

THE PERIODIC PONDERANCE

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CONGRATULATIONS, MELISSA!

Please join us in congratulating Melissa Hoyer who recently completed the coursework and experience requirements necessary to receive the Certified Financial Planner designation. Anyone who has had the privilege to work with Melissa knows what a great contribution she makes to their welfare and to the success of The Wealth Conservancy. We applaud her hard work, determination and accomplishment.

WORKSHOP NEWS

The Wealth Conservancy is excited to announce a brand new workshop! Titled *Inherited Wealth and You: Next Generation, Full Integration*, the workshop will offer inheritors the opportunity to learn the basics of portfolio management, estate planning, and tax issues; to gain the confidence to discuss and work through financial matters with family, advisors, investment managers, trustees, accountants, and insurance brokers; to define their life passions and free up time to pursue them; and to build positive personal relationships that are unaffected by their wealth. If you are an inheritor who would benefit from learning among your peers in a safe environment, please visit our website (thewealthconservancy.com) and click on the Workshops tab, or call us at 888-440-1919 for more information.

T O S U M M E R

Bed In Summer Poem

In winter I get up at night,
And dress by yellow candle light.
In summer quite the other way,
I have to go to bed by day,

I have to go to bed and see
The birds still hopping on the tree,
Or hear the grown up people's feet
Still going past me in the street,

And does it not seem hard to you,
When all the sky is clear and blue,
And I should like so much to play,
To have to go to bed by day?

by Robert Louis Stevenson

KIDDIE TAX TALES

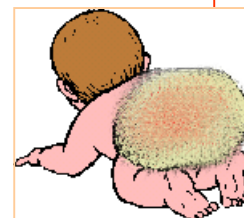
I was recently at a baby shower where one of the gifts was a little baby outfit that said "tax deduction." We all had a good chuckle, and it got me thinking about the link between kids and taxes. In particular, the "kiddie tax" rules have been changing about as often as a baby's diaper.

Until last year, parents could gift income-producing assets to their children age 14 or older, and the income from those assets would be taxed at the children's tax rates, which are generally lower than their parents' tax rate. Well, that age was changed to age 18 or older for tax years 2006 and 2007; and will go up in 2008 to age 19, or age 24 and older if the child is a full-time student.

The impetus for the latest "kiddie tax" law change was to prevent wealthy parents from taking advantage of a capital gains tax break intended for individuals in the lowest two tax brackets (10% and 15%). In those brackets, the capital gains tax rate for 2007 is 5%, and 0% in 2008! So, no longer is it an option for higher-income parents to give highly-appreciated securities to their 15-18-year-olds, only to have them sell the stock next year and avoid paying capital gains taxes.

Since the new, new, new "kiddie tax" law won't be effective until 2008, children who are 18 or older (and still dependent) have the opportunity *this year* to sell highly-appreciated securities at their lower capital gains tax rate of 5%. In addition, grandparents' gifts to their grandchildren will be taxed at their children's tax rate, not their own, which could work well for some families regardless of the "kiddie tax" rules. (Please note this strategy is effective when the younger generation is in a lower tax bracket. You may want to consult with your advisor before making the gift.) So, it's a good thing that we propagate for reasons other than to get a tax deduction!

By Melissa Hoyer



TRAVEL NOTES

Multi-tasking



Planning a trip to Europe? Planning to buy a new car? Why not combine the two by taking advantage of a European delivery program, whereby you pick up your new car at the factory or other delivery center.

European dealers, such as BMW, Saab, Porsche, Mercedes-Benz and Audi may not only offer significant discounts (typically 3% - 9%), but may also pay for part or all of your airfare and the shipping costs to get your car home. Some are also offering discounts on luxury touring vacations before you and your car depart for home, as, legally, you may drive around Europe for several months in your new car.

As with any too-good-to-be-true offer, there are a few things to be aware of; for example, wait-time for your vehicle to get back to the States may be longer than you want, or you may not be able to get the model you want. However, the whole point of these programs being to promote the car brands, the dealers want to make you as happy as possible, hoping you will then not only be a loyal, return customer, but that you will act as ambassador for them with other consumers. There is much information available on the Web under specific brands, or contact your local dealership.

Your Amazing Personal Travel Assistant (YAPTA)

Did you know that if the price on a flight that you have booked drops (usually by at least \$25), you can get a refund for the difference? The catch is that you have to call while the lower price is in effect. So, who has time to check several times a day to keep an eye on the fares? Yapta does. Run by a former Alaska Airgroup Inc. pricing vice president, Yapta tracks fares on specific flights you select before *or after* you buy a ticket. If you have already purchased your ticket and the price drops, you must call the airline for your refund. Amounts, fees, the type of refund, etc., are dictated by the specific airline. Yapta works with Expedia, Travelocity, Orbitz and most US airline websites, but it does not work with sites that search multiple vendors like Kayak.com. For more information, and to download Yapta onto your computer, go to Yapta.com.



