

# tax & investment newsletter

September 2010

MONTGOMERY TAYLOR, CPA, CFP

**We are made wise not by the recollection of our past, but by the responsibility for our future.** ~George Bernhard Shaw

## Monty's Opening Thoughts...

In recent articles I've been talking about 'customer service.' I've been thinking more about this lately. Another term for it is 'customer care.' It's a good term that says much. That we shouldn't just sell to our customers; we should care about them, and care for them. There is no substitute for that. Not even extraordinary expertise. Customer care is a by-product of both attitude and aptitude. **Investment in mastery of craft and its details; determination to see that mastery represented in what goes out the door. Respect for your craft and your customer.** Ambition is fine. But ambition for money delinked from the ambition of actually earning it is disreputable.

When asked about their business or career objectives, many will speak of *getting*. Though full of passion and ambition, they have over-looked the idea of *being*. Every endangered business suffers the same chronic disease. Diminished interest on its leaders' part in the being, interest only in the getting.



This idea of being a master at my craft has taken me down many paths over the last 30 years. It's been a path of constant learning and refinement. I've passed many tests, received many licenses and credentials and worked under several master craftsmen. It's long been my ambition to master my craft and offer it to my client in a caring manner—and truly in their best interest.

This newsletter is a product of our office and intended to represent our mastery and client care. In your hands, this newsletter is a tool. Every tool can be used to build something great, or to drill and bang merely for paychecks, or for harmful purposes. A hammer can build a hospital, or carelessly drive nails with only Friday's check in mind. So it is with all we discuss and show and pore over in these pages. The difference in outcomes will never be based on what's here. A hammer is, after all, a hammer. This newsletter is just a newsletter. It will be in each individual's purposed use. Some come to this newsletter only scanning for 'the trick of the month' they might use to make some money. Others sit down with this newsletter, pen in hand, ready to study and take action; aiming to master their own financial independence and security. These are my 'lifers'.

How are you personally making use of the tools I've placed in your hands? (i.e., this newsletter, the long list of free reports I've made available to you, the 57 Point Financial Health Checklist, financial strategy workshops, brain-storming sessions, etc.)

I say all this to make one simple point. I can be a true master at my craft and I can have the best bed-side manner of them all—but, if you don't use what I carefully place in your hands, what have I accomplished?

No, I'm not bored and looking for work. The fact is I'm very busy. But if I'm not busy helping YOU—why not? Got all your ducks in a row? Have every financial objective checked off? Hmmm. How can I help you?

-Monty



**We're Pleased To Have  
An Article Published  
in the  
North Bay Business Journal  
Legal & Accounting Resource Guide  
August 23, 2010**

**The herd isn't rich  
Avoiding 'average' wealth  
management strategies...**  
By Montgomery Taylor, CPA, CFP

**MT & C MONTGOMERY TAYLOR & COMPANY**  
Registered Investment Advisor



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## Staff News

**A weed is a plant that has mastered every survival skill except for learning how to grow in rows.**

Fresh picked vegetables are much sweeter and juicier than store-bought, so our staff has put time and effort into growing their gardens this summer!

**Barbara** thinks gardening can be quite an adventure.



She has spent many long hours planting, watering, weeding, and fertilizing her garden because she loves the taste of fresh

vegetables. And so do the creatures, from big to small, in her garden. Sometimes she thinks all her effort is only for them. The deer population of Windsor has been well fed this year, as well as many gophers, snails, grasshoppers and other “chewing” creatures.



But nature has a way of giving back to her, as the neighborhood cats leave their nightly “deposits” in the soil.

