

ARTISAN WEALTH MANAGEMENT, LLC

True Wealth

Published exclusively for the clients and friends of Artisan Wealth Management, LLC.

When Life Hands You Lemons ...

Fall is in full swing and winter is not far behind. Schools are bustling and families are preparing for the coming holidays. Trick-or-treaters have sifted through their spoils and are still dancing around from their sugar highs. Although the season has changed, we have seen a number of sunshine filled days as of late. However, not everything is sunshine and smiles. The past two years have been absolutely devastating. While markets may be settling down some for the time being, there are still some rather challenging realities that we must endure in the months and years ahead. Investment portfolios have been eroded. Home values have been cut significantly in almost every community around the country. However, as the saying goes ... when life hands you lemons, make some lemonade.



If your community has seen significant declines in home values, there might be something you can do to offset that pain a little.

Across the country, thousands of homeowners are trying to wring something positive out of this epic real-estate crash — property tax reductions via reassessment/appeal. The reality of the situation is that many homes nationwide were last appraised by their local tax assessor’s office prior to the housing crash and are valued for tax purposes at levels higher than today’s market values. If your home was last assessed prior to 2008, your assessment is likely at the top of the market. Do you have to sit idly by and just accept this? No.

You do have recourse. But next time you receive your property tax bill, be prepared to act. In some areas, homeowners have as little as two weeks to file a notice of appeal after receiving their tax bill, however 30 to 60 days is more common. Those who wish to appeal their assessment in many cases can handle the process themselves. However, those who want help can hire a property-tax consultant or attorney. Those that choose to work with a professional should expect to pay a fee, often 25% to 50% of the amount saved in the first year. Whether you go it alone or with the aid of a professional, the key to winning an appeal rests heavily on one thing — preparation.

Do your research. It is not enough to just have an opinion that your home assessment value is unfairly high. Gather together hard data. Speak with a licensed real estate agent or an appraiser to get a competitive market analysis for your home and the surrounding community. Find out what homes have been selling for in your area. Make sure your comparables are substantially similar to your home, including square footage, condition, and interior and exterior features.

Check whether or not you qualify for special property-tax reduction programs such as exemptions for people age 65 and older. Then examine your property tax records for inaccuracies, especially square footage. Your local assessor keeps on file a property record card that contains your lot number, zoning category, address, sales records, land value and dimensions, as well as significant features as recorded by the town appraiser. You should check it carefully for errors, including

(Continued On Page 3)

Inside This Issue

When Life Hands You Lemons	1, 3
Digital World & Estate Planning	2
Saving On Your Next Vacation	2
H1N1 Preparation	3
Legislative Update	4, 5
Points of Interest	4

The Digital World Cannot Be Ignored In Your Estate Planning

It is amazing how much technology has changed every day life in just the past ten years. As a society we are continually relying more and more on technology and as a result, without proper planning, our heirs may be left with a tremendous burden.

With online account management becoming more prevalent, paper records are becoming obsolete. Many of our clients are utilizing our WealthVision system to get access to the investment accounts we manage for them. Our system also allows them to add accounts outside of our management as well, such as local bank accounts and credit cards. Having a single sign on, encrypted environment is extremely convenient. However, some clients have not yet taken advantage of the technology we are making available to them. And for those that are not yet clients, most do not even have access to this type of technology. Therefore, they are forced to manually manage all of their separate online accounts. What happens if something catastrophic happens to you?

Will your family and other potential fiduciaries know exactly what accounts you have? Will they know how to get access to that information? Once again, our WealthVision system aggregates all of that information in one place. However, if you choose to continue to manage all of those accounts manually, you should seriously consider having one secure location where you write down all of your access information so that your loved ones can get access to that data, especially if you are no longer receiving paper statements. You should consider checking your internet service provider's privacy policy following a death. You should also make sure that you provide instructions to trusted family members or other representatives on how to access your protected information if something happens to you. To learn more, give one of our professionals a call today.

Alternative Ways To Save On Your Next Vacation

Fall is officially here. Many of us may be planning to get away during the coming holidays. We would like to share a few less conventional ways you may be able to save during your next vacation.

No, we are not going to highlight any discount travel package web sites. There are plenty of them out there that we are sure you have heard about. Nor are we going to discuss home swap programs, where you agree to trade homes for a week or two with someone halfway around the globe (if you have not seen the movie "The Holiday" with Cameron Diaz, Kate Winslet, Jude Law and Jack Black, it is an interesting 136 minutes of entertainment).

