

Dear Friends of Our Firm,

With a couple of new tax laws having passed this year, we've identified some unique tax-saving opportunities that you can cash in on before the end of 2006.

If you don't act now, you'll kick yourself later on.

With that in mind, here are several strategies you can use between now and December 31 to cut your personal 2006 tax bill:

- ✓ **Use capital gains and capital losses to offset each other.** Depending on your situation, you may realize gains or losses at year-end. Any excess loss can offset up to \$3,000 of ordinary income in 2006.
- ✓ **Estimate your alternative minimum tax (AMT) liability.** It may be possible to avoid or reduce the AMT by postponing certain "tax preference" items to 2007. Alternatively, you might accelerate income into 2006 if your AMT rate is lower than your regular tax rate.
- ✓ **Contribute to your favorite charities.** Usually, you can deduct the full amount of charitable gifts that you can substantiate. But, under new tax law, deductions for household goods and clothing made after Aug. 17 are generally allowed only if the items are in "good condition."
- ✓ **Group medical expenses into the year that you may qualify for a deduction.** You can deduct your unreimbursed expenses only to the extent that the total exceeds 7.5 percent of your adjusted gross income (AGI).
- ✓ **Avoid estimated tax penalties.** You pay no penalty if your tax payments for 2006 — including withholding — equals at least 90 percent of this year's tax liability or 100 percent of last year's liability (110 percent if your 2005 AGI was \$150,000 or more).
- ✓ **Reduce tax on real estate gains through installment sales.** The income you receive from real estate sales is generally taxable in the year it's received. But you may be able to spread out the tax bite by selling property on the installment basis.
- ✓ **Adjust a child's portfolio to minimize the "kiddie tax."** For 2006, this tax applies to earned income above \$1,700 for children under age 18. (The new tax law raised the age limit from 14 to 18 for this year.)
- ✓ **Consolidate personal debts into a home-equity debt.** Unlike nondeductible personal loans, you can deduct the interest paid on the first \$100,000 of home equity debt, regardless of how you use the proceeds. **Caveat:** The debt is secured by your home, so use this technique with discretion.

Of course, those are just several of the tax strategies you could implement before year-end. Other techniques may be appropriate for your situation. To arrange a meeting to discuss year-end planning, call us at (xxx) xxx-xxxx.

Very truly yours,

Signature]

[Name]

[Title]

P.S. True tax planning requires an in-depth examination of your particular facts and circumstances. This will enable you to develop a comprehensive year-end plan that addresses your specific needs. Call us at (xxx) xxx-xxxx to set up a consultation today.