

Wealthy and Wise!™

The Terry Smith/TaxPro Family Letter

Volume IV, Issue 4

Insider Tips On Wealthy and Wise Living—Don't Be a Turkey, And Read Them!

November 2010



"When I listen to Mozart, the numbers just seem to crunch themselves."
 © 2010 Used with paid permission from The New Yorker Collection . All Rights Reserved.

Inside The Mind of Your Tax Professional...

Here's What I'm Grateful For, This Month of Looking Back

By Terry Smith

During this season of gratitude, I'm reminded of our firm's many blessings. And, I do NOT take for granted that you have chosen us to walk with you as we give you that kind of advice and help take care of your financial picture, especially around tax time. It's HARD to reveal the kind of personal information that you provide to us, and we don't take it lightly!

Well, it's been a journey as well. As anyone who runs their own business will tell you, it's a giant leap to go out "on your own". I still remember what it was like to take this dream I had for my firm and put it into reality. I was a little bit scared, but I was hopeful. I remember the friends and other business-owners who helped me along the way...and how risky it all seemed.

Well, the risk DID pay off, and I'm happy about what we've been able to create around here. Now we get to be the ones helping people pursue THEIR dreams.

For a new business owner, the first step seems really big... until the next step comes! And then you realize that running a business is a series of these decisions...you become a good risk-taker, if you stay in it for long.

But it sure helps to have somebody with a cold, clear eye to make sure you know what you're getting into.

Which brings me to what I'm thankful for this November, as a business owner...and hopefully as your friend.

As I gather at my table with family and friends...I **am thankful for you**. Thank you for your trust, for your business year after year...and for making my first step into running a firm "way back when" so rewarding.

And what I'm excited about as we head towards the end of 2010...well, here's to helping YOU keep the IRS off your back in 2011!

Always Giving Thanks For You...

We're honored by our clients that graciously refer their friends, neighbors and family our way so they too can save money on taxes. We'd like to give special thanks to our Wonderful Clients!

Nisha Varma

Inside these pages ...

- Personal Development Corner: Living on 24 Hours A Day
- Tax Corner 2011: Simple Steps To Lower Your Tax Bill
- Where Salaries Are Rising Today
- How To Keep Your Bills Down Over The Holidays
- And More!

Your Friend, Terry Smith

No Annoying Tax Professional Lingo ... Just Straight, Easy-To-Understand And Follow Expert Advice!

Our Yearly Thanksgiving Program:

One-A-Day November

See the back, below the mailing panel, for more details. **Only one per day!** What day will be

We Love Our Clients and Friends...So This \$9.95 Newsletter is FREE!

Terry Smith | 3511 Camino Del Rio So #102 | San Diego Ca 92108 | 619 283-8055 www.SDTAXPRO@SAN.RR.COM.com

The stock market tanked.
Our 401ks and retirement accounts tumbled.
Real Estate values have plummeted.
Bank interest rates are horribly low.
What's *next*?
It seems like in the past few years we have endured more than our share of turmoil.

I would like to be writing that the bad news is over and all is well. That would be wonderful news but far from the full truth. So what is one of the next areas likely to see real problems? Your insurance? Not necessarily your insurance company but your individual policy. The insurance companies may be fine. Many safeguards are in place to keep the companies financially strong with solid reserves and good claims paying abilities. Government funds are even available to insure financial stability of the insurers. I do not mean a problem with the insurance companies but a problem with *your* life insurance policy.

Many policies sold in the past 20 years have a hidden crisis waiting to unfold. Permanent life insurance policies (whole life, universal life, variable life etc.) were sold and put in place based on certain assumptions. These assumptions contain many factors like premiums paid, the cost of insurance and the interest rate credited. When the assumptions are accurate many plans perform well. When these assumptions are not accurate, things can go very wrong very fast for the policy holders. Today's interest rates are nowhere near the 6-8% used for many policy illustrations. This can mean major problems including losing your coverage entirely.

First your premiums could increase dramatically to make up for the lower than expected interest rates. I have seen them jump from \$3,000 to \$9,000 per year. That is not small increase and many families simply can't afford the premium increases of that size. The second thing that can happen is the policy can lapse entirely. When the cost of insurance and administrative charges are greater than the premiums received and interest earned in a policy, it runs out of money and can lapse completely and you lose all coverage and cash value.

Imagine you have paid 10 or 15 years on a policy only to find out that it is now lapsed due to lack of funds inside the policy. If your policy was based on a 6%-8% growth rate and the rate is now closer to 3-4% this could happen. No one wants to see plans they have put money into for years lapse and become worthless. It may take 5 or more years for today's low interest rates to make their full impact, but in the industry we are beginning to see problems already.

Is there any good news? Yes! For those who take the initiative to seek solutions there is there may be solid solutions with both short and long term benefits.

