

*Lynn's Top Five*

**FIVE YEAR-END TAX PLANNING TIPS FOR YOU**

By--- Lynn Ballou, CFP, EA

Normally this time of year, we are getting ready for the fun annual round of parties, family get-togethers and shopping! But lurking just underneath the surface of all that frivolity is that nagging question: isn't there something I should be doing for my taxes before the end of the year?

Much press and air time is given to this topic by many famous (and not so famous!) pundits. In this column, we'll explore some of the less obvious year-end tax savings ideas for you to consider.

**1) ACCELERATE DEDUCTIONS INTO 2007 - OR NOT?** Almost every advisor out there will tell you that a tried and true method of saving money on your income taxes this year is to accelerate as many deductions into this year as possible. But what if you subject to that nasty Alternative Minimum Tax (AMT)? Originally designed to keep extremely wealthy individuals from taking too much advantage of tax breaks, this "stealth tax" now affects an alarming and increasing percentage of taxpayers who would hardly consider themselves part of the wealthy elite! If you are already fairly deeply into the AMT, accelerating any more itemized deductions might be useless. One of our clients was contemplating prepaying her January state income tax estimated payment into December. After having her tax advisor run the numbers, she learned that doing so would not lower her taxes at all! Instead, her tax advisor recommended that she accelerate some of her self employment income into 2007. Now that's a switch!

**2) CHARITABLE GIFTING: THINK APPRECIATED ASSETS!** Lamorinda is generally a charitable community. For those of you who are contemplating making year-end donations, you should really take a close look at donating highly appreciated assets from your investment portfolio rather than writing a check. A client recently mentioned to us that she wanted to give her favorite charity a check for \$1000. She had the available cash, but she also had some very low basis stock. After checking in with her CPA to verify the numbers, we recommended she gift the stock instead of the cash. The organization was thrilled to have the gift and she was thrilled to make a difference with a tax smart strategy.

**3) COLLEGE FUNDING - A MOVE YOU CAN DO BEFORE YEAR END - LAST CALL!** Recently Congress effectively undid one of the most popular forms of college funding: gifting appreciated securities to your students and having them sell these securities in their own, hopefully much lower, tax bracket. Sadly, starting next year, dependent children under age 19, as well as dependent children who are age 19 through age 23 and full-time students, will be taxed at their parent's highest marginal bracket for investment income in excess of \$1700 --- ugh. So, for taxpayers whose dependent kids are age 18 - 23 by the end of this year, you have until the end of this year to use this technique before it disappears for good (or until Congress changes their minds again!). One interesting note: if a

college student is providing over half their own support and are therefore not a dependent, they will not be taxed at their parents' highest marginal rate on investment income...hmmm...maybe time to set some of these kids free!

**4) RMD: THIS YEAR OR TWO NEXT YEAR?** You probably are aware that (in most cases) you must start withdrawing money from your retirement accounts when you turn 70-1/2 under the Required Minimum Distribution (RMD) rules. However, in that first year, you can wait until April 1st of the year after you turn 70-1/2 to take that first distribution, but then you must, in that same year, take your next distribution by year end. Good idea to double up in one year? Maybe, and maybe not: it depends on how that extra income --- i.e. two RMD payouts --- in the second year affects your tax bracket and how well your money is growing in the meantime. Best idea: run the numbers before you decide. Also, when you do take an RMD, don't forget that you can choose to take the assets out in kind rather than in cash. It may make sense to take that highly appreciated, publically traded stock out in cash and repurchase it in your after tax account with a higher basis, while a well performing investment that's closed to new purchase may be a very good in-kind distribution choice since you can't buy it anymore.

**5) CARS: MAYBE STILL A GOOD CHARITABLE CONTRIBUTION!** There sure was a lot of press recently about the loss of the car as a charitable deduction. However, as we learned from CPA Linda LaHonta of Moore and Baker in Walnut Creek, "the amount of the charitable deduction for a donated vehicle has been greatly reduced UNLESS the charity plans to use the vehicle for their charitable activities. If you are thinking of donating a vehicle to charity inquire whether the charity plans to sell the car or use it themselves and if you find a charity that plans to actually use the car, this may yield a bigger tax deduction for you."