No, instead of talking about these traditional ways to save on the vacation itself, we thought we might highlight what you can do at home to ensure savings there while you are away. Remember, while you are off taking a break from it all, your appliances and electronic devices are all too often left home alone without a break. Before you leave on your next trip, take a few minutes and follow these simple money saving steps.

Refrigerator — A refrigerator is one of the biggest energy consumers in any home. If you are only going to be away for a few days, just change the thermostat to a higher setting, such as 38 degrees for the refrigerator and 5 degrees for the freezer. If you are going to be away for an extended time, we would suggest you consider emptying your refrigerator and unplugging it.

Water Heater — This too is an energy hog in most homes. Especially if you have a large water heater or even two. Unless you have a tankless unit, your water heater will continuously consume energy in its effort to keep the water in the tank warm. We would suggest you consider turning down the setting to as low as possible so that you do not waste money warming water that you will not be using while enjoying the spa like bathrooms of your favorite resort destination.

Air Conditioner/Furnace — If you are sitting on a beach hundreds of miles away, there is no need to keep your house set at a comfortable living temperature. Turn off your air conditioner/furnace while you are away or set the thermostat to a more moderate setting like 85 degrees or higher in the summer and 55 degrees in the winter. If you are concerned about returning home to an overheated or chilled house, consider using a programmable thermostat with a vacation mode.

Electronics — When it comes to electronics, it is important to understand something called a "phantom load". This is the energy consumption that takes place even when a piece of electronic equipment may be turned off. Anything that has a digital display or instant-on features can be consuming energy while you are away. Even battery chargers consume energy while still plugged into a wall socket. We recommend that you unplug all electronic devices while you are away including battery chargers.

When Life Hands You Lemons ... (Continued)

inaccurate descriptions of property. For example, it may list that you have a three-car garage when in fact it is a two-car garage. Also, check whether significant defects such as a basement which floods frequently, facts that may affect the value of the property, are on record. While you are at it, check the math. Review the assessment formulas. Some areas use full market value, replacement value or sales price. Others use a fraction of the market value. Many municipalities now make all of this information available online.

As with many things nowadays, technology has come a long way with assisting in this process. There are a growing number of local and national online services that use automated property valuation models to help consumers determine whether they may be able to reduce their property taxes. Initial evaluations are often free at these sites. Two examples are <http://www.EasyTaxFix.com> and <http://www.LowerMyAssessment.com>. For an added fee of \$50 to \$100, users can obtain pre-populated forms and instructions on how to appeal your property tax assessment. It is important to remember however, that the data produced by these sites only give you a ballpark of whether your home is over assessed. You need to supplement that information with the research mentioned above.

Caution. Do not venture down this path blindly. There are potential drawbacks with trying to appeal your property tax assessment. Specifically, if you or a previous owner have made improvements to the property, such as finishing the basement or remodeling the kitchen without properly recording that with the town — typically through a building permit process — your appeal might be denied and you may end up with an increased assessment and fines.

For more information about how you can file an appeal to your property tax assessment, a brochure is available online for \$6.95 from the National Taxpayers Union at <http://www.NTU.org>. Also, give our office a call at (908) 366-7630 to discuss your unique situation with one of our professionals.

Swine Flu Preparation:

Powers of Attorney & Health Care Directives For College Students

For many of our clients, their children are off enjoying either their first or yet another Fall Semester at college. This year, however, many empty nesters have a concern that is being reinforced with news story after news story — Swine Flu. As advisors we try to address areas of exposure to risk for our clients and this year's H1N1 virus is no exception. We would like to highlight a particular area of concern.

Once your child turns 18, as parents you no longer have legal authority over your child's financial or medical decisions, even though high-school and college-age children usually are still your dependents. With the enactment of the Health Insurance Portability and Accountability Act (HIPAA), which imposes extremely high standards of patient privacy on hospitals, physicians and other health care providers, most medical providers will not share any medical information with anyone, including parents, without the authority of the patient.

What can you do to deal with this reality? One solution that we suggest parents consider is to have their college-age children sign a springing power of attorney and health care directive. These relatively routine estate planning documents will authorize a parent to obtain medical information and make medical and financial decisions for a child if that child is unable to make such decisions on his or her own. Further, we suggest keeping copies of these documents readily available. Copies should also be maintained in electronic form in order to facilitate delivery to any necessary party in an efficient and effective manner.

