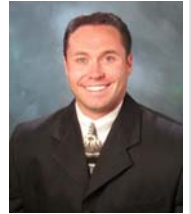


# RAYMOND'S DAILY "PLAN-IT"

SOLUTIONS ~ FOUNDATION ~ INDEPENDENCE

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## Two Ways to Help Manage Your Tax Burden

Americans work an average of 79 days a year to pay their federal income tax burdens and another 41 days to pay state and local taxes. By comparison, they work an average of 62 days to pay for housing and related costs.<sup>1</sup>

If tax season has you searching for ways to lighten your tax load, here are two options to consider.

### Loan Money to the Government

Interest paid by municipal bonds issued by your state or local government is typically free of federal income tax. Government entities issue municipal bonds to raise capital for infrastructure and other public projects.

You must select bonds carefully to ensure a worthwhile tax savings. Because municipal bonds tend to have lower yields than other bonds, the tax benefits tend to accrue to individuals with the highest tax burdens. If a bond was issued by a municipality outside the state in which you reside, the interest could be subject to state and local income taxes. If you sell a municipal bond at a profit, you could incur capital gains taxes. Some municipal bond interest could be subject to the federal alternative minimum tax.

### Live with Life Insurance

A permanent (or cash-value) life insurance policy can be tapped for income during your lifetime. This can result in a lower death benefit, so it's something to consider in light of your overall circumstances.

Any premiums paid into the policy that are later withdrawn are not subject to income tax. Once all premiums have been withdrawn, you may be able to take tax-free loans against the policy's cash value, but this strategy will reduce the death benefit if the loans are not repaid.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be

prudent to make sure that you are insurable by having the policy approved. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered, there may be surrender charges and income tax implications

Managing your tax burden takes careful preparation and a solid understanding of your financial situation. Before you take any specific action, be sure to consult with your tax professional.

1) Tax Foundation, 2007

## Fuel for the Economy

Oil Prices Are Affected by Long List of Variables.

The world uses 86 million barrels of oil per day.<sup>1</sup> That is a staggering amount, no matter how you look at it. The world has become so dependent on oil that most economies simply could not exist in their present forms without it.

No wonder, then, that the world oil market has developed an array of hot buttons, any one of which can send oil prices soaring or plummeting.

A range of factors can affect oil prices. Some of them may surprise you.

### Supply Interruptions

As any economics student can tell you, a product's price is always affected by the supply. Although the availability of quality crude oil is an ever-present concern, it's only one source of supply woes. Supply can be constricted when pipelines that carry crude to the refineries are off-line due to failures or routine maintenance. Further supply problems can strike when refineries are unable to operate due to weather events, human error, or maintenance. Competing demand from other nations can also crimp supplies.

### Dollar Strength

The value of the U.S. dollar can affect oil prices because the world oil market is priced in dollars. Other countries must exchange their own currencies for dollars in order to buy oil. If a country's currency is

Strong against the dollar, oil becomes cheaper for the buyer, who is likely to buy more. This additional demand can in turn send oil prices higher.

### Geopolitical Tensions

The Organization of the Petroleum Exporting Countries (OPEC) is a cartel of 12 member countries that supplies 40% of the world's crude oil and possesses about 78% of the world's proven oil reserves.<sup>2</sup> Some OPEC nations, particularly those in the Middle East, have a history of political and armed conflict, both among themselves and with other nations. When unrest threatens to flare, the oil market, which operates based on futures contracts, may fear a supply interruption, which in turn makes existing oil supplies more valuable, regardless of whether the threat materializes

### Investor Behavior

When other areas of the financial markets such as real estate and equities are behaving poorly, investors seeking higher returns may pile into energy contracts, increasing demand and thus prices.

Oil prices are critical because they play a role in nearly every product and service in the marketplace. Staying abreast of the causes of oil price fluctuations could help you make better portfolio decisions.

1) *The Wall Street Journal*, October 24, 2007

2) Investopedia, 2007; *The Wall Street Journal*, October 24, 2007

## Conserve Your Estate

The gradual phase out of the federal estate tax has reduced the number of estate tax returns filed with the IRS by about 58% since the phase out took effect in 2001.<sup>1</sup> The number of returns is almost guaranteed to fall again when the estate tax exemption rises to \$3.5 million in 2009, and yet again when the federal estate tax is eliminated in 2010.

Sounds great, right? Not really. In 2011, the estate tax is scheduled to return with a \$1 million exemption and a top rate of 55%. It's unclear whether Congress will allow the full repeal to go on as planned in 2010 and let the estate tax come back in 2011, or whether they will craft some other outcome. Anything could happen.

What this means is that people with estate values that approach the exemption amount should consider whether their estate conservation strategies are up-to-date and ready for whatever legislative changes lay ahead.

