

the navigator

a newsletter for **MANAGING WEALTH. SERVING GENERATIONS.**

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A Season for Giving

Take advantage of temporary tax laws, avoid charitable scams

Every year, donors make the majority of their charitable donations during the holiday season. And for some people who want to transfer assets to charity in a tax-advantaged way, there is a temporary opportunity that expires December 31, 2007.

The Pension Protection Act of 2006 allows people who are 70-1/2 or older by the date of contribution to donate up to \$100,000 tax-free annually to a qualified public charity, as determined by the Internal Revenue Service, from either their traditional or Roth Individual Retirement Accounts. These funds would be excluded from the donor's gross income calculation, and therefore exempt from federal income taxation.

Taxpayers can also utilize this provision to satisfy their annual required minimum distribution. For example, if an individual was required to withdraw five percent from their IRA, they could donate up to \$100,000 directly and realize the tax benefits of the new provision, while

supporting a favorite charity. For high income taxpayers who want to make a major gift and whose itemized deductions have been limited, this can be a great opportunity.



Taxpayers of any age can avoid capital gains taxes while helping charitable causes by donating appreciated stock or mutual fund shares. Instead of writing a check, donors can give stock or mutual fund shares that have appreciated directly to charity. The charity is supported, and the taxpayer will avoid capital gains taxes.

The temporary law means that individuals get to see more of their dollars go to work directly for the charity. Whereas previously charitable gifts were diluted because of the income tax paid on withdrawals, donors can now take comfort in knowing the charities of their choice are benefiting from their full contribution. For individuals planning to make large charitable gifts, this opportunity applies to donations completed by January 1, 2008.

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Scott White Selected for Raymond James Executive Council

For the second consecutive year, Scott was named to the Raymond James Financial Services Executive Council in recognition of his outstanding client service and exemplary professional growth. Members of the Executive Council represent the top echelon of the firm's financial advisors.

"I'm honored to be recognized by my industry for the high quality of services our firm provides," said Scott. "Helping our clients, and their referrals of family and friends, are the greatest awards we receive." ■

STAFF PROFILE

CURRENT EVENTS

For the tenth consecutive year, Scott has been asked by the Lee Memorial Health System Foundation to present several seminars. His first presentation of *Top Ten Financial and Estate Planning Mistakes* will be held November 6, 9:30 am., at the HealthPark Medical Center, Meeting Room 1A and 1B, 9981 S. HealthPark Drive in Fