

PERSONAL FINANCE

FOR THE BEST TAX RESULTS

START PLANNING NOW | BY HOWARD McEWEN

+ SCOTT MALOF'S CLIENTS don't wait until March to come see him about their taxes. They're doing it now. Each year from late October to December 31, they're preparing for April 15. Malof, a Certified Public Accountant and Personal Financial Specialist with SS&G Financial Services, a statewide accounting firm, has conditioned all his clients to come in before year's end. It's a practice he recommends to all tax payers.

"In large measure there are just certain economic events that you have to actually transact prior to year's end to have effective tax planning," he said.

Malof offers two simple examples:

"Certain individuals can pre-pay their estimated state income tax payments and that can result in a tax savings on their federal return," he said. "Also, there are some post mortem tax planning opportunities largely with regard to retirement accounts. You can set up and fund an IRA for the prior year. Or you may be able

to take a deduction for your 2006 tax return for a SEP [Simplified Employee Pension IRA used mainly by the self employed or small businesses] you funded – depending on your tax status – by September 17, or October 15, of this year."

Meeting with your CPA before year's end may add to your overall bill, but Malof says it's an investment that's yield will be evident come April 15. "The goal is that it saves you far more in taxes than it costs you," said Malof. And the return can be measured in more than dollars and cents.

"It also serves as offering piece of mind," he says. "There's only so much you can do to manage the liability effectively. With end-of-year tax planning, we've done everything we can do to minimize the client's income taxes and the client's expectations can be set regarding any tax due or refunds they can anticipate for the following April 15th. If done properly, the client knows what to expect and they can plan their financials accordingly." ■

A FIVE-STAR TAX GUIDE

Additional reasons to see your CPA before year's end. These five tax-lowering strategies disappear with the first chorus of Auld Lang Syne.

+ REVIEW INVESTMENT PERFORMANCE

Any money made on stocks can be reduced for tax purposes by the value of any losses.

Even if you have no taxable gains, you might want to sell your losers. The loss realized on an investment can be deducted up to \$3,000 per year and carried forward to future years. That stock might have been a dog, but at least it can throw you a tax bone.

+ CAN INCOME BE DEFERRED?

If your boss will pay you that Christmas bonus in January you effectively put off the taxes due for another year.

+ CAN DEDUCTIONS BE ACCELERATED?

Pay your alimony early, any deductible interest or make a donation to charity. If you have to pay it anyway, best to move it to this tax year to get the deduction.

+ MAX-OUT AVAILABLE RETIREMENT PLANS

Every retirement plan has a cap on how much you can contribute often depending on income. Meeting with your CPA early can assure you put every available dollar allowable into the plan and lower your tax bill.

+ GAUGE YOUR EXPOSURE TO THE ALTERNATIVE MINIMUM TAX

Depending on income and tax status, the AMT rules disallow certain deductions – effectively making "your fair share" more. A large amount of personal exemptions, deductions, medical expenses, or real estate and personal property taxes may get you mired in the AMT. Finding out about it in November gives you time to react and plan.

INVESTING

GOLD

AN INVESTMENT OR AN INDICATOR | BY HOWARD McEWEN

+ SO YOUR SITTING up late one night watching television when Captain Kragen from Law & Order comes on wearing a bad suit and looking very serious and tells you that you need to buy gold. Thirty seconds later you're thinking, "Maybe Capt. Kragen is right. Maybe I do need gold."

But what is this yellow stuff? Is it a good investment? Why is it valuable? But beyond those obvious questions is this one: Can the price of gold tell us something

about the economy as a whole?

Unlike other natural resources, gold isn't used for anything except itself. Almost all platinum is used

by industry (crack open your car's catalytic converter). Forty percent of silver is used by industry; another 45% is used for jewelry.

Gold isn't used for anything other than to be gold – what economists call "a store of value".

Typically, people invest in gold as an investment of last resort. Think the world economy is going to collapse? Buy some gold. Think UDF won't take your greenbacks tomorrow? Buy gold. But a study published in the March/April 2006 Financial Analyst Journal titled "Do Precious Metals Shine? An Investment Perspective" suggests >>

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INVESTING GOLD (CONTINUED)

that gold smoothes out smaller blips in a portfolio.

"Precious metals [gold, silver, and platinum] exhibit some hedging capability," the journal states, "particularly during periods of abnormal stock market volatility."

The study found that between 1976–2004, a portfolio containing 9.5% precious metals was the most efficient in terms of risk to reward.