### Step by Step

The first step toward any effective strategy begins with a will. This document will make your wishes known to the courts that will distribute your property during the probate process. Once you have a will in place, consider setting up powers of attorney for health care and property. These documents allow designated individuals to handle your affairs if you become unable to handle them. Next is to ensure that you have correctly named beneficiaries for your retirement accounts and life insurance policies. These instruments are generally exempt from probate and transfer directly to the designated beneficiaries. Once you have taken these steps, you are in a good position to consider whether you could benefit from a trust. A trust is essentially a legal entity that is set up to own your property. The person you name as trustee will administer the trust assets according to your instructions.

Some trusts can help reduce estate taxes and can place conditions on heirs who inherit your property. Others can be used to make charitable donations, to provide for family members with special needs, and to help prevent posthumous challenges from disgruntled parties.

The use of trusts can involve a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional before implementing such strategies.

With all the uncertainty in the air, staying on top of your estate strategy can put you in a better position to react to whatever Congress decides to do.

1) *The Wall Street Journal*, October 10, 2007

### *From the Desk of Raymond....*

*An expected volatility has continued into Q2. As reported in our Mid Q1 update it appears as though this "recession" (that the pundits still have not truly acknowledged to date) will last on the longer end of typical recessions due to the depth and severity of the many challenges that face the economy, like housing and credit issues.*

*We are monitoring the situation daily and are starting to feel more confident with each passing of new bad news. The latest, is that the credit issues will deepen into the commercial real estate market as well as the auto market. As we also reported in the Mid Q1 update the jobless claims have worsened which provides more evidence that WE ARE IN A RECESSION! ~Raymond*

## WHAT'S NEW AT BRANDYWINE?

By looking out the windows of our office it is easy to see that spring has sprung (or is at least in the process of springing). The rainy, damp, and *slightly* warmer weather is right on course for the beginning of April. While we may have to wait a bit longer for the warmer weather we were hoping for last month, we are right on course for new beginnings. We recently made an addition to our office in Conshohocken. Although he's not a member of the Brandywine team, Jack Rosenbloom has been a welcomed addition. Jack is an accomplished corporate and tax attorney with a broad range of experience representing clients in complex corporate and transactional matters, tax, real estate, and estate and business succession planning. It has been a pleasure having Jack in our office both as a colleague and as a potential source of information for our clients. As for the rest of us personally, here's a little bit about what we've got going on:

### What's new with Raymond?

I was hoping to get out and start practicing my golf game (no comments please) however, I have been plagued with Tendonitis in my elbow, more commonly known as "Tennis Elbow". NO I did not mis-type, it is NOT golf elbow. I tried the traditional therapy with a doctor and also received one cortisone injection, but it came back. So I am trying a "non-traditional" method of healing, Acupuncture. My fiancée's father had the same issue and it worked for him. At this point I will try anything to heal it as soon as possible!

We (Sarah and I) have a vacation coming up May 1<sup>st</sup>-7<sup>th</sup> to Cabo San Lucas with a few friends which we are looking forward to. I did visit "Cabo" last year and it was fantastic! I just hope I can golf by then; they have some beautiful courses there!

### What's new with Justin?

On Friday, March 28<sup>th</sup>, I handed all of my gear into my reserve unit in Wyoming, PA, shook the CO's (Commanding Officer's) hand, received my Honorable Discharge paperwork, and returned to the civilian side of the world once again. My time serving in the U.S. Marine Corps has officially ended. While with the Marines, I traveled to Germany, Kuwait, Iraq, touched the Syrian border, and many parts of the United States. Even though I did not enjoy some of the tasks we were required to perform, looking back, it was a wild journey while it lasted. The men and women that I served with gave me thousands of memories, both great and horrible; and for these memories, it was worth it.

Semper Fidelis!

### What's new with Kristen?

I know that most people, especially those in our business, find April to be an annoying, difficult, and otherwise draining month. Not me. April has always been my favorite. The weather starts to get warm and the rain makes everything verdant, green, and beautiful (remember that Earth Day is April 22<sup>nd</sup>). In addition to all of that, April also contains a very important day, my birthday. On April 24<sup>th</sup> I will be celebrating my 25<sup>th</sup> birthday. I am going to be a **quarter of a century old**. Sometimes it baffles me that the years are flying by me so quickly. In the words of Adam Duritz, *"I can't remember all the times I try tell myself to hold on to these moments as they pass."* I suppose that I can only hope that this year makes me not only older, but wiser as well. There's just one last thing I would like to share with you as we head into April and the most glorious sports season of all: **GO PHILLIES!!!**

We hope the coming month brings all of your great things and that it also brings you closer to obtaining your financial goals. Thank you for continuing to allow us to have a hand in achieving those goals for you. Also, thank you for your recent referrals, they are greatly appreciated. When you suggest our services to your family, friends, and colleagues, it is the greatest compliment we could receive. Please feel free to pass on the names of anyone you know who feels they would benefit from Wealth Management, as it would be our pleasure to talk to them. Have a wonderful month!