

SPECIAL POINTS OF INTEREST:

- Does the AMT effect your tax situation?
- Three common cash mistakes! Which ones are or you making?
- Are you annually reviewing your Life Insurance Policy? Read this article and find out if you should be!

INSIDE THIS ISSUE:

- Patching the Alternative Minimum Tax 1
- Are You Making These Cash Mistakes? 2
- Tips for Healthy Life Insurance 3
- What's New at BFG (a must read!) 4

Patching the Alternative Minimum Tax

By 2010, the Treasury Department expects that 39% of married couples with children will have to pay the alternative minimum tax (AMT).¹ That seems a far cry from when the tax was originally introduced four decades ago as a way to prevent the wealthiest families from using tax loopholes to pay little or no income tax.

The AMT requires a different set of calculations from the regular income tax. For example, it doesn't allow the standard deduction or personal exemptions. Additionally, miscellaneous itemized deductions are not allowed, and special rules apply to medical expenses, home mortgage interest, and other common deductions.

Because the AMT is not indexed to inflation, it affects more middle-class families each year. For several years, Congress has favored last-minute patches that raise the exemption amount for AMT eligibility, enacting temporary rather than meaningful reform. In 2007, even with the higher exemption amount, 4.2 million taxpayers were on the hook for the AMT.² Without the patch, the figure would have been much higher.

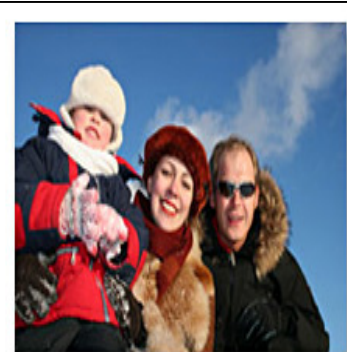
The patch for 2009 raised the exemption amounts to \$70,950

for married taxpayers filing jointly and \$46,700 for single taxpayers. Congress will have to act again if it intends to spare a significant number of middle-class taxpayers from the levy in 2010.

The future of the AMT is uncertain, yet it is important to consider the possible effects of the AMT on your tax situation. Before you take any specific action, be sure to consult with your tax professional.

- 1) Kiplinger.com, 2008
- 2) Tax Policy Center, 2009 (latest figures available)

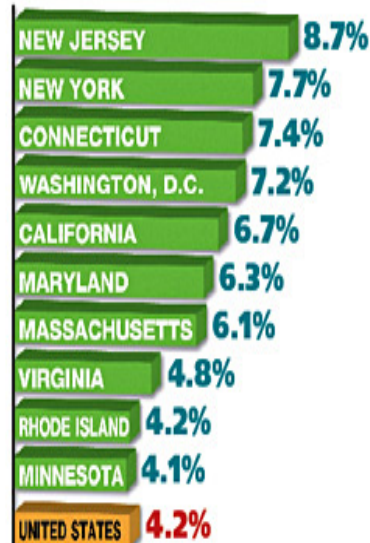
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Not All States the Same

Because the AMT does not allow deductions for state and local income taxes and property taxes, taxpayers in high-tax states are more likely to get hit by the tax. In New Jersey, for example, 8.7% of taxpayers were subject to the AMT in 2007.

Percentage of taxpayers subject to AMT



Source: Tax Policy Center, 2009

Are You Making These Cash Mistakes?



A majority of Americans reported cutting back on their spending in 2009. Fifty-six percent said they were eating in restaurants less often, 59% were spending less on vacations, and 36% postponed an auto purchase. In all, 76% said they had cut back in at least one area.¹

So it's not surprising that the personal saving rate has been running higher than normal. It even hit 6% in May 2009, the highest point during this century.²

Spending less and saving more is always a good idea, but what should you do with the money you save? Here are some common mistakes to avoid if you have been stockpiling your cash.

Locking It in Too Long

Certificates of deposit are a popular place to park money for the short term, but locking in your cash for years when rates are low means you may not be able to change course if conditions improve. Although inflation has been fairly low, many economists believe it could make a resur-

gence in the next few years. Inflation is bad news for consumers but good news for fixed-income investors because they can benefit when interest rates rise. If you want to put your cash in CDs, consider those with shorter maturities; they pay lower interest rates but don't carry a high opportunity cost. FDIC-insured CDs generally provide a fixed rate of return.

Not Paying Off Debt

If you have significant personal debt, it's usually a good idea to pay it down before you start building a cash reserve. Although you probably shouldn't send every last penny to your creditors, keep in mind that interest expenses actually slow your ability to save money. The sooner you pay off your debts, the more you can devote to building the cash in your portfolio.

