

Markets and Going Forward

Wealth Perspective Portfolio Management

Income Taxation

Back in 1773, taxes sparked Americans to destroy three shiploads of British tea. And in 1791, Alexander Hamilton's proposed excise tax on alcohol was enough to prompt the Whiskey Rebellion in Pennsylvania. History is full of tax rebellions, but today, it seems like most Americans are complacent when it comes to taxes. It's no wonder we have so many of them.

<http://www.investopedia.com/articles/tax/10/history-taxes.asp>

Investment and Markets

- Income and Taxes
- Cap Gains
- Retirement Taxes and Distributions
- Investments Holding and Selling
- Estates
- Holding (No Tax)

Federal income tax brackets

- **Federal income tax brackets**

Right now, there are six income tax brackets: 10%, 15%, 25%, 28%, 33%, and 35%. For 2010, these brackets apply to married couples filing joint federal income tax returns in the following manner.

Lower Tax Rates Extended

- The 2010 Tax Relief Act extends through the end of 2012 the tax rates in effect in 2010. They had been scheduled to increase to the higher tax rates that were in effect prior to 2001.

2011 Income Tax Brackets--

2011 INDIVIDUAL INCOME TAX RATES		
Married, Filing Jointly or Surviving Spouse		
If Taxable Income Is Between:	Your Tax Is:	Of Amount Over:
\$ 0 – \$ 17,000	10%	\$ 0
\$ 17,000 – \$ 69,000	\$ 1,700 + 15%	\$ 17,000
\$ 69,000 – \$ 139,350	\$ 9,500 + 25%	\$ 69,000
\$ 139,350 – \$ 212,300	\$ 27,088 + 28%	\$ 139,350
\$ 212,300 – \$ 379,150	\$ 47,514 + 33%	\$ 212,300
\$ 379,150 and above	\$ 102,574 + 35%	\$ 379,150

Married, Filing Separately		
If Taxable Income Is Between:	Your Tax Is:	Of Amount Over:
\$ 0 – \$ 8,500	10%	\$ 0
\$ 8,500 – \$ 34,500	\$ 850 + 15%	\$ 8,500
\$ 34,500 – \$ 69,675	\$ 4,750 + 25%	\$ 34,500
\$ 69,675 – \$ 106,150	\$ 13,544 + 28%	\$ 69,675
\$ 106,150 – \$ 189,575	\$ 23,757 + 33%	\$ 106,150
\$ 189,575 and above	\$ 51,287 + 35%	\$ 189,575

Single		
If Taxable Income Is Between:	Your Tax Is:	Of Amount Over:
\$ 0 – \$ 8,500	10%	\$ 0
\$ 8,500 – \$ 34,500	\$ 850 + 15%	\$ 8,500
\$ 34,500 – \$ 83,600	\$ 4,750 + 25%	\$ 34,500
\$ 83,600 – \$ 174,400	\$ 17,025 + 28%	\$ 83,600
\$ 174,400 – \$ 379,150	\$ 42,449 + 33%	\$ 174,400
\$ 379,150 and above	\$ 110,017 + 35%	\$ 379,150

Cap Gains

- **Tax Rate on Capital Gains** The tax rate on capital gains from the sale of assets held longer than one year remains at zero percent for people in the 10 percent or 15 percent tax brackets. The 15 percent maximum tax rate on long-term capital gains for taxpayers in higher brackets also remains the same.
- Remember, state tax applies to cap gains too.
- **Lower Capital Gains and Dividend Tax Rates Extended Through 2012** - The tax rate reductions for long-term capital gains remain in effect for 2011 and 2012.

Dividends

- Also, while qualifying dividends are taxed in 2010 using the same capital gains tax rates described (i.e., 15% and 0%), in 2011 they were going to be taxed as ordinary income subject to the proposed increased 2011 tax brackets.

Estates

- There is currently no estate tax for 2010, and special rules are in place that govern the way basis is calculated for property passing upon death.
- **Estate Tax 2011** - For individuals dying after 2010, the federal estate tax continues with a \$5 million exemption and a 35 percent maximum rate. The current federal estate tax rules are scheduled to end after 2012.

Tax Credit for College Tuition

- **Tax Credit for College Tuition**
- The American Opportunity Tax Credit remains in effect through 2012.

Earned Income Tax Credit (EITC)

- Temporary increases in the Earned Income Tax Credit for filers with three or more children and the higher income levels for the phaseout of the credit have been extended through the end of 2012.

Child Tax Credit

- The credit of \$1,000 per eligible child continues through 2012. The credit was extended by two years by the 2010 Tax Relief Act.