**Monty** shows no partiality at all in his garden. He is fair and upright in his dealings. He waters vegetables and weeds alike. And, the weeds respect the hand that waters them—by flourishing forth in grand abundance. Monty figures he has species of *Eupatorium purpureum* (Latin for weed) with which even Luther Burbank was unfamiliar. He has diligently contemplated weedology

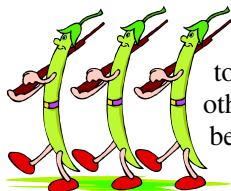


since his youth, getting an early start on his family farm. His Dad was somewhat of a Weedologist as well (no, we’re not talking about cannabis here – get yer mind out of the...). While some think of this as some form of therapy, Monty is

certain that it is only torture. Oh, yes, and by the way, Monty does report that he also has a robust crop of squash in multiple varieties, tomatoes (mostly green as yet), corn, peppers, peas, pumpkins, strawberries and raspberries.



**Sandy** tends to put in a lot of effort at the beginning of the season, adding compost, digging, fertilizing, setting up a drip watering system, and surrounding her raised beds with “fences” (made with bird netting) to keep the neighborhood cats out. After that, Sandy ventures forth on weekends to keep the weeds at bay, but otherwise mostly counts on the plants being able to fend for themselves.



Luckily for her, they usually live up to their end of the bargain,

rewarding her family with green beans, snow peas, tomatoes, strawberries, spaghetti squash, carrots, and Japanese eggplant.



## Monty Went Far Beyond My Expectations

When you’re retired you feel very vulnerable, so having a tax advisor who makes you feel like he is sincerely concerned about your peace of mind, answers your questions and makes you feel comfortable about what’s happening is critical for me because I don’t understand much about investments.



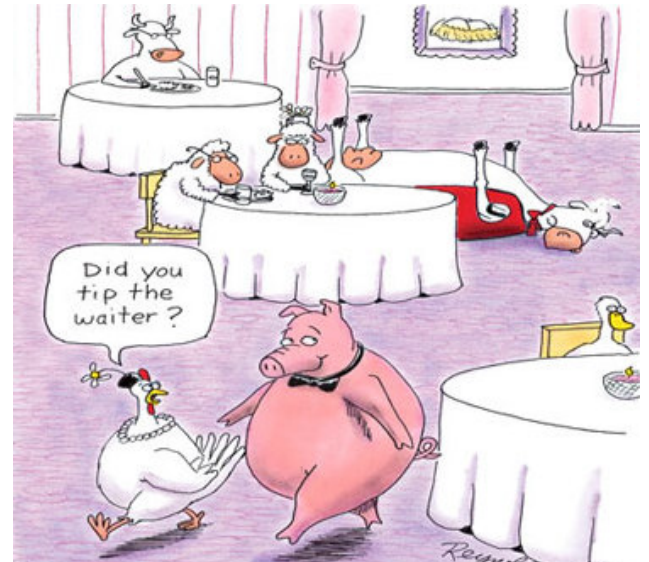
When I first came to Monty what impressed me was that he looked at my entire financial position, not just how my money was placed. He wanted to see my will, my trust, he looked at it all to make sure there was nothing I was missing or needed correction. He got very involved in making sure my living trust was going to protect my children the way I wanted it to. That went far beyond my expectations. Monty found me a trust attorney, he went with me to our meeting, and he had several conversations with him. I just thought that was incredible. Monty makes you feel like he cares about you as a person – you’re not just a client to him.

Monty’s great at communication. I never feel like I can’t just pick up the phone and ask him a question. What I love most about him is that he’s conservative, like I am, so that gives me a lot of peace of mind. My previous financial advisor was much more of a risk taker, which never made me feel comfortable. I really do feel that Monty is concerned about keeping me financially okay.

Monty is serious, so it makes me feel like he takes my money seriously, that he really cares about making sure that he does the right thing. I think Monty’s whole demeanor is very authentic. Anyone coming in to talk to him will see he’s just so down to earth and so real that he sells himself.

~ Judy Baldwin, Retired Manager, Rohnert Park

Here’s one for our clients with Midwestern roots....



# Tax Strategy of the Month

“Here’s an idea I think will save you money!”



## Three New Information Reporting Tools Being Added By the IRS

The IRS has long used information reporting as a tool to enforce compliance with the tax laws.

