunged 46 percent, to $241 billion, and capital gain distributions plummeted 90 percent, to $2.3 billion. Bottom line: the wealthy got much poorer in 2009.

The Perils of Portability

Procrastination as a result of portability related to the estate tax exemption may cause some unintended pitfalls and problems. "I love you wills," the marital lateral, lack of GST portability, and remarriage constitute a few of the issues constituted by deferring decisions on how to use the current exemption.

SpringReef Partners, LLC Formed to Evaluate and Select Exceptional Financial Advisors for High Net Worth Families
SpringReef Partners estimates that only about 20 percent of the over 300,000 registered advisors in the United States have the background, capability and experience necessary to offer exceptional advice to high net worth clients. SpringReef Partners hopes to work as a consultant for the wealthy client to find these professionals.

The 'T' in ETF Is for Tax Trap
Turns out that one of the biggest benefits of ETFs, tax efficiency, may not live up to the hype. Many investors put money into ETFs that used derivatives to bet on future prices. Those ETFs will result in an annual tax bill for the investor at higher than normal rates as some of the profits are taxed at the short-term capital gains rate.

Guidance on Bundled Trustee Fees Extended
Nongrantor trusts and estates will not be required to unbundle fiduciary fees into portions consisting of costs that are fully deductible and costs that are subject to the 2 percent threshold for miscellaneous itemized deductions, under guidance issued by the Internal Revenue Service (IRS). The notice says this treatment will apply until final regulations are issued; previously the IRS had been extending the rule on a year-by-year basis.

Tax Advisors: Higher Rates Are Coming
As many Americans finish their returns to send to the Internal Revenue Service, some financial advisors say that, with deep budget deficits and the Bush tax cuts set to expire at the end of next year, they are counseling clients to prepare for a rise in their tax bill in the coming years.

Client Perspective

Super Rich See Federal Taxes Drop Dramatically
The super rich pay a lot less taxes than they did a couple of decades ago. And nearly half of U.S. households pay no income taxes at all. The Internal Revenue Service (IRS) tracks the tax returns with the 400 highest adjusted gross incomes each year. The average income on those returns in 2007, the latest year for IRS data, was nearly $345 million. Their average federal income tax rate was 17 percent, down from 26 percent in 1992.

Retirement out of Reach for Nearly 40% of U.S. Workers
A report by the AICPA found that almost 40 percent of American workers polled said they will never afford retirement. In addition, 56 percent said they were not saving for retirement, partly because of higher food and gas prices.

IRS Overseas Probe Focuses on Wealthy
The Internal Revenue Service (IRS) is focusing on the wealthiest Americans with money overseas as it develops regulations that will require foreign banks to give the government more information about those customers. In new guidance, the IRS said it will direct foreign banks to spend less time identifying and monitoring accounts of people with less than $50,000 and more effort focusing on U.S. account holders with more than $500,000 and with private banking relationships.

Tax the Rich! OK, but Then What, Mr. President?
President Obama has been clear about his preferred tax policy: Tax the rich more and protect households that make less than $250,000 from higher taxes. Relying solely on tax increases for the rich to aid in deficit reduction – even when paired with significant spending cuts – doesn't provide a long-term solution to reduce the national debt.

Portfolios-to-Go May Be Wall Street's Next Thundering Herd
More people are starting to realize that they can do well as self-directed investors and are leaving their full-service brokers. As a result, over the last three years, websites that sell pre-packaged portfolios have attracted more than $3 billion in assets.

Choosing the Estate Tax or Opting Out
The Internal Revenue Service is reminding taxpayers about the availability of its new mobile telephone application to check on refunds and to obtain other tax information. The IRS2Go app, which was

launched during the current filing season, has already recorded more than 250,000 downloads. This is the agency's first smartphone application.

IRS Promotes the Use of Its Smartphone Application

Internal Revenue Service audits of the richest Americans rose from 10.6 percent in 2009 to 18.4 percent last year. Audit rates for all income groups in 2010 increased except for people with no adjusted gross income, but audits of people with incomes over $10 million rose the most in part because of information the IRS received from its voluntary offshore disclosure programs and court cases involving Swiss banks.

Managing Mom's Assets

Many retiring boomers are dismayed to finally reach financial independence, only to find themselves spending valuable time and money supporting and caring for one (or two or more) of their elderly parents. This article discusses innovative strategies to maximize the amount of money available to families who are enduring this unfortunate circumstance.

U.S. Life Expectancy Surpasses 78, a New Record

U.S. life expectancy has hit another all-time high, rising above 78 years. The estimate of 78 years and 2 months is for a baby born in 2009, and comes from a preliminary report released by the Centers for Disease Control and Prevention.

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