Our philosophy is that it is indeed better to be prepared to deal with a risk event and not have to, than to have to deal with a risk event and not be prepared. Our professionals are poised to help you get prepared. Give us a call today.



Legislative Update

Although the origins of the Chinese Curse are unclear, the proverb “*may you live in interesting times*” seems to be exactly what has afflicted the globe over the past twenty-four months or so. To add to volatility of markets and news stories, change has also come in the form of legislation within the U.S. We would like to highlight some important legislative issues to keep in mind as we close out 2009 and venture into 2010.

Estate Taxes

First, with regard to Estate Tax Legislation. 2009 has definitely been an interesting year for those of us assisting clients in the area of estate planning. The arrival of 2009 brought with it an increase in the applicable exclusion amount to \$3.5 million dollars from the \$2 million dollar level in 2008. It also brought the scheduled repeal of federal estate taxes for a one year period beginning in 2010 that much closer.

We are now less than two months from the January 1st, 2010 repeal date. However, with all of the fiscal challenges ahead for the U.S. many experts believe that in all likelihood by the first or second week of December we will see Congress pass some temporary measure keeping the Estate Tax in place until a permanent solution can be penned in 2010.

Numerous bills have already been introduced in Congress over the past few months and while each has unique parameters, most seem to keep the federal estate tax in force at some level. Exclusions of \$2 million, \$3.5 million, and \$5 million have all been discussed, but we believe that \$3.5 million seems to have the most likelihood of being passed at least temporarily.

Gift Tax Annual Exclusion

The IRS recently announced in Revenue Procedure 2009-50 that the gift tax annual exclusion amount available in 2010 will remain unchanged at \$13,000. The Tax Reform Act of 1997 tied the then \$10,000 gift tax annual exclusion to cost of living

adjustments based on increases in the Consumer Price Index. As a result, since 1998, the annual exclusion has increased from \$10,000 to \$13,000.

The annual exclusion allows a taxpayer to gift up to \$13,000 annually to any number of beneficiaries without being required to use his or her \$1 million lifetime gift exemption amount and avoid taxation on the gift. It is a critical tool in estate planning.

Required Minimum Distribution

Late in 2008, the Worker, Retiree and Employer Recover Act of 2008 was enacted. It provided for a one-year suspension of the Required Minimum Distribution (RMD) due to the economic downturn that had eroded many retirement plans and continues to challenge them today.

However, many individuals were not aware of this and continued to take their RMDs as 2009 rolled by. On September 24, 2009, the IRS issued Notice 2009-82 to provide some relief for those taxpayers who have taken 2009 RMDs and would like to reverse this decision. Under this Notice, taxpayers have until November 30, 2009 to rollover any 2009 RMDs into an IRA without any adverse tax consequences.

Roth IRA

Up until now, many IRA owners could not take advantage of converting their traditional retirement accounts to Roth IRAs due to income limitations. However, beginning January 1, 2010, new rules take effect which eliminate income limits on conversions. Converting to a Roth IRA allows taxpayers to accumulate a pool of wealth situated to assist them with meeting their retirement income needs without exposing growth within that portfolio to taxation.

Yes, qualified Roth IRA distributions are made income tax free. However, there is a drawback to converting your existing

(Continued On Page 5)

Points of Interest

- Edward R. Collins was named to the Board of Trustees for Caldwell College, a private college in Caldwell, New Jersey.
- A number of articles have been published over the past few months by members of the Artisan Team of Professionals. You can review them online by visiting our web site and clicking on the “News & Events” tab at the top of the home page.
- Artisan Wealth Management, LLC has expanded its educational outreach efforts. In light of the challenging times that have stagnated our economy and the markets, the professionals at Artisan Wealth Management, LLC are volunteering their time and expertise to educate clients and friends of the firm about the current state of affairs. If you belong to a group or an association that could benefit from an informative workshop or seminar, give our office a call at (908) 366-7630 to discuss this opportunity in more detail.
- **MARK YOUR CALENDAR.** The holidays are fast approaching. Artisan Wealth Management, LLC will be holding its *2nd Annual Holiday Open House* on Wednesday, December 16th, 2009. Give our office a call today to R.S.V.P. for this delicious treat for the senses.

retirement accounts to a Roth IRA. Taxes today. Your conversion is deemed a taxable event. However, part of the change in the law beginning in 2010 allows those who convert to spread out the tax liability over two years. We feel this is such an important opportunity, that we ask every individual who has an IRA or other Retirement Plan, or if you have a family member with one, contact us immediately to discuss this in more detail.

