

# Year-end is fast approaching.

*Is your investment portfolio ready for tax season?*

Wealth Management Insights November 2009

If current trends continue, the financial markets will have made a solid comeback in 2009. By the end of the third quarter, the S&P 500 was up nearly 60% from its 12-year low in March. Many investors have enough carry-over losses from recent years to offset short-term gains, but there are those who may face additional taxes because of this year's market performance. While your Wealth Management strategies shouldn't be driven entirely by tax issues, making wise and timely investment decisions can help manage your overall tax liability.

## What You Should Know:

### 1. Know how your holdings can affect your taxes.

You may think you have a handle on your capital gains for 2009. However, if your investment portfolio includes mutual funds in taxable accounts, you may be in for a surprise. Because of the way they are managed, there are many reasons mutual funds can create capital gains even in off years, including selling winners to lock in gains, forced liquidations and simple portfolio rebalancing. There are also a number of ways you can help protect yourself from the tax implications of these unexpected gains.

- Time your investments. Many funds pay out capital gains once per year, often in November or December. By investing in

an attractive fund after its distribution is made, you can avoid the short-term gains that are most heavily taxed.

- If you're already invested in a fund that looks set to pay a big dividend, and you have losses in your portfolio from this or previous years, you can sell your position before the fund's distribution and use your losses to offset the gain. If you wish, you can reinvest the same amount in the fund after the minimum period required by wash sale rules elapses. ▶

.....  
Because of the way they are managed, there are many reasons mutual funds can create capital gains even in off years.  
.....

Mark P. Zalewski, CRC®, CFP®  
Vice President – Senior Investment Consultant  
414-298-2441  
www.markzalewskifinancialadvisor.com

Listen for my "News About Your Money" business reports on  
AM620-WTMJ Mondays at 6:55 a.m. & 7:55 a.m.,  
Thursdays at 7:55 a.m. and Fridays at 5:55 p.m.



- Make a charitable donation of fund shares set to receive large distributions. As long as the transfer takes place before the record date, when the fund determines who will receive distributions, you should not be taxed on the appreciated security you donate.
  - Travel to and from medical treatments
  - Insurance premiums paid from taxable income
  - Uninsured medical treatments
- 4. Capitalize on a job change.**

**2. Think about giving back.**

Most investors understand that charitable gifts made before the end of the year can reduce their tax liability for that year, but there are many eligible “gifts” for which the most generous of givers frequently fail to realize the tax benefits.

- Expenses incurred while performing charitable service, including supplies purchased and vehicle-related expenses like mileage, are deductible.
- The value of your time spent doing charitable work cannot be deducted for tax purposes.

**3. Pay attention to health care costs.**

If you’re insured, it can be very difficult to reach the minimum percentage (currently 7.5%) of Adjusted Gross Income required to claim medical expenses, but there are frequently overlooked medical costs that qualify toward that cutoff, including:

Amid unprecedented economic turmoil, many investors found themselves looking for a new job in 2009. What many do not realize is that the expenses associated with this process may be deductible.

- Fees for resume preparation or outplacement agencies are deductible for those seeking a job within their current occupation.
- These costs and other miscellaneous itemized expenses must exceed 2 percent of your Adjusted Gross Income to impact your tax liability. Also, these expenses are not deductible under the AMT.

**What Should You Do Now:**

The above referenced strategies are just a few of those you may want to pursue, and most require action before December 31. We recommend that you contact your Financial Advisor and tax professional now to learn more about how to make your investment portfolio more tax-efficient for year end and the future. ■

*Investors should consider the investment objectives, risks, charges and expenses of each mutual fund carefully before investing. This and other information is found in the prospectus. Contact your Baird Financial Advisor for a prospectus. Please read the prospectus carefully before investing.*

Investing in mutual funds involves risks, including loss of principal.  
Robert W. Baird & Co. does not offer tax advice.