First you must get a clear picture of how your policy is currently performing. An in-force illustration can be obtained for most plans and reviewed to determine its viability. Secondly, new insurance plans have been designed to work well in today's low interest environment and many include no lapse guarantees. This means as long as the agreed premium is paid the policy and death benefit will stay in force until the age 121 with no premium increases. The third item is most intriguing. In reality is most insurance policies written today actually cost less than they did 10 to 15 years ago. As we live longer costs drop for insurers. As automation is implemented, the insurers' costs also drop. As medical records and other items used for underwriting become available electronically the efficiency created lowers the cost of the policy to the insurer. All of these savings are reflected in the lower cost to us in policies available today versus those which are older. Many times I find I can get a client more coverage with greater guarantees for less money even though they are 10 years older. Many new plans are more efficient and have lower costs and much better guarantees.

If you or anyone you know has a policy more than 2-3 years old I encourage you to have it reviewed. If you can not get a review from the agent who got you your policy originally I am able to give you an honest, unbiased audit from your current insurer on your plan

A review will likely save you money immediately and perhaps save you from major problems down the road.

Please feel welcome to contact me at:
gsludwick@gmail.com Phone 619-709-1878 Or through Terry Smith @ 619-283-8055

Tax Corner 2011 Simple Steps to Lower Your Tax Bill

1. **Consider an extra mortgage payment.** The extra interest you pay will be added to this year's mortgage interest by your lender, lender boosting your itemized deductions.
2. **Pay your property taxes right now(not next year).** Real estate taxes are tax deductible.
3. **Donate to charity—it's ok to do good and save at the same time!** It pays to be charitable at the end of the year.
4. **Take care of those medical bills!** Pay doctors, insurance premiums, buy eyeglasses, or stock up on prescription medications.
5. **Boost business expenses.** Business owners and independent contractors can buy office supplies, invest in new equipment, or pay bonuses to their employees.
6. **Get your Papers in Order NOW.** Good record keeping can really pay off at tax time. Not only will it make your tax preparation easier and faster, but you might uncover enough tax deductions to be able to itemize.
7. **Sell losing investment to offset capital gains.** Investors can lower their capital gains taxes by selling securities that have lost money. Losses offset gains dollar for dollar.
8. **Max out your retirement savings.** Contributions to a retirement plan reduce your taxable income.
9. **Make the most of your Flexible Spending Account.** You should use up any funds in your Flexible Spending Account, or risk losing that money forever.
10. **Avoid the gift tax** by giving \$13,000 or less per year per person. Gifts over that amount will reduce your lifetime gift tax exclusion, and gifts over the exclusion will be taxed to the giver.

Where Salaries Are Rising

Are you up for a pay raise? The answer may depend on what job you've got. According to my review of *Monster.com*, here are some professions that are likely to see higher salaries this year:

- **Compliance experts.** Increased Wall Street regulation means more demand for people to ensure businesses are following the rules.
- **Debt collectors.** Blame the recession? Maybe. Credit and collections professions will see their pay rise as consumers struggle with credit cards and loans.
- **Web developers.** Companies will be looking to hire and retain developers with expertise in HTML 5, a new version of the language used to create websites.
- **Revenue producers (nonprofit).** Funding is harder and harder to come by in the nonprofit sector, so grant proposal writers and anyone else who can bring in money will be highly sought after.
- **Financial analysts.** As the economy slowly recovers, businesses looking to expand need advice from financial experts on making acquisitions and launching initiatives.

Memorable Thoughts For November

Always bear in mind that your own resolution to succeed is more important than any one thing.

—Abraham Lincoln

Think like a wise man, but communicate in the language of the people.

—William Butler Yeats

Keeping Your Bills Down Over Holidays

Holiday time usually means higher utility bills for most households, especially if you are preparing large meals. But you can help reduce those extra costs with the following practices:

- **Don't preheat your oven.** Roasting a turkey or ham is a long, slow process, so preheating is usually unnecessary.
- **Keep the oven closed.** When you open your oven door, a significant amount of heat can escape and your oven temperature can drop by 25 degrees. Use the oven light to peek inside instead.
- **Bake more than one item at a time.** Just make sure you leave enough room around each dish for air to circulate in your oven. If you use glass or ceramic pans in your oven instead of metal ones, you can reduce your baking temperature by 25 degrees.
- **Match the pan to the burner on electric stoves.** If you use a 6-inch pan on an 8-inch burner, you can waste up to 40 percent of the energy used.
- **Keep your refrigerator closed.** Your refrigerator can account for up to 15 percent of your home's total energy use. Keep the door closed as much as possible. It is more efficient to keep the door open a little longer and retrieve several items at once than it is to open the door several times for shorter periods.
- **Use your dishwasher efficiently.** When you use your dishwasher, run it only when you have a full load, and use cold water to rinse the dishes before you put them in the dishwasher.

WE ALL NEED REFERRALS

We all have odd jobs "we just don't do" or need a professional to "Get R Done". You have referred me to your friends, co-workers and family, so I want to spread the word. If you wish to write an article about your services, contact the office.