It is important to note that IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a Conversion from a Traditional IRA to a Roth IRA. Also, unless certain criteria is met, Roth IRA owners must be 59 1/2 or older and have held the Roth IRA for 5 years before tax-free withdrawals are permitted.

AFR Rates

Each month, the IRS publishes base interest rates known as the Applicable Federal Rates (AFRs). These interest rates are used for various purposes under the Internal Revenue Code, particularly imputed interest and original issue discount rules.

Recent months have seen the AFRs at historical lows. That means that now may be an extremely opportune time to implement a variety of estate planning techniques aimed at transferring significant wealth to family members and other beneficiaries gift and estate tax free.

New Jersey Income Tax Change

This summer, Governor Corzine signed into law some significant changes to the New Jersey income tax system, making the changes retroactive to the beginning of 2009. Prior to the enactment of this change, regardless of filing status, taxpayers were subject to a tax rate of 6.37% on gross income above \$400,000 and a tax rate of 8.97% on gross income above \$500,000.

The new legislation increases rates in this way:

- Gross income greater than \$400,000 and equal to or less than \$500,000 — income tax rate increased to 8% from 6.37%
- Gross income greater than \$500,000 and equal to or less than \$1,000,000 — income tax rate increased to 10.25% from 8.87%
- Gross income greater than \$1,000,000 — income tax rate increased to 10.75% from 8.97%

The legislation also makes a change to the property tax deduction for high income earners. Prior to this legislation, taxpayers were permitted to claim a property tax deduction of up to \$10,000. Under the new legislation, the property tax deduction is suspended for taxpayers with gross income above \$250,000 who are not at least 65 years of age or are not allowed to claim a deduction for blindness or disability. The bill also caps the maximum property tax deduction at \$5,000 for taxpayers who have gross income of more than \$150,000 but

less than \$250,000.

Because both the rates and the loss of the property tax deduction apply at the same gross income threshold, regardless of whether a married couple files jointly or separately, this legislation increases the already significant New Jersey tax advantage to many high income married couples from filing federal and New Jersey returns on a married-filing-separately basis.

New York's Power of Attorney Law Change

On September 1, 2009, New York put into effect a number of changes to its Power of Attorney law. These are some of the major changes.

First there is a New Statutory Short Form which requires the agent to sign the form witnessed by a notary in addition to the principal signing the form. This may prove to be a logistical nightmare for some.

Next, there is a change to the gifting provisions under the Power of Attorney. The gifting provision in the Statutory Short Form only permits gifts up to \$500. If a principal wants to authorize the agent to make larger gifts (which in almost every situation one would want to), the principal must execute a Statutory Major Gifts Rider or a non-statutory form Power of Attorney.

The Statutory Major Gifts Rider ("SMGR") has three substantive sections. Section (a) grants the agent limited authority to make annual exclusion gifts to the principal's spouse, children, descendants and parents. Section (b) allows modifications where broader powers may be inserted. Section (c) allows the agent to make gifts to himself or herself.

The SMGR must be acknowledged and witnessed by two witnesses in the same manner as the execution of a Will. Generally, this requires two witnesses and a notary.

In the new form there is an optional provision that the principal can appoint a "monitor" to request and receive records of transactions by the agent. The statute provides for a special proceeding that a monitor can bring to compel an agent to produce a record of receipts and disbursements and for other purposes. This provision should help reduce abuse of the power of attorney by the agent.

The new form gives the principal the option to initial a box if he or she wants to provide reasonable compensation to the agent.

The new law is not retroactive. Powers of Attorney properly executed in accordance with the law in effect at the time of its execution remain valid.

We realize that a great deal of this legislative information is complex. However, we feel that it is important to share these developments with clients and friends. To discuss any of these issues in more detail, give our office a call at (908) 366-7630 today. As always we look forward to being your continued resource for critical wealth management information.



100 Corporate Drive, Suite 101
Lebanon, New Jersey 08833

(908) 366-7630 — Telephone
(800) 769-6590 — Toll Free
(908) 366-7639 — Fax

info@artisanwealthmanagement.com
www.artisanwealthmanagement.com

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