

BUSINESS



ABOUT YOUR MONEY

By Jim Becker

Now that the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 is law, you'll want to familiarize yourself with how this new legislation affects you — both as a wage earner and an investor.

Consider these key parts of the new tax laws:

Income tax rates remain the same. Under previous legislation, tax rates were scheduled to rise in 2011, but the new laws will keep all tax brackets the same.

Payroll taxes reduced by two percent. Your share of the Social Security payroll tax will drop from 6.2 percent to 4.2 percent for 2011. Consequently, you should see more take-home pay. You may want to consider investing at least part of this savings in another retirement account, such as an IRA.

Top capital gains and dividend tax rates stay at 15 percent. The question of what would happen to capital

How Will New Tax Laws Affect You?

gains and dividend taxes has been of great interest to most investors. For the past several years, the highest capital gains and dividend tax rate has been 15 percent. However, this 15 percent rate was scheduled to expire at the end of 2010; after that, dividends were to be taxed at one's standard income tax rate, while long-term capital gains would be taxed at 20 percent for anyone above the 15 percent income tax bracket. But due to the new legislation, the highest tax rate for both capital gains and dividends will stay at 15 percent for at least 2011 and 2012.

The capital gains and dividend tax provisions can have significant effects on your investment decisions over the next two years. You now still have a strong incentive to follow a "buy-and-hold" investment strategy, under which you'd earn the favorable 15 percent rate on capital gains from selling an appreciated asset, such as a stock, that you've held at least one year. And the 15 percent rate on dividend taxes will continue to provide you with good reason to seek out those stocks that regularly

pay dividends; besides offering an advantageous tax rate, dividends, when reinvested can help build your ownership stake in the dividend-paying investments. (Keep in mind, though, that companies are not obligated to pay dividends and can reduce or discontinue them at any time.)

Estate tax exemption set at \$5 million per person. Under previous tax laws, the estate tax was scheduled to be repealed entirely for 2010 only, and then return in 2011, with an exclusion amount of \$1 million and a top tax rate of 55 percent. Under the new legislation, the exclusion amount for 2011 and 2012 is \$5 million per person (\$10 million for married couples), with a top tax rate of 35 percent. The new law also includes a "portability" provision which can provide increased flexibility in estate planning between married couples to attain full use of the \$10 million exemption. You'll need to see your tax and legal advisors to determine what, if any, changes you'll want to make to your estate plans for the next couple of years as these laws will sunset at the end of 2012.

Gift tax exemption set at \$5 million per person. Under previous tax laws, the gift tax exemption for lifetime gifts was \$1 million. The new legislation increases the lifetime gift tax exemption to \$5 million per person. You should work with your tax and legal professionals to determine whether the new exemption amount provides opportunities for you to consider during the next two years.

As always, changes in tax laws can have a big impact on your financial future — so stay informed and take the steps you need to keep progressing toward your goals.

Happy 13th to Lions, Tigers & Hair

Lions & Tigers & Hair, a children's haircutting shop on Kentucky Street in Petaluma, is celebrating its Lucky 13th year in business. It has been a slight bummer the past decade for lots of downtown business owners, either going out of business or just trying to stay open, but this is a success story.

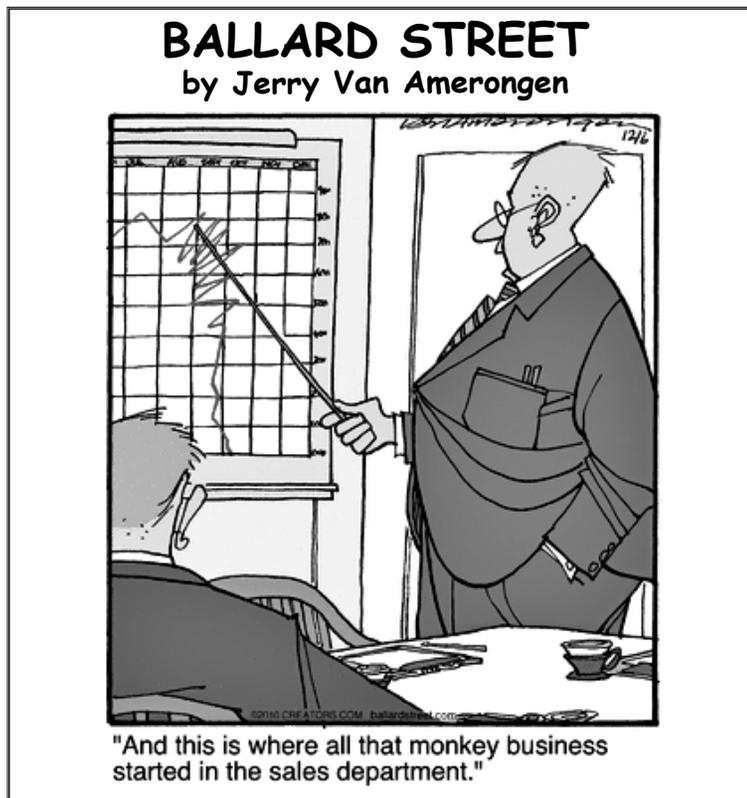
The owner, Chris Aluia, is still in disbelief that she has been open so long, but it's true and she thanks Petalumans for supporting her. Her secret to success? First, love your job. Then, give back what has been so graciously given to you. For the past 13 years, anytime a school, non-profit, Mothers club, sports program, etc., has asked for a donation to support the cause, Lions, Tigers & Hair has given without hesitation. They also volunteer for many noteworthy fundraisers and galas -- Petaluma Bounty, Mentor Me, Mad Hatter Ball,

and the Rivertown Revival Festival, to name a few.

Chris thinks the key to success is not to take anything for granted and give back as often as possible to the community that has supported you so kindly.

She has watched so many of Petaluma's kids grow up, and many still come and get their haircut when on break from college! She wishes she had started a book many years ago, entitled "the strangest, darndest, most embarrassing things kids say to their haircutter..." "Every day is a giggle and a half. I love my job," Chris says.

Aluia would like to thank everyone who has supported her over the years. She's not sure if she'll be open another 13 years (she hopes to retire before that) but, meanwhile, she's there 5 days a week and invites you to go by and say hello.



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