Art Dealer/Wholesale	Travis Samuel	619 729-5523
Auto Repair	Hady Ghods	619 708-7771
Auto Registration	Charles & Louise Price	619 667-9561
Architect	David Hawkins	619 232-7700 x 226
Bankruptcy Attorney	Shawn Doan	760 450-3333
Old Books	Barbara Gelink	619 284-8224
Concrete Cutting	Susan Mercurio	858 560-6627
Cat Care	Robert Walker	619 276-3621

How NOT To Be An Office Gnat

No one likes an annoying pest, especially at work. Obviously you'd never commit any of these obnoxious behaviors, but don't take any chances. Stay away from these common, petty workplace no-nos (*and I promise this is NOT because of a particular person in my office!*):

- Speaking too loudly on the phone.
- Playing music in your cubicle—at any volume.
- Eating food that isn't yours from the workplace fridge.
- Finishing the coffee without making more.
- Complaining about how busy you are to your co-workers, without actually doing any work.
- Gossiping.
- Missing deadlines, whether it's for your boss or a colleague.
- Adopting a negative, defeatist attitude about your organization.

REAL November Events and Facts:

(...aside from the obvious of course...)

- 2: Nat'l Deviled Egg Day
- 6: Nat'l Men Make Dinner Day
- 7: Hug-A-Bear Day
- 8: International Tongue Twister Day
- 14: Nat'l Clean Out Your Refrigerator Day
- 15: Nat'l Bundt (Pan) Day
- 17: Take A Hike Day
- 21: World Hello Day
- 28: Flossing Day
- 30: Stay At Home Because You're Well Day

*Nov. 4, 1922
King Tut's tomb discovered

*Nov. 10, 1969
Sesame Street debuted

*Nov. 16, 1533
Fall of the Incan Empire

*Nov. 17, 1805
Lewis & Clark reached the Pacific

*Nov. 19, 1863
*Abraham Lincoln delivered
Gettysburg Address*

***Blessings To You and Your
Family This November!***

Wealthy and Wise!

The Family Letter of Terry Smith/Tax Pro
3511 Camino Del Rio So #102
San Diego Ca 92108
(619) 283-8055 Phone
(619) 283-8223 Fax
www.SDTAXPRO@SAN.RR.com

RETURN SERVICE REQUESTED

**YOUR MONTHLY
NEWSLETTER IS
ENCLOSED**

Inside November's Issue...

- **My Personal Note: What I'm Grateful For In This Month of Looking Back**
- *Personal Development Corner: Living on 24 Hours A Day*
- Tax Corner 2011: Simple Steps To Lower Your Tax Bill
- Where Salaries Are Rising Today
- How To Keep Your Bills Down Over The Holidays
- And More!

*Once You're Done Reading This Newsletter,
Please Pass It To Your Next-Door
Neighbor...They'll THANK you!*

Eyewitness Accounts At Thanksgiving

Thanksgiving is a hugely significant holiday in my family, and we've always spent time looking at history. Here are a couple eyewitness accounts I pulled together, and thought you would enjoy...

"They began now to gather in the small harvest they had, and to fit up their house and dwelling against winter, being all well recovered in health and strength and had all things in good plenty. For as some were thus employed in affairs abroad, others were exercised in fishing, about cod and bass and other fish, of which they took good store, of which every family had their portion. All the summer there was no want; and now began to come in store of fowl, as winter approached, of which this place did abound when they came first (but afterward decreased by degrees). And besides waterfowl there was great store of wild turkeys, of which they took many, besides venison, etc. Besides, they had about a peck of meal a week to a person, or now since harvest, Indian corn to that proportion. Which made many afterwards write so largely of their plenty here to their friends in England, which were not feigned by true reports."

—William Bradford, in *Of Plymouth Plantation*

"Our harvest being gotten in, our governor sent four men on fowling, that so we might after a special manner rejoice together after we had gathered the fruits of our labor. They four in one day killed as much fowl as, with a little help beside, served the company almost a week. At which time, amongst other recreations, we exercised our arms, many of the Indians coming amongst us, and among the rest their greatest king Massasoit, with some ninety men, whom for three days we entertained and feasted, and they went out and killed five deer, which we brought to the plantation and bestowed on our governor, and upon the captain and others. And although it be not always so plentiful as it was at this time with us, yet by the goodness of God, we are so far from want that we often wish you partakers of our plenty."

—Edward Winslow, in *Mourt's Relation*

Don't Fear Tax Time!

Yes, Many families and individuals approach the tax "season" with trepidation...not clear on if they've done everything to avoid having to pay through the nose in taxes.

It does NOT have to be that way.

How About We Help You
Keep MORE of YOUR Money?

Starting November 9th...

One-A-Day-November!

ONE Tax Planning
Consultation Per Day will be
HALF OFF (!)

What is Tax Planning?

It's when we meet with you NOW (with