



OLD NORTH STATE TRUST, LLC

Seven Steps to Good Financial Health in 2010

Reviewing your financial status annually is an important part of maintaining a healthy portfolio and keeping up with tax code changes and new laws. Professional financial planners match the needs of their clients individually but here are seven areas that should be periodically evaluated for your benefit.

1. Roth IRA Conversion

Beginning in 2010, the modified AGI (Adjusted Gross Income) and filing status requirements for converting a traditional IRA or employer sponsored plan to a Roth IRA have been eliminated. The tax due as a result of the conversion can be split over a two year period beginning in 2011. However, it may be wise to accelerate the tax payment in 2010. Consult Old North State Trust, LLC, or your tax advisor, for more details about this great opportunity.

2. Estate Tax

To repeal or not to repeal? That is the question before Congress. The current plan has repealed the tax for 2010, but it reverts to pre-2001 levels in 2011. The plan favored by President Obama would have the rules revert to 2009 levels with a \$3.5 million lifetime exclusion amount and a 45% top rate. Other proposals include everything in between. Given the current deficit, the existence of the tax is almost a given and any changes could be made retroactive to January 1. What does all this mean? Whatever the final decision, a thorough review of your estate is critical. Your current estate plan may not carry out your intentions! The consequences of the current and proposed rules on credit shelter trusts (many estate plans include this technique) could leave surviving spouses out in the cold. As Steinbeck (quoting Burns) put it, "the best laid plans of mice and men do go awry". Don't let yours.

3. Take Advantage of Current Tax Rates

Rates may not seem low right now, but tomorrow they may be higher. A proposal by the current administration would raise the top two individual income tax rates from 33 % to 36% and from 35% to 39.6%. The 15% capital gains rate would change to 20%. Now is the time to consider selling (or gifting) assets with imbedded gains. Another reason to take a close look at your portfolio is the roller coaster ride we have experienced over the last two years in the markets, which may have left your allocations out of balance.

4. Life Insurance Coverage

Is it out of sight, out of mind? With all of the emphasis being placed on health care and insurance, most people have forgotten about this useful estate planning tool. A review could be critical, especially if you bought a variable policy a few years back. You may end up needing to make additional premium payments or paying premiums for longer than expected. If the product was purchased in a high interest rate environment, the illustration created at that time may have used a higher growth rate than we have experienced in the last few years. Even a slight variance from the original illustration could make a significant difference over the life of the policy.

5. Primary Residence Purchase/ Improvement Tax Credits

Is your home working for you? It could be. For first time home buyers a credit of up to \$8,000 is available and for current homeowners who purchase a new primary residence this year there is a \$6,500 credit available. An energy efficient improvements credit is also being offered - 30% of the cost of improvements up to \$1,500. Such improvements include heating and air conditioning, insulation, roofs, water heaters, windows and doors.

6. New Vehicle Purchases

This year you can deduct state and local sales tax (or other credits if you live in a state with no sales tax) for the purchase of certain new vehicles. The purchase of alternative fuel vehicles may also be eligible for a federal income tax credit of up to \$4,000.

7. Changes to Credit Card Rules

We've all been hearing that change is in the wind, but what are those changes and how will they impact you? One of the new rules limits when credit card companies can increase your interest rates. Another requires a 45 day notice of significant changes to your account and yet another restricts cards to minors. Your individual institution should provide you with information regarding their products.

For more information on any of these issues or to discuss the services provided by Old North State Trust, LLC, please feel free to contact us.

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