Using Your Cellphone Abroad

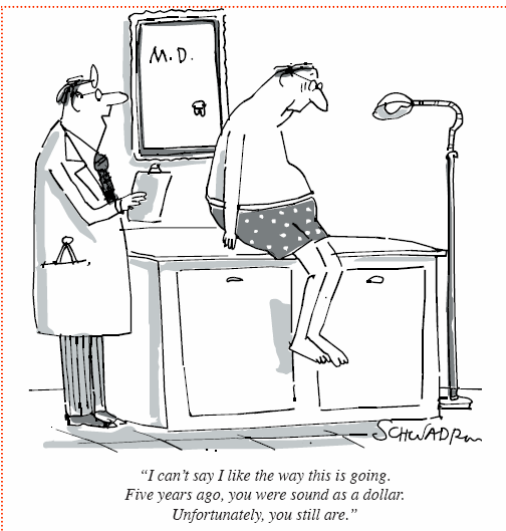


A recent, short article in *The Wall Street Journal* pointed out that cellphone service while traveling abroad can be difficult and expensive. This is due, in part, to the US using different frequencies than the rest of the world. The article suggests buying a phone that can operate on "so-called GSM networks, the most common technology used overseas." If you want to check this out, go to cellularabroad.com.

However, Steve and Melissa (at TWC), who travel internationally, prefer to use their regular cellphones and have found few problems in doing so. With most providers you can sign up for a small monthly fee and receive discounted per-minute rates, or you can call on "roaming" with no monthly fee but substantially higher per-minute rates. (For example, AT & T charges \$3.99 for a monthly fee and 26¢ per minute to another mobile phone; or, for the occasional caller, there is no monthly fee and a \$1.66 per minute charge to another mobile phone.) (Worth noting: Melissa's phone wouldn't work on roaming when she was recently abroad.) Also, your phone may need upgraded technology in order to operate on

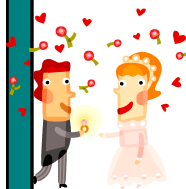
the frequencies in other countries. Checking your provider's website is probably the best first step in deciding how you want to be connected while you're abroad.

By the way, Melissa, who recently returned from France, said, "My cellphone worked just great. It was very handy . . . That reminds me, I have to disconnect my international service."



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FOR RICHER . . .



Money and relationship: What picture does that conjure up for you? For many committed couples it's a picture of conflict. And not necessarily because there's too little—even couples with much more than “enough” often encounter conflict in this area.

Okay, if too little money is not the problem, what is? The challenges of money in relationship are complex because of the interaction of love, emotion, power, control and practical realities. Add to this already potent mix different money values learned growing up, and there are found to be differences in opinion around the subject. Even when there's more than enough, disagreements about how it should be handled can cause serious trouble in a relationship.

To explore money as a relationship killer when there is no shortage of it, and in the interest of this discussion, let's make some assumptions: First, let's assume both partners have an equal amount of discretionary wealth and that wealth is enough to render earned income unnecessary. Second, we'll assume there are children from the marriage in the household.

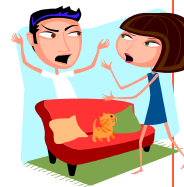
Partner 1 (P1) believes that everyone should work; if not for sustenance, then for personal growth and fulfillment—“because it's good for you!” Partner 2 (P2) believes that wealth negates the need for working. A conflict arises every time P2 wants to take off for an exotic location and P1 can't leave work at a moment's notice. P1 makes a judgment each morning upon leaving for work while P2 is still in bed.

P2 believes that the children should fully enjoy and utilize the family's money. P1 believes in allowances based on behavior and performance. P1 has a conniption every time P2 showers the kids with unearned “benefits.”



P2 might (and, in fact, did) go out to lunch and come home with a new Jaguar. P1 thinks that any major purchase should be discussed and agreed upon, even though it's P2's own money, because they're a family unit.

Now let's change the first assumption to one in which P1 has “too much” and P2 did not come into the relationship with money. Wow! The chance for conflict here soars! The balance of power shifts to P1. (Do you get that—that in most situations money equals power?) Even if P1 is the *most* generous of persons, he (she) would expect his (her) money values to be honored. P1 might assume he/she should be consulted about expenditures. It's likely that P2 might feel beholden and/or resentful if he/she did not have free access to all the money.



In reality, it's not about the money, whether there is too much or too little; it's about communication—communication that should begin before the marriage ceremony, perhaps with an uninterested party facilitating the conversations.

One way to forestall possible future money conflict is through the use of a pre-nuptial or marital agreement. Although we ordinarily assume a pre-nup will determine how to divide assets in the event of a divorce, it can also lay the groundwork for honoring your own and your partner's values. It can state whose money is whose; who gets how much each month/year, etc.; if a household account should be maintained and with how much money and from what sources. It can even contain agreements about such things as what kinds of expenditures need to be mutually agreed upon, children's allowances, gifts, etc.