However, as Gordon Gekko says in Wall Street, "The most valuable commodity I know of is information."

The price movement of gold may give us a peak into future inflation rates.

Gold and greenbacks are used for the same thing – a place to

put your wealth. The amount of gold is relatively fixed. If gold is getting more expensive in terms of greenbacks, maybe its not that gold is getting more valuable, but that greenbacks are losing their value relative to gold. Possibly the Federal Reserve is printing too many greenbacks for the economy to handle. That could be a sign of inflation.

If the value of the dollar is also going down compared to other currencies—another indicator of inflation—then you may have just heard the first chirps of the inflationary canary in the gold mine. So while you might not choose to invest in gold, it is always worth the watch. ■

REAL ESTATE

REITS

INVESTING IN REAL ESTATE WITHOUT THE HASSLE

| BY HOWARD McEWEN

✚ THERE'S A CERTAIN facet of the American dream that's fulfilled by owning real estate. But unless your in a select group that gets calls to participate in private real estate deals, real estate investing usually means buying property—a small home, an apartment building, or retail store front—and renting it out.

But there is another alternative.

Real Estate Investment Trusts (REITs) are a way for anyone to invest in large scale real estate projects, obtain professional management of the buildings, and not get a call at two in the morning to come unclog a toilet.

A REIT is a corporation like any other - traded on the exchange with limited liability to the shareholder - whose business involves buying and managing commercial real estate.

For example, buy a share of National Retail Properties (NNN) and you buy an interest in each of its 859 properties worth \$2.2 billion. NNN leases buildings in 43 states,

including a Hollywood Video and Office Max in Cincinnati, the Barnes & Noble in Dayton, and the Arby's in Washington Courthouse.

There are about 200 REITs traded on exchanges. The big advantage of REITs comes when adding them to a stock portfolio. Real estate—as measured by the Dow Jones Wilshire REIT Index—has averaged annual returns of 11.00% over the last 15 years (ending June 30, 2007). That's comparable to the S&P 500's 15 year average of 10.83%. And, REITs perform with low correlation with stocks—meaning, including real estate in your stock portfolio gets you returns that are just as good but with less overall risk.

One drawback: they are a sector bet and exposed to systemic risk. A commercial version of the sub-prime crisis that hit residential real estate earlier this year or a capricious tax law change that hurts the profitability of commercial real estate may be a hit some portfolios may take a while to overcome. ■

LAW

GIFT CARDS

BEST TO TAKE A CLOSER LOOK | BY HOWARD McEWEN

✚ WHEN MARTY HORWITZ found some old gift certificates in a drawer, he thought he might as well try to use them. They totaled \$250 and dated back 10 years, but Horwitz thought the downtown restaurant that issued them might see the value in honoring them to a loyal diner.

"Non," was the maitre d's firm Gaelic answer.

"I offered to just take a hamburger for it...then a cup of coffee. Each time they said no," he said. Horwitz declined to name the restaurant although he said it's one any Cincinnati would know no matter how many times they've changed chefs over the last couple years.

Like any good and annoyed attorney, Horwitz hit the law books.

"These things are addressed by state law," he said. "What I found is that the minimum length the gift card is required to be good for depends on what side of the river you buy the gift card."

Gift cards issued in Ohio are required, according to Ohio Revised Code §1349.61, to be valid for no less than two years. Kentucky Revised Statute §367.890 states gift cards are valid for no less than one year.

"If you're getting someone a gift card for the holidays, they may get twice as much time to use it if you just make a trip across the river," said Horwitz.

It pays to check the "terms and conditions" of gift cards on the store's website. State laws are a minimum requirement and individual stores may be more liberal with their terms. For example, Macy's "terms and conditions" state that their gift cards expire in two years except in states that do not allow expiration (none of which are Ohio, Kentucky or Indiana). The "terms and conditions" of JC

Penney—usually just a short walk across the food court—state "JC Penney Gift Cards/e-Gift Cards have no expiration date." Other company's gift cards may diminish by certain percentages each month after the minimum periods.

"I don't get it," said Horwitz. "If I have a dated gift certificate, it should grow in value – not disappear. They have had the use of the money a long time. It's like the retailer or restaurant has the right to print money and then not honor it. When I give them now, I make sure to give a gift that doesn't expire," he said.

Horwitz did get his meal. One of the gift cards he found was for

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\$50 at the Waterfront.

