



# THE COMPASS CHRONICLE

March 2011

Vol. 1 No. 3

## Wealth Management Update

### Major Components of New Tax Law

On December 16, 2010, Congress approved \$801 billion in tax cuts and \$57 billion for extended unemployment insurance. The legislation included other tax breaks, such as a college tuition credit for some families, an expanded child tax credit, and an earned income tax credit. A few of the more notable tax impacts on you and your portfolio are listed below.

**Social Security Tax:** A one-year payroll tax cut reduces the Social Security tax to 4.2% from 6.2%. Although this was intended to increase consumer spending and stimulate the economy, if you are currently working, a better option may be to increase the contribution to your 401(k), 403(b), or 457 account if you can afford it from a cash flow perspective. The contribution limit for such accounts remains \$16,500 for those under 50 years of age and \$22,000 for those over 50.

**Dividends/Capital Gains Tax Rates:** Dividend and long-term capital gains taxes will remain at 15% for the

next two years. Prior to the passage of the legislation, taxes on long-term capital gains were slated to increase to 20% beginning this year.

**Estate Taxes:** The new tax package set new estate tax parameters with an exemption of \$5 million per person, or \$10 million per couple, and a maximum tax rate of 35% for the next two years. If you have not done so already, you should consult with an estate planning attorney about creating an estate plan that will detail how your assets will be distributed after you pass away and who will act on your behalf should you become disabled.

COMPASS Wealth Management, LLC encourages you to speak with a tax professional regarding how this new tax law may impact your financial situation.

#### Advisor Corner



**Louis E. Conrad II, CFA**  
President  
lconrad@compassinvest.com  
(978) 828-5681  
www.compassinvest.com

I pride myself in offering you expert financial advice along with personalized service. Assisting you in reaching your financial goals is my business and I take that responsibility very seriously.

As an objective and independent fee-only wealth manager, my sole interest is to ensure my recommendations meet your financial goals.

COMPASS Wealth Management, LLC is a client-focused wealth management firm dedicated to providing superior advice to individuals, families, and corporate retirement plans.

Our wealth management services include investment management, retirement and gift planning, education funding, and other advisory services.

If you would prefer NOT to receive future editions of The COMPASS Chronicle, please send an e-mail with "UNSUBSCRIBE" in the subject line and you will be removed from the distribution list.

For details on the selection criteria used to determine the recipients of the 2011 FIVE STAR Wealth Manager award, please visit our web site.