Information reporting provides the IRS with the ability to perform vast numbers of compliance checks using their computer system. For example, Bank A issues a Form 1099-INT to Customer X and to the IRS that reports the \$1,000 of interest it paid to Customer X during the year. The IRS then checks X’s tax return to see if the \$1,000 of income has been reported. The most commonly encountered compliance checks include the following:

- ♦ Wages (W-2)
- ♦ Income as an Independent Contractor (1099-MISC)
- ♦ State tax refunds and unemployment compensation (1099-G)
- ♦ Certain gambling income (W-2G)
- ♦ Interest and dividend income (1099-INT and 1099-DIV)
- ♦ Pension income, IRA withdrawals, etc. (1099-R)
- ♦ Social Security benefits/Medicare premiums (SSA-1099)
- ♦ Dependent Exemptions (Match against all other returns filed)
- ♦ Filing status (Match against other returns filed)
- ♦ Alimony (Match recipient to payer)
- ♦ Gross proceeds from sales of stock & property (1099-B and 1099-S)
- ♦ Home Mortgage Interest (1098)

There are more, but this gives you an idea of how information reporting can be used as a tool to uncover noncompliance, unreported or under-reported income, and underpayment of taxes. **Beginning in 2011 and 2012, the IRS has added three additional tools to their toolbox which will significantly increase their ability to uncover noncompliance by security investors and business entities.**

Here is an overview of the forthcoming new information reporting tools:

**Payment Card and Third-Party Payment Transactions** - The “Housing Assistance Tax Act of 2008” added Code Sec. 6050W which adds one of the new compliance tools for the IRS. This new tool will affect businesses that accept credit or debit cards, or other electronic payments received during 2011. **Beginning in 2012, payment processors will have to make an annual information report (for the year 2011) to the merchant and to the IRS, stating the gross amount paid to the merchant during the previous calendar year.**

This will allow the IRS to determine the business’s gross income from credit and debit card sales and make it easier to segregate the credit/debit card sales from cash sales. The IRS will then be in a position to see if the credit card dollar figure reported on the tax return matches the bank’s information return and will also allow them to see if a business’s other sales from cash and check payments make sense in the context of the firm’s overall business

We can probably expect IRS to develop statistics for various types of businesses, related to the ratio of cash payments to credit payments, as a means of imputing cash payments for merchants that do not report a reasonable amount of income over and above that reported by the payment processors.

The new reporting form is Form 1099-K. The draft version of this form includes a box for reporting the annual amount of merchant card/third party payments and also has a box for each month’s credit/debit card sales.

**Basis Reporting** – For years, the IRS has had the ability to identify the gross sales received by taxpayers from broker transactions including security (1099-B) and property sales (1099-S). However, the *profit or loss* from those sales is the amount that is taxable, and the only way to determine the profit or loss is to know the *basis* in the property that was sold. The profit or loss is the difference between gross sales price and the taxpayer’s basis in the property. Without confirmation of the basis, which up to now has only been obtainable from the taxpayer via an audit, the IRS has no way to verify the reported profit or loss from the sale, leaving the area open to abuse.

That will be changing beginning in 2011, at least for security sales. Under tax changes enacted as part of the Emergency Economic Stabilization Act of 2008, **every broker that is required to file an information return reporting the gross proceeds of a covered security must include in the return the customer’s adjusted basis in the security, and whether any gain or loss with respect to the security is short-term or long-term.** Generally, this will apply to corporation stocks acquired after 2010 (2011 for regulated investment companies and dividend reinvestment plans and 2012 for other securities to be determined by the IRS).

The IRS estimates that more than one in three taxpayers who sold securities may have misreported capital gains and losses—in many cases because they misreported their basis—and expects the new basis reporting rules will go a long way towards correcting that problem.