"It was years old, but they honored it," he said. "What once could have bought an entire meal in 1994 when the certificate was purchased only covered a couple of their shrimp today, but I sure felt a lot better after leaving the Waterfront than that other place." ■

CORPORATE ETIQUETTE

KEYS FROM THE GATEKEEPERS

THE LOST ART OF LETTER WRITING | BY ELAINE STONE

+ DO YOU REMEMBER what it felt like the last time you received a note of thanks or congratulations that was completely unexpected? Maybe it was from a colleague you admire, a co-worker or maybe even a competitor.

First, you noticed the small sized envelope on your desk. Wait a minute! The address was handwritten, not typed. Maybe you thought, "Who has time to handwrite an envelope?" Other things caught your attention: the high quality grade of the paper and how it felt between your fingers; the lining inside the envelope; the embossed lettering on the top of the card and how the embossed lettering on the top of the card perfectly coordinated with the lining on the inside of the envelope. Everything about the note led to anticipation, curiosity and the distinct impression this note came from a very classy person.

Maybe opening a thank you note will not evoke the same feelings we witnessed in the famous deli scene from *When Harry Met Sally* but I can guarantee that the person who receives your next note will feel appreciated.

The next time you read or hear something positive about one of your colleagues, take out a note card and write a short heartfelt message to them. It doesn't matter whether you have good penmanship. It doesn't matter if you only write a short sentence or two. If you don't want to invest in fine stationery, any piece of paper will do. What matters is that you took the time to do it.

HERE ARE SOME SUGGESTIONS TO HELP GET YOU STARTED

+ Newspapers are a good resource for congratulatory notes. Ask your assistant to help. They know your clients and should be on the look

out for any newsworthy items that may prompt a note.

+ If a colleague mentions that their child is competing in an upcoming sporting event, competition, pageant, etc. and you see an article mentioning their child's name, cut out the article and include it with a note commenting on how proud they must be. You will win big points on this one!

+ It's always nice to send a thank you note to let people know you appreciate them taking time out of their busy schedule to have breakfast or lunch with you, but think how touched they would be if you mentioned something specific that they said at that meeting.

+ If you are thanking someone for a golf game, mention how well they played on a particular hole or if they had a fantastic score, mention that number in your note. Believe me, they don't mind seeing their great score over and over again!

+ Always handwrite the note yourself, but to save time ask your assistant to look up the address for you. To save even more time, if they have a matching ink pen, they can handwrite the envelope for you. The quicker it gets in the mail the better.

ON THE LINE PHONE CALL ETIQUETTE

| BY HOWARD McEWEN AND CATHI FALLON

+ HOW YOU PROJECT yourself over the phone or in a voice message says more about you than you realize. So avoid sounding unprofessional with these basic rules on proper phone etiquette:

GREETINGS: Always begin or answer a call with a greeting such as hello, good morning or afternoon. It prepares the party for listening and avoids having to repeat yourself. It's also just polite.

BE CONSIDERATE: Always ask—"Is this a good time?"

BE ENTHUSIASTIC: Your voice reflects your attitude and speaking with enthusiasm adds a smile to it. (*Tip: To project confidence in your voice stand up during a conversation. Research also shows that standing up keeps conversations short.*)

CLOSING: End on a positive note that makes the person feel good, like 'It was a pleasure talking with you.'

LEAVE A MESSAGE: State first name and last name, title and company, the time and date of the call, and the phone number where you can be reached. Briefly express the purpose of the call. Finally, if necessary tell them the best time to reach you, repeat the phone number and end with a simple "Thank you." ■

Cathi Fallon is an instructor at the Etiquette Institute.

In this fast-paced world of ours, we sometimes forget to take a few minutes to praise our colleagues and even competitors for a job well done. No matter how successful we have become, we all love the feeling of being appreciated. We are so competitive by nature that we forget to support each other. It is important to help each other be successful.

A few years ago, I had the pleasure of hearing Maya Angelou

speak at the Aronoff. She ended her lecture with a beautiful thought. "I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel." ■

Elaine Stone is the senior executive assistant to the president, CEO and chairman of the board of a Cincinnati Fortune 500 company.

WORDS OF WISDOM

Don't be confused by eager and anxious, as so many seem to be.

anx-ious {angk-shubs}

(adj.) Worried and strained about some uncertain event or matter; uneasy.

Ex. He is anxious about his appointment with the proctologist and equally anxious about the results of his tests.

ea-ger {ee-ger}

(adj.) Intensely desirous of something; impatiently expectant.

Ex. John is eager to see Sarah and eager to hold her in his arms.

Basic Key: Anxious means worried. Eager means excited. Say what you mean and mean what you say.