

Dear Friends of Our Firm,

You may have read about the new tax law signed by President Bush on May 17. It extends several tax breaks that were scheduled to expire soon. But you may not have read about some of the less-publicized pieces of the law. For you, those provisions create a bit of good news, plus some bad news. Here's a quick summary:

The good news: Income cap lifted on Roth IRA conversions. Starting in 2010, *anyone* will be able to convert a traditional IRA into a Roth IRA. Currently, only taxpayers with incomes of \$100,000 or less can make such conversions.

This offers a great opportunity for people who have been previously been blocked from converting to a Roth IRA because of their higher incomes. It may now make sense for you to start piling up money in your traditional IRA to prepare for the conversion. Contact us to discuss financial planning advice leading up to the 2010 "conversion year."

The bad news: Less-favorable tax rate on teen income. It's now more difficult to reduce the tax bite on income earned in teenagers' investment accounts. The so-called "kiddie tax" will now apply to investment income received by children under age 18. The previous law was age 14.

Still, it may be possible to reduce, or even eliminate, extra kiddie tax liability by switching to tax-deferred or tax-free investments, or by using a Section 529 plan for a child's college savings. We can help you draw up game plan for these new rules.

The new law includes a handful of other tax provisions that could have a substantial impact on you, your family and your business, such as:

- Extension of favorable tax rates for long-term capital gains and qualified dividends through 2010
- Tax relief for people threatened by the alternative minimum tax (AMT) for 2006.
- Preservation of the \$100,000 deduction for equipment purchases by small businesses.

To discuss how this new law personally affects you—and how you can take maximum advantage of it, contact us today at (xxx) xxx-xxx to arrange a meeting.

Very truly yours,

[Signature]

[Name]

[Title]

P.S. This is the optimal time to implement tax strategies relating to changes for Roth IRAs, the kiddie tax and other provisions in the new tax law.