**Payments to Corporations** – For as long as most can remember, payments for *services* made by one business to an unincorporated business required the payee to report the payments on a 1099-MISC if the aggregate payments for the year to a single entity were \$600 or more. Payments for *merchandise* (unless made in connection with purchased services) have been excluded from 1099-MISC reporting. As part of the Health Care Act passed in 2010, the exemption from reporting payments to incorporated businesses will end, as will the exclusion of payments for merchandise, beginning for transactions occurring in 2012. Thus, **all business-related aggregate payments of \$600 or more to a single entity for the year, including payments for merchandise, will need to be reported by all business entities.**

This will place a significant burden on businesses not only to track and report payments but also to reconcile their income with their accounting method and their reporting year (if not a calendar year).



To ease the burden this requirement may impose on businesses, the IRS has indicated it plans to use its administrative authority to exempt from this new requirement business transactions conducted using payment cards (such as credit and debit cards). These transactions will already be covered by the new reporting requirements on payment card processors, so there will be no need for businesses to report them as well.

It is not too early to start thinking about the impact these new reporting requirements will have on your investment transactions or your business! You need to be prepared when 2011 rolls around. If you have questions, please give this office a call.

## Tax News You Can Use...

### Tax filing reminders!

✓ **September 15** - Third quarter installment of 2010 individual estimated income tax is due.



✓ **September 15** - Filing deadline for 2009 tax returns for calendar-year corporations that received an automatic extension of the March 15 filing deadline.

✓ **September 15** - Filing deadline for 2009 partnership tax returns that received an extension of the April 15 filing deadline.

✓ **October 1** - Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2010.

✓ **October 15** - Deadline for filing 2009 individual tax returns on extension.



### **Gambling winnings and losses can affect your tax bill**

From time to time, some of you are lucky enough to win a shilling or two at your local casino, the track, or your state lottery. How will that gambling income impact your taxes?

All gambling winnings are taxable. This is true for cash winnings and for the fair market value of any non-cash prizes you might win (e.g., a car, vacation, etc.). Depending on your other income and the amount of your winnings, your federal tax on such winnings can go as high as 35%. You don't receive any capital gains rate break for gambling winnings, nor is there any income averaging to help lower your tax bill.

However, you are entitled to a tax deduction for gambling losses. These are taken as an itemized deduction and your losses can't exceed your winnings. In other words, if you report no gambling income, you can't report gambling losses. When you gamble and lose, you must keep documentary evidence of your losses (canceled checks, credit card charges, losing tickets, ATM receipts, etc.). Many casinos keep track of your wins and losses for electronic games if you belong to their player clubs.

But gambling deductions might not be all that beneficial. You can't simply "net out" your winnings and losses. Instead you must report your entire

winnings as income, and use your losses as itemized deductions. In many cases (especially for older taxpayers with little income other than social security benefits, and with very few itemized deductions), the losses might not be tax beneficial. If you take the standard deduction rather than itemizing deductions, you will receive no tax benefit whatsoever. However, the winnings could have a significant impact on your income and may cause you to pay additional taxes (such as making some of your social security benefits taxable when they otherwise wouldn't be).

### **Evaluate investment risk in your profile**



If nothing else, the recent financial meltdown provided an important learning experience and reinforced time-tested concepts about risk in investing. None of these lessons will comfort investors. However, we can still evaluate investment risks, at least on a relative scale.

**Conservative investors** fear loss of principal above all. They flock to lower-risk vehicles, such as Treasury bonds, CDs, and money market funds, which are comparatively well known and easy to understand. They're willing to accept a lower ceiling on their potential earnings in exchange for a lower risk of losing principal. However, this reasoning ignores or underrates a different but no less serious risk: that inflation will outstrip the earning power of the investor's savings, causing the principal to lose value even when achieving its maximum rate of return. In the worst case, conservative investors can outlive their investments.

**Aggressive investors** have no problem with risky investments if the investments carry a high profit potential. The more rational risk-takers recognize a corresponding loss potential and accordingly risk no more principal than they can afford to lose. Their less rational fellows may continue to risk everything until little or nothing remains.



**The wisest investors** take a balanced approach. Since most have neither the time nor the resources to analyze individual investments in depth, they generally refer to advice and analysis

## Tax News You Can Use (continued)...

provided by outside sources. They also diversify their holdings so that if one investment fails, their portfolios are not irreparably damaged.

