PLATINUM PERSPECTIVE

FEBRUARY 2011

When is 'Low-Risk' Risky?

For many people, walking down a sidewalk on a sunny day seems like a low-risk activity — and it is unless it's mid-winter and there is a patch of ice you don't see. In that case, a pleasant walk can become quite treacherous. Many people consider investments like high-quality bonds to be low-risk investments, which is why Treasuries and other high-quality bond offerings tend to be very popular during difficult economic times.

When bond rates are very low

During 2010, strong demand pushed bond prices higher. In fact, many sectors of the bond market gained 10 percent or more during the year. Since bond prices and bond yields move in opposite directions, higher bond prices have translated into lower bond yields. As the economy strengthens, it's likely that bond yields will increase and bond values will fall. One possible consequence is that investors who hold lower-yielding, longer-term bonds will see the value of those bonds decline as yields go up. If rates move up quickly, the total return (a bond's yield plus any change in the bond's value) on some bonds could move into negative territory.

What should investors do?

If interest rates increase, total returns on bonds may be modest; however, this does not mean that investors should stampede away from the bond market. Bonds play an important role in every portfolio, helping to reduce risk overall and improve portfolio stability. If you are concerned about the bonds in your portfolio, schedule a time to review your asset allocation. ■

DID YOU BENEFIT?

Do you know someone else who could benefit from the guidance of a financial representative and this information? Why not pass this newsletter on to them?

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New Rules for Estate, Gift Taxes

It is often said that death and taxes are the only certainties in life. That may no longer be true in America where another round of temporary tax law changes was recently signed into law. Here is a brief overview of some of the new estate and gift tax rules:

- **Estate Tax Returned**
  If you didn't die during 2010, you missed the brief window during which your estate could have paid no estate tax. Although the new rules reinstated the estate tax, it remains below the 2001 level of 55 percent. During 2011 and 2012, the top rate will be 35 percent.[1]

- **Estate and Gift Tax Exemptions Increased**
  The new law increases the lifetime gift tax exemption from $1 million to $5 million.[1] As a result, a married couple may be able to gift up to $10 million to future generations completely free of gift, generation skipping tax (GST) or estate taxes through the end of 2012.

- **Estate Tax Exemptions Became Portable**
  The new law makes the $5 million estate tax exemption portable through 2012. In other words, for deaths occurring in 2011 and 2012, a surviving spouse can add a deceased spouse's unused estate tax exemption to their own, increasing the total exemption amount.[1]

	Is Exemption Portable?	Top Estate Tax Rate	Unified Estate and Gift Tax Exemption Amount
2010	NA	0%	NA
2011-12	Yes	35%	$5 million
2013*	No	55%	$1 million

Source: Wisconsin State Bar and *New York Times*, "Estate Tax Will Return Next Year, but Few Will Pay It," *December 17, 2010*

**Unless Congress acts prior to 2013*

If you think the changes, which are highlighted in the table, will affect your estate plan, you may want to contact your estate planning attorney. ■

[1] *Wisconsin State Bar, Inside Track*, "Wealth planning under the 2010 Tax Relief Act: Temporary estate and gift tax planning opportunities," *January 5, 2011*

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