Communicating to each other one's money values, spending habits, wants and needs, and coming to an understanding of them before conflict arises, can keep potentially hazardous money waters calm through a lifelong relationship.

By Barbara Denny

THE LANGUAGE OF TRUST

Discretionary trusts (a trust where the beneficiaries and/or their entitlements to the trust assets are not fixed, but are determined by the criteria set out in the trust instrument) have a broad range of distribution language. As a beneficiary, being familiar with the specific distribution language/provisions in your trust document will give you a better understanding of the trust creator's (a.k.a. grantor's) intent and guidance to trustees.

Discretionary provisions exist to give trustees flexibility in making distributions for a variety of reasons, and this language is part of the trustees' consideration in exercising their judgment and authority in making discretionary distributions from the trust on the beneficiary's behalf. Example language includes “health, education, maintenance, and support.” A broader standard would be “best interests and welfare,” which may permit payments for luxuries or enjoyment. Broader yet may be “comfort and standard of living,” which could account for distributions to be paid for the manner in which the beneficiary is accustomed to living. And, in an attempt to grant unlimited discretion to the trustee some trust creators may grant the trustee “sole and absolute discretion,” giving the trustee the broadest of flexibility. In addition, beyond the specific trust language in the trust document itself, the next place to turn for clarification regarding discretionary distributions is the state law that governs the trust instrument (know that trust laws vary from state to state).

By Tim Thrush

STRESS









A lecturer when explaining stress management to an audience, raised a glass of water and asked, "How heavy is this glass of water?"

Answers called out ranged from 2 to 5 pounds.


The lecturer replied, "The absolute weight doesn't matter. It depends on how long you try to hold it. If I hold it for a minute, that's not a problem. If I hold it for an hour, I'll have an ache in my right arm. If I hold it for a day, you'll have to call an ambulance. In each case, it's the same weight, but the longer I hold it, the heavier it becomes."

He continued, "And that's the way it is with stress management. If we carry our burdens all the time, sooner or later, as the burden becomes increasingly heavy, we won't be able to carry on. As with the glass of water, you have to put it down for a while and rest before holding it again. When we're refreshed, we can carry on with the burden. So, before you return home tonight, put the burden of work down. Don't carry it home. You can pick it up tomorrow. Whatever burdens you're carrying now, let them down for a moment if you can."

Here are some thoughts about how to deal with burdens:

-  Accept that some days you're the pigeon and some days you're the statue.
-  Drive carefully. It's not only cars that can be recalled by their maker.
-  If you can't be kind, at least have the decency to be vague.
-  If you lend someone \$20 and never see that person again, it was probably worth it.
-  Never put both feet in your mouth at the same time because then you won't have a leg to stand on.
-  Since it's the early worm that gets eaten by the bird, sleep late.
-  Some mistakes are too much fun to only be made once.
-  A truly happy person is one who can enjoy the scenery on a detour.

And a final note—

Life should NOT be a journey to the grave with the intention of arriving safely in an attractive and well preserved body, but rather to skid in sideways - Chardonnay in one hand - chocolate in the other - body thoroughly used up, totally worn out and screaming, "WOO HOO, What a Ride!" 

From Barbara's Inbox

STATISTICALLY SPEAKING

Considering wealth—

- The number of the nation's wealthiest people on the Forbes 400 who are worth less than \$1 billion is zero. (Forbes)
- The number of the top 10 wealthiest people on the Forbes 400 who are college dropouts—5. (Forbes)
- 20% of the Forbes 400 are from California. (Reuters)
- 7 of the Forbes 400 are younger than age 40. (Reuters)
- Personal income increased \$47.3 billion, or 0.4%, and disposable personal income (DPI) increased \$37.6 billion, or 0.4 %, in May 2007. Personal consumption expenditures (PCE) increased \$52.0 billion, or 0.5%.

Considering employment—

- Non-farm employment rose by 157,000 in May 2007.
- In the first 5 months of 2007, job growth averaged 133,000 per month, compared with 189,000 per month in 2006.
- Employment has risen by 8 million since reaching a low point in August 2003.
- Average hourly earnings for production and non-supervisory workers on non-farm payrolls rose by 6¢ in May. The over-the-year percent change peaked in December 2006 at 4.3% and has fallen steadily to its current rate of 3.8%

Considering health insurance—

- In 2005 (the last year for which statistics are available from the Census Bureau), 44.8 million people, 15.3% of the population, were without health insurance.
- The percentage of people covered by employment-based health insurance decreased between 2004 and 2005, from 59.8% to 59.5%.
- The likelihood of being covered by health insurance rises with income. In 2005, in households with annual incomes of less than \$25,000, 75.6% of people had health insurance. In households with incomes of \$75,000 or more, 91.5% had health insurance.