The mix of assets in your own portfolio should reflect your risk tolerance, but it also should be tempered by awareness that **both extreme caution and excessive risk-taking can be pathways to ruin.** In general, no one stock or other single investment (excluding mutual funds, which are bundles of investments) should comprise a major part of your portfolio. Varying the types of assets in your portfolio (foreign vs. domestic stocks, bonds, mutual funds, Treasury bills) can provide an additional margin of safety.

You can't escape risk in the world of investments, but you should try to choose the investments that fit both your risk comfort level and your personal financial situation.

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### Put year-end tax planning on your schedule



At the end of 2010, most of the provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 will "sunset" or expire. Only those provisions extended or made permanent by later tax legislation will remain effective in 2011. That fact makes year-end tax planning crucial for 2010. At the point of major tax change, there are always opportunities and pitfalls that should be analyzed if you want to keep your taxes as low as possible. With all the tax changes that have already occurred and the many more sure to come this year and next, you must review your tax situation now.

An important part of our service to you is helping to identify actions you can take before year-end to minimize your income tax bill. If you'd like to discuss tax-cutting options that fit your particular situation, please contact us soon for a year-end tax planning review.

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Tax Advice Disclosure: To ensure compliance with requirements imposed by the IRS under Circular 230, we inform you that any U.S. federal tax advice contained in this communication (including any attachments), unless specifically stated otherwise, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties or (ii) promoting, marketing or recommending to another party any tax-related transaction(s) or matter(s) addressed herein. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us. Tax preparation and consultation services are offered through the office of Montgomery Taylor, CPA, with professional memberships in the California Society of CPAs and the American Institute of CPAs.

## College Strategist

### Paying for College Without Going Broke



If you have been reading the news lately, you know how much more difficult it is becoming for students to pay their college tuition.

When comparing tuition costs in California, at the top of the price scale are the **private universities** (including schools such as Stanford, USC, and Pepperdine University). On average, students pay over \$50,000 annually for tuition, fees and other expenses.

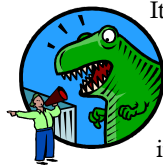
The **University of California system** (which includes schools such as UCLA, UC Berkeley and UC Davis) charge roughly \$13,000 annually in tuition and registration fees. Coupled with living costs, books and other miscellaneous materials, the average cost of a UC college education is \$32,000 per year for 2010.

In the **California State University system** (encompassing campuses such as Cal Poly San Luis Obispo, Sonoma State, San Jose State and San Francisco State), annual tuition/registration fees continue to be lower than private schools or the UC schools, coming in at an average of \$4,827 per year. Adjusting for housing, transportation, books and other expenses brings the cost to roughly \$16,000 annually.

**Community colleges** are a very good value to students; however they do not offer Bachelor's degrees. At Santa Rosa Junior College the cost of tuition in 2010 is \$26.00 per unit. For a full time student, including fees and books, the average cost is \$2,000 per year.

It is important to remember that there are fundamental differences between each school system that cannot only be summed up by cost. For example, a private university may provide students with a smaller class size and additional learning opportunities through increased contact with professors. And, don't rule out a private college just because of the price tag. According to the National Association of Independent Colleges and Universities, student aid spending will rise by 7 percent for 2010.

On the other hand, the UC System is widely known for its focus on research and excellent undergraduate programs. The CSU system has 23 campuses making education accessible for many students. And most students at these public universities receive some form of financial aid to help pay for their education.

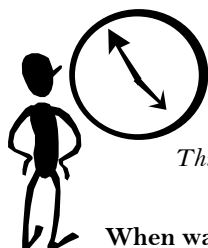


It is clear that tuition costs have been rising within the past few years and we have most likely not seen the end of this. If you need help escaping the "Tuition Monster", give our office a call at (707) 576-8700. We specialize in helping you fund the cost of college while maintaining other financial priorities.