So, as a final comment I'd like to suggest that while you keep reading all those great year-end tax tip columns (including mine!), be sure to pick and choose what you do carefully. This is the time of year when your trusted tax advisor and team is invaluable. They can help you sift through all the free advice floating around out there and help you concentrate on those ideas that will really help YOU personally so you can have a very Happy Holiday Season! Enjoy!

Lynn Ballou is a Certified Financial Planner™ (CFP®) and co-owner of Ballou Plum Financial Advisors, LLC, a Registered Investment Advisory (RIA) firm in Lafayette.

Lynn is also a Registered Principal and Branch Manager with Linsco/Private Ledger (LPL). As such, she is required by securities regulations to add the following information to this column: The opinions voiced in this material are for general information only and not intended to provide specific advice or recommendation for any individual. Securities offered through Linsco/Private Ledger, member NASD/SIPC.

**Tree of Lights Ceremonies Help Those Who've Lost Remember**

... continued from page 1

Because Hospice of the East Bay is independently operated, and not part of a large for-profit corporate or a government entity, Jones said the organization can establish policies locally to meet the needs of the communities it serves.

"We determined that specialized programs were needed in the East Bay for in-home pediatric hospice care (Comfort for Kids program), for women with recurrent breast cancer (Anna's Program), and for perinatal hospice care (Skye's Angels)," she said.

Each of these programs is unique to Northern California, and approximately 10 percent of those helped by Hospice of the East Bay are Lamorinda residents.

Two more events are scheduled in Lamorinda. The Moraga Community Chorus is scheduled to sing at upcoming Tree of Lights Ceremony on Dec. 2 at the Moraga Commons. The Orinda ceremony on Dec. 8 (at Orinda Village by Bank of America) will feature the Children's Chorus from Del Rey, Glorietta, Sleepy Hollow, Wagner

Ranch, and Orinda Intermediate schools, directed by Harmony Murphy, Colleen Sipich and Ron Pickett.

At each of the Tree of Lights Ceremonies, individuals, merchants and community groups have shown their support by donating goods and services. Starbucks in Lafayette donated hot chocolate and coffee at the Nov. 11 event; Safeway in Orinda plans to donate cookies and drinks and the Orinda Fire Department plans to bring Santa to the festivity on their fire truck; and Moraga's Troop 212 will build a bonfire to warm all attendees while girl scout troops hand out cookies.

"The tree lightings are a tradition for family and friends to gather together to honor and remember their



friends and family members," Jones said. "People look forward to their community's tree lighting and return year after year."

For more information about upcoming ceremonies or to make a donation, contact Hospice of the East Bay at 925-887-5678.

**Your ad will reach more than 23,000 homes and business in Lamorinda!**

**Call 925-377-0977**



**CASTING CALL!**

Saturday  
December 1st

**Mature Women,** wanted for paid Print ads, Fashion runway shows, and Catalogue work.

Amateurs welcome, Freelance Modeling Program available, for a fee.

For audition time call 925-946-1013  
3249 Mt. Diablo Court, Lafayette, CA.

www.fusebayareafashion.com

**FUSE Bay Area Fashion MAGAZINE**



For the people on your list this season... there's only one place to turn...

**KEENAN HEINZ COMPANY**

REALLY COOL STUFF FOR HOME & GARDEN



- Bring your list to the shop... fill it out and hand it to your Santa as a reminder! 😊
- Look for our new shop opening at 1700 East Street in Concord in early 2008!
- As always, we have our FREE casual style gift wrapping!

REALLY COOL STUFF

3454 Mt. Diablo Blvd., Lafayette (925) 284-0159  
Mon 11AM-5PM, Tues-Sat 10AM-6PM • Sunday 11AM-5PM

KEENAN HEINZ COMPANY



**Bay area Drainage, Inc.**

**"For all your drainage needs"**

- French Drains
- Underfloor Drains
- Downspout Systems
- Subdrain Systems
- Sump Pumps
- Retaining Walls

Locally owned and Operated Contractor LIC # 762208

**925•377•9209**



visit our website

**www.bayareadrainage.com**



shop  
wrap  
ship  
relax

Gifts for your entire list.  
Free Gift Wrapping.  
We ship worldwide.

Discover your etc.  
at Clocks, Etc.

We have all the time you need.



971 Moraga Road • Lafayette  
in La Fiesta Square

925.284.4720 • www.ClocksEtc.net