Playing It Too Safe

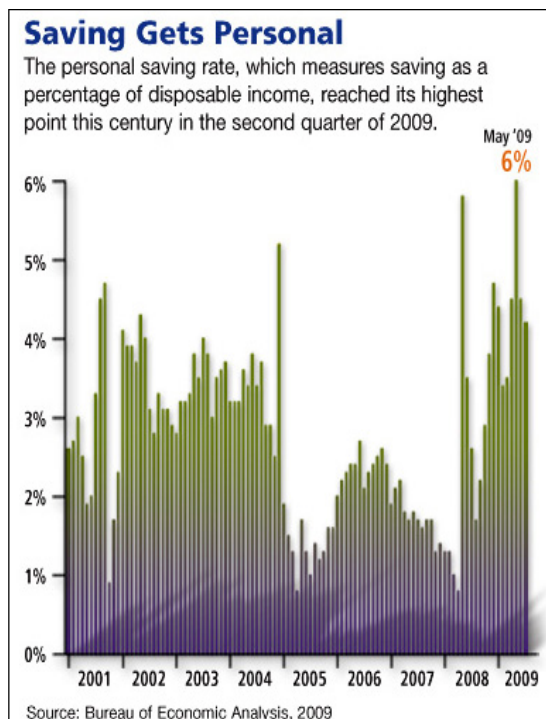
FDIC-insured savings accounts offer a safer way to preserve your principal, usually in exchange for a low return. In fact, the long-term effects of taxes and inflation could actually reduce your money's spending power over the long term. A little money in the bank is essential, but it may be a good idea to put larger sums to work.

It may be comforting to have a cash position, but keeping too much in cash alternatives could

result in a lower-than-expected nest egg. If you've got some cash on the sidelines, consider whether it's working hard enough to help you pursue your future goals.

- 1) The Pew Research Center, 2009
- 2) Bureau of Economic Analysis, 2009

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Tips for Healthy Life Insurance

At least 32 million U.S. households own insurance policies that are not appropriate for them, according to a recent survey.¹ This doesn't necessarily mean that people routinely buy the wrong insurance. It's more likely that they buy good coverage but don't update their policies to reflect changes in their lives.

Some obvious life changes that would warrant a review of your existing coverage include the birth of a child, marriage, divorce, or the death of a beneficiary. But have you considered the effect that retirement could have on your life insurance? If you are about to retire or have recently entered retirement, it's a good time to consider whether your current policy meets your needs.

Consider Your Spouse

Married couples who pool their retirement resources face the possibility that the death of one spouse could imperil the survivor's income, possibly by leaving him or her with significant medical bills. Consider whether your life insurance would be enough to offset any lost income that might result from the insured's death. The appropriate death benefit can supplement the surviving spouse's income and retirement savings. The death benefit could also be used to help pay final expenses and estate taxes or even help pay off a mortgage.

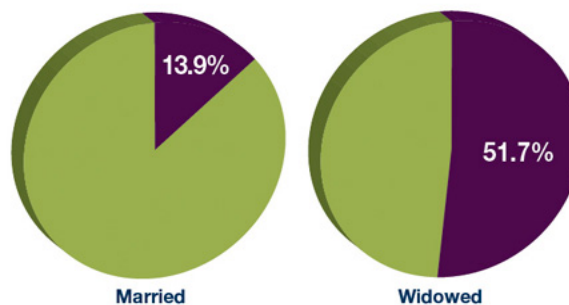
Don't Let Your Coverage Retire, Too

It's fairly common for an employer-sponsored life insurance policy to terminate or significantly reduce coverage following an employee's retirement. If you've been relying on an employer plan to supplement your personal coverage, now may be a good time to consider how or whether to replace the lost coverage.

dent to make sure that you are insurable. 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 prematurely, there may be surrender charges and income tax implications. Before you take any specific action, be sure to consult with your tax professional.

STRENGTH IN PAIRS

Widowed women 55 and older face a much greater risk of living in poverty than married women in the same age group.



Percentage of women 55 and older who live below the poverty line, by marital status

Source: Social Security Administration, 2009

Keep Inflation in Check

If you bought your policy years ago, you might be surprised at the toll that inflation has taken on the face value. Adjusting your policy to keep pace with inflation may help prevent a shortfall later on.

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

If life insurance is part of your long-term strategy, a regular policy review can help make the most of your premium dollars. It can help you determine whether your policy is ready for retirement. We can help provide you with costs, comparisons, and complete details.

1) Insurance Information Institute, 2008

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What's New at Brandywine



From Raymond's Desk

Well this month as many of you know we spent several days shoveling from the "blizzard of 2010" here in Philadelphia and the surrounding Delaware Valley. As you can see from the photos it was quite the winter wonderland in my backyard. The other photo is a car buried under all the snow! Spring and golf season cannot get here fast enough. The cold winter makes me hibernate and not want to leave the house on weekends. I am looking forward to getting out and riding my bike this spring that is for sure. So for now we will hope for some warmer days to melt the snow and keep our eye on the first day of Spring!

I am not big on going to movies, as many of you know I cannot sit still that long! However, with all the bad weather I did go see Avatar to see what all the buzz was about and I truly enjoyed it. My senses were arrested both visually and aurally!

Then I went and saw Dear John, ok movie, not really what I expected and I wasn't a huge fan of the ending. Just my two cents.



From Jill's Desk

Snow, snow, go away, come again another day! Or should I say another year! I don't know about you, but my house is starting to get really claustrophobic! I personally prefer to waste away snowy winter days with a good book. With this last snow storm I finished reading the Sorrows of Young Werther by Johann Wolfgang von Goethe, which was probably not the most appropriate book to read when you are already feeling a bit glum, but I will say the book was written ingeniously.

Two Christmas's ago I was given a book called *1001 Books You Must Read Before You Die* and since then I have been reading like a maniac. It is a fantastic gift for anyone who loves to read. I have read about 50 - 75 of the books that are on the list so far. That may not seem like a lot, when looking at how many I am supposed to read, but if this weather doesn't start getting better soon, I may end up reaching my goal sooner than I planned!