College planning services are offered through our College Plan Advisors, LLC, company and its affiliation with College Planning Network and the National Association of College Funding Advisors.

# Financial Strategy of the Month

“Here’s an idea I think will save you money!”



## Review Your Life Insurance? Yes, it’s about time!

*This is another of the items on our 57 Point Financial Health Checklist. \**

**When was the last time you looked at your life insurance coverage?** Why not do it now? September is as good a time as any – in fact, this is National Life Insurance Awareness Month. The non-profit Life and Health Insurance Foundation for Education (LIFE) wants to awaken Americans to the need for life insurance, and its remarkable utility as an estate planning and tax-saving tool.

**What? You don’t have insurance?** You’re not alone. According to LIFE, 68 million adult Americans have no life insurance coverage. (That means about 30% of us.) In September 2008, a LIFE poll found that 27% of adult Americans would be willing to cancel their life insurance coverage to save money in hard times.



Watch a life insurance commercial, and you’re likely to see a young or maturing family. However, this is hardly the only context in which life insurance matters.

- Life insurance can be a vital part of a financial strategy for empty-nesters who want to retire to a comfortable lifestyle.
- A buy-sell agreement funded with life insurance allows a surviving business owner to buy the company interest of a deceased owner at a previously established price. Key-person insurance can aid a business if a core employee passes away. (It is possible for a business to fund a buy-sell agreement and key-person insurance with pre-tax dollars, making these moves truly tax-efficient.)

**Your only way to send money to the future on a tax-free basis.** Some people buy a life insurance policy and name a son or daughter as a beneficiary. This thoughtful decision has one little downside. If you own the policy, the death benefit is included in your taxable estate.

You have an alternative here. You don’t have to own your life insurance policy. Your children (or other beneficiaries) can own it. If they do, they will receive a large payout free from federal estate and income taxes when you pass away.

You can make gifts to your kids to acquire the insurance, and your kids can pool their money and buy policies on Mom and Dad. The more kids you have, the less the premium burden. Not only that, some policies can build up cash value (tax-free growth within the policy).



Here’s another way to remove life insurance proceeds from your taxable estate: an irrevocable life insurance trust. You can have the trust own the policy, and you can periodically fund the policy through gifts made to the trust. The trust will get the proceeds from your policy when you die, and those proceeds can be distributed according to your wishes – they can go to your loved ones or charity, they can be used to pay estate taxes.

**A way to help you as you plan to build wealth.** There are cash-rich life insurance policies with tax-advantaged savings features that offer you the potential to earn interest based on the gains of an equity index. Others permit you to direct a percentage of your premiums to investment sub-accounts which may generate tax-free earnings. These policies can be useful when it comes to business continuation and employee benefits, retirement planning, education planning and estate planning.

**Insuring yourself may be cheaper than you think.** Let’s say you just want term life—basic life insurance without the capability to accumulate cash value. Well, good news: the Insurance Information Institute found that premiums for standard-risk term life insurance fell 50% between 1994 and 2007, corresponding to reduced mortality rates. Not only that, the Institute says term insurance premiums have fallen by more than 4% per year since 2000. (Premiums on cash value policies are about 5% lower today compared to a decade ago.)

### Are you adequately insured? Are you using life insurance smartly?

Life insurance is like the Swiss Army knife of estate planning: there are so many ways you can use it as you plan to pursue your goals. Whether you simply need to insure yourself or need to protect your estate through sophisticated planning, September is the month to think about life insurance – and all the ways it can potentially help you financially.



**Monty** holds a life insurance license and is willing to review your existing policies or do a needs analysis to determine what type and amount of life insurance is appropriate for you. Simply call our office and we’ll be glad to help you.