Tips

- **Contribute to retirement accounts**
- **Itemize**
- Home Office Expenses
- **Provide dependent taxpayer IDs on your return**
- **Don't File Electronically unless you need the refund ASAP.**
- **Credit Cards dedicated to expenses.**
- **PreTax Money – Use it effectively.**

Portfolios

- Mutual Funds
- Interest
- Dividends
- Cap Gains
- 1099 DIV
- 1099 INT
- Reporting and Extraction from Brokerages.
- Annual Reports sent by Banks and Broker firms.
- Tax Deferred issues are no problem.

Retirement Income

- Ordinary Income on Distributions
- Tax by FED
- Tax by State
- Other tax such as Social Security Taxes
- 9 States with No Income tax

http://www.kiplinger.com/tools/retiree_map/index.html?map=1&si=1

- Principal (basis) not Taxed when withdrawn.
- Long term gains from selling is probably a strategy too.
- Penalties on early withdraw.

Big Losses and Risk



5 Years dow



30 Years Dow



Hold or Sell or Allocate

- Buy
- Hold
- Sell at Price
- Hold Long term
- Reap Dividends
- Sell Some
- Keep some
- Diversify
- Allocate
- Preserve

Types of Accounts

- 401k Selling has less penalties
- Personal – Taxes
- Allocated in Tax Deferred is less penalty.
- Sell and go to cash?
- Market Timing
- Timing can cost you big....

NASDAQ Quick Movement



What to Buy?

- Financials are at all time recent lows.
- Corn and other commodities are cruising
- What is IN DEMAND?
- If you buy gold now and it goes up another 50%, do you sell?
- Where is there value
- Where is there momentum
- How do you research?

Types of Investments

- Securities
- Real Estate
- Commodities
- Artwork
- Precious Metals
- Currencies
- Options
- Land or other
- Mineral Rights or other. (Oil Wells)

Focus on Securities

- Stocks
- ETFs
- Mutual Funds
- Bonds
- CDs?
- Corporate Bonds
- Hi Dividend Stocks or Investments
- Cash Flow versus Retirement?

What are goals?

- Growth
- Preservation
- Income, Interest, Dividends
- Retirement Income
- Tax Deferral
- Global Investing
- Sleep well at night?
- Emergency Cash
- How to beat inflation?

Systematic investing

- ***Systematic Investment Plan - SIP***

Dollar-cost averaging involves buying a fixed-dollar amount of a security regardless of its price. Therefore, shares are bought at various prices over time and the average cost per share of the security will decrease over time. Dollar-cost averaging lessens the risk of investing a large amount of money into a security. In addition to SIPs, many investors reinvest dividends received from their holdings back into purchasing more stock, called dividend reinvestment plans (DRIPs).

Read more:

<http://www.investopedia.com/terms/s/systematicinvestme>

<http://www.investopedia.com/terms/s/systematicinvestme>
nman.asp#ixzz1VOiGsZVb

The Nuts and Bolts from Investopedia

- **Stock-Picking Strategies: Fundamental Analysis**

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CAN SLIM – 7 Parts

The seven-part criteria is as follows:

C - Current quarterly earnings per share has increased sharply from the same quarters' earnings reported in the prior year. (Beware of items in financial statements that can cause earnings distortions.)

A - Annual earnings increases over the last five years.

N - New products, management, and other new events. In addition, the company's stock has reached new highs.

S - Small supply and large demand for a stock creates excess demand, and an environment in which stock prices can soar. Companies acquiring their own stock reduces market supply and can indicate their expectation of future profitability. Look for low debt-equity ratios.

L - Choose leaders over laggard stocks within the same industry. Use the relative strength index as a guide.

I - Pick stocks who have institutional sponsorship by a few institutions with recent above average performance. Be cautious of stocks that are over owned by institutions.

M - Determining market direction by reviewing market averages daily.

Some Pitfalls

- **Buying Low-Priced Stocks**
- **Avoiding Stocks With High P/E Ratios**
- **Letting Small Losses Turn Into Big Ones**
- **Averaging Down**

Averaging down means you're buying stock as the price falls in the hopes of getting a bargain.

- **Buying Stocks In A Down Market**

Read more:

<http://www.investopedia.com/articles/stocks/04/111104.asp#ixzz1VOkJTAK3>

Types of Portfolios

- Aggressive
- Defensive
- Income
- Speculative
- Mixed

Protection Strategies

- Diversification
- **Non-Correlated Assets – Cash Gold or other sectors**
- **Hedging via Options**
- **Stop losses**
- **Dividend Stocks** Owning stable companies that pay dividends is a proven method for delivering above-average returns.

Read more:

<http://www.investopedia.com/articles/basics/11/5-portfolio-protection-strategies.asp#ixzz1VOldM1ET>

Buy Buy Buy and HOLD

- Buy What you Buy
- Buy what you believe in
- Take advantage of tax deferred growth.
- Buy and hold great companies
- Buy companies around the world

End of Class

- Thanks for being here.

Kindest Regards, George



References

- **Google Finance**
- **Investopedia**
- **FINRA**
- **SEC**
- **IRS.gov**