

This Publication Brought To You Courtesy Of:



STEVEN F. CARTER
CERTIFIED FINANCIAL PLANNER™, Practitioner

4225 Executive Square
Suite 1030
La Jolla, CA 92037-1486
Phone: (858) 678-0579
Fax: (858) 546-0792
E-mail: steve.carter@lpl.com
www.stevencarterfinancial.com

CLIENT BULLETIN

February, 2012

➤ Tax Preparer Information

Don't worry about getting income tax information for your investment-related accounts (such as 1099 forms, advisory fees, capital gains and losses etc.) to your income tax preparer over the coming weeks. Our office proactively sends out that information to them and we follow up as needed to make your tax filing process as stress-free as possible.

➤ "Lame Duck" Legislation

The most meaningful decisions regarding income taxes will most likely be made **after** the elections in November but **before** the winners begin their new terms in January, 2013. On the table will be the Bush tax cuts which are set to expire at the end of 2012. The fate of the cuts will probably be decided by a "lame-duck" Congress convening between Thanksgiving and Christmas of 2012. Regardless of the elections results, the Congress that returns for that session will be the existing Congress – a Republican led House and Democratic-led Senate. President Obama, too, will still be in office at the end of 2012 regardless of the presidential election outcome.

➤ Tax Hikes on the Way

Given the short time frame for action and the acrimonious political environment, agreement during the lame-duck session may prove elusive. Inaction will lead to the expiration of the Bush tax cuts and

Item Taxed	Current Top Rate Tax	Top Rate Tax to Begin 2013	Percent Change in Top Rate Tax
Ordinary Income	35%	43.4%	Almost 25%
Capital Gains	15%	23.8%	Almost 60%
Dividends	15%	43.4%	Almost 300%
Estate Tax	35%	55%	Over 55%

Source: Andrew H. Friedman

higher taxes. In addition, new tax increases to fund health care reform are scheduled to begin in 2013 as well. This table illustrates what we can expect to see beginning in 2013.

Steven F. Carter, CFP® is a Registered Principal with and securities offered through LPL Financial, Member FINRA/SIPC. CA Insurance License #0685681

➤ *Cost Basis Changes*

In past years, the IRS has relied on taxpayers to provide the “cost basis” of investments such as stocks, bonds and mutual funds that they sold during the year. That cost basis, in turn, determined how much of a taxable gain or loss a taxpayer realized upon the sale of an investment. For years the IRS has been concerned that taxpayers have been forgetful, inaccurate or downright dishonest when reporting the basis information so they have done something about it. Beginning with 2011 income tax returns for some investments, the IRS is requiring financial institutions such as LPL Financial to document and report cost basis information directly to *them* in order to head off any discrepancies in cost basis reporting. There remains some flexibility in the methods of reporting cost basis so I will be working closely with tax preparers in the coming months to achieve the best result for clients.

➤ *Someone is Watching*

This isn't economic, tax or financial information, but I thought it was worth a look. Click on this [link](#) and you will see an aerial photo of people crammed together in Vancouver celebrating a hockey championship. Police used the photo to identify rioters and trouble makers. You can zero in on any one single face by putting your cursor anywhere in the crowd and double-clicking a couple of times. The clarity is unbelievable. Concurrently, researchers at Carnegie Mellon are developing an iPhone app that can snap a photo of a person and within seconds display their name, date of birth and social security number based on face recognition.

➤ *International Trade*

Whenever the state of the nation's finances turns gloomy, there is typically an attempt to keep money and jobs at home by imposing protectionist barriers such as tariffs (taxes on foreign goods coming into the U.S.) and quotas (limits on the amount of foreign goods coming into the U.S.). These strategies are meant to improve the competitiveness of products made in the U.S. thereby “protecting” U.S. jobs. Tariffs and quotas seem logical and are the ultimate in political rhetoric, but economics and history do not back up their effectiveness. In fact, these strategies greatly extended the length of the great depression when they were employed in the 20's and 30's. In today's economy, international trade is even more complex than it was back then and the belief that one country can serve all of its own demands is an idealistic and misguided notion. There have been hundreds of books written on this subject, but the most succinct - if you can call 8 pages succinct - summary of the issues I have come across is in remarks made by Roger W. Ferguson, former Vice Chairman of the Federal Reserve, at an international trade conference in 2004. You can access a transcription of his comments by clicking on this [link](#).

➤ *Client Bulletin Sign-up*

As always, I hope you have benefitted from this Client Bulletin issue. If you're short of night time reading, you can find prior issues on our web site and if you know someone who would like to be added to our Client Bulletin email distribution list, please drop a note to lauren.dibiasi@lpl.com or have them sign up at <http://www.stevemcarterfinancial.com>

**The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance.*