*\*In July’s newsletter I offered to send you the checklist and made a special offer to sit down and go through the checklist with you. Kudos to those of you who take your financial health seriously and have taken action on this!*

### **Montgomery Taylor, CPA**

#### **Client Benefits:**

1. Expert tax-saving advice as a regular part of your income tax preparation
2. Professional Service Warranty that guarantees you the largest tax refund possible with the lowest tax liability
3. Your tax returns completed within eight business days of when you provide all necessary data
4. Your phone calls returned promptly (any time of year), always within 24 hours
5. Help with allocating your 401(k) investment funds
6. Monthly ClientAdvisor Newsletter
7. Professional online tax advice anytime ~ mtaylor@taxwiseadvisor.com

### **Platinum Tax Maintenance Program** **2009 Member Benefits:**

1. ALL CPA Client Benefits listed above, **AND**
2. Three phone consultations (20 minutes each or a total of 60 minutes) during the tax year scheduled through our appointment desk
3. W-4 review to be sure your withholding is correct
4. Audit assistance in the event you are subject to an audit for the 2009 year, limited to four hours of service at no additional expense
5. Answer all IRS notices and correspondence you receive for 2009 tax year
6. Answer FTB notices and correspondence including Head of Household Audit Letter for 2009
7. 1 additional copy of tax year 2009 tax return
8. \$50 discount on our fall tax planning appointments scheduled through our appointment desk

### **Montgomery Taylor & Company, LLC,** **Registered Investment Advisor** **Client Benefits:**

1. Independent, unbiased, investment advice on a fee-only basis (no commissions)
2. Investment management for any account size (no minimums)
3. Monthly account statements directly from Fidelity Investments
4. Quarterly performance reports and consultation meetings
5. Tax-sensitive investing strategies integrated with your financial planning
6. Monthly ClientAdvisor Newsletter
7. Weekly Economic Update e-mail communication

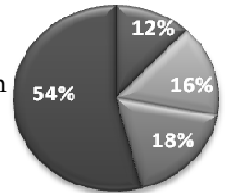
### **College Plan Advisors, LLC** **Client Benefits:**

1. Student Counseling and Assessment
2. Calculate Expected Family Contribution
3. College Funding Strategies & Planning
4. Complete your FAFSA Forms
5. Complete your CSS Profile Forms
6. Appeal/Negotiate Better Awards
7. Monthly Cash for College Newsletter
8. Monthly ClientAdvisor Newsletter
9. Weekly "Tip of the Week" E-Mails



#### **Notes from Monty's private money management file...**

As of this writing, August 23<sup>rd</sup>, the S&P 500 Index has fallen about 4.5% during the month of August. For months now, the market has been back and forth, back and forth. Until a major trend looks to be in place, it is hard to get interested in buying or selling. Allocations remain at about 16% Stock, 18% Bonds, 12% Commodities and 54% Cash.



I designed this **Green Label Portfolio** right after the devastation of the September and October 2008 stock market crash. And I took into consideration the words of **Warren Buffett**, who once said that there were only two rules to investing. **Rule #1:** Don't lose money. **Rule #2:** Never forget Rule #1. This is where most advisors fail. Nothing goes up forever. Therefore, it is imperative to know when to take your chips off the table.

This goes against the grain for traditionally educated investment managers. The traditional teaching is that you control your risk through asset allocation. Once your allocation is set, you're into the 'buy-and-hold' mode, through thick and thin, for better, for worse. During periods of market growth (the 'better' part), advisors brag about how smart they are. During market corrections (the 'worse' part), advisors tell you, "*Just hang in there, think about the long-term, it will come back.*"

Well, for the purposes of the **Green Label Portfolio**, I'd rather do our growing during periods of bullish uptrends, and then work at protecting our gains during the periods of bearish downtrends. I look at this as a 'tactical asset allocation' strategy, where we adjust the allocations based on overall market cycles and certain technical indicators.

Every investor or money manager at one time or another invests in stocks or mutual funds that turn out to be losers. However, there is no rule that says we must stay wrong, letting the losses pile up and become unmanageable. To be a successful investor it is imperative that one not commit the cardinal sin of staying wrong.

Right now, the technical indicators are signaling that we protect our portfolios. Hence, the large allocation, temporarily, to cash.

Wealth management services are offered through Montgomery Taylor & Company, LLC, a Registered Investment Advisor. Fidelity Investments is the custodian of our client accounts. While accounts are protected by the SIPC up to \$500,000, including cash claims limited to \$100,000, Fidelity provides supplemental protection that covers accounts over and above this SIPC coverage.



# Monty's Money Message

Monty started his career in financial services about 30 years ago as a Stockbroker. He then became a Certified Public Accountant, Certified Financial Planner, Certified IRA Distribution Specialist and Registered Investment Advisor. With all these years of experience, he has a wealth of information to share with you about money and how you can prosper. Monty recently received the "America's Top Financial Planners" award of excellence from the Consumers' Research Council of America. Monty was selected from among his peers based upon years of experience, formal education and specialized professional certifications and designations achieved. In 2010, KZST Radio named Monty "The Only CPA We Trust" and chose him to be the tax expert for KZST listeners.

## Ideas for Parents...Ideas for Couples

### PARENTS –FEELING GUILTY?

**Here's some news for you.** . . Parents now spend 16.8 hours in a typical week playing with their children aged up to 12 years, yet 48% of parents FEEL GUILTY because they do not spend enough time with their kids, 47% think their kids spend too much time watching TV or playing electronic games and 31% blame themselves for these 'addictions' because they aren't involved enough. (Source: Playreport USA, ikea-usa.com)



How about you? Do you feel like you should be spending more time with your kids? Of course, there are lots of things you could be doing with them. Perhaps reading together, going on walks or bicycle rides,

playing games, or doing house or yard work. What about teaching them something? Teach them your hobby: sewing, wood working, quilting, golfing, scuba diving or whatever.

**Here's an idea.** . . teach them about investing money! Wow, just think how valuable it would be for your child to learn a little something about stocks and bonds, diversification, asset allocation, risk versus reward, compound interest, watching out for financial scams, etc. Are you prepared to teach these valuable lessons? If not, how about teaming up with me to educate your son or daughter and spend time with them?

The idea here is that you bring your personal investment statements and your child(ren) in to my office. Together, we would do an analysis of your various investments, discussing strengths and weakness found in your portfolio and how your investments could be

improved. Sounds like a valuable lesson for some young ears—and an opportunity for them to participate and ask their own questions. Perhaps they will take more of an interest in saving/investing—not a shabby side-effect.



Think of the long-term benefits, the financial insights imparted to your son and/or daughter and the memories they will cherish of this time you spent with them. And, I'll waive my \$250 per hour consultation rate, if you are seriously open to the possibility of hiring me to implement a new investment plan for you. This could take multiple meeting times—plenty of learning and together time.

### COUPLES – STOP FIGHTING ABOUT MONEY!

**Here's some news for you...**

Four in ten married couples have serious, re-occurring arguments about money. Those with a budget are 30% less likely to battle than those without. Of the battles, 49% are about what to buy/not buy and at what price, 33% are about debt, 26% are about savings.

Personally, I'd have to agree with this news. I see it all the time in my office. Sometimes I think that couples come in for a financial consultation—just to settle a dispute between themselves! Often, in these consultations, after I've given some advice one spouse will turn to the other and say, "*See, he agrees with ME, it's just like I've been telling you all along!*"



hmmm. Yes, it happens. I'm very sensitive to it and try to defuse the situation with balancing out the controversy and discussing the pros and cons – and why there may be validity to each side of the argument.

It may be easier for couples to talk about their finances – in my office. Each spouse speaks their mind, knowing that, at least, I will listen to them. And, I do listen. I also ask questions of each of them, trying to get both points of view out on the table. Then I will speak to the issues, offering sound financial planning advice and recommendations for their next steps in coming to a joint and agreeable financial decision.

**Here's an idea.** . . let's develop a family budget for you!

Just in doing this, we will reduce your arguments by 30%--as long as you're a statistically average couple. I would need you to bring in your income and expense records for the past year. We can discuss each category and determine a new spending plan for you. And, at \$250 per hour, this may be the best marriage counseling—I mean financial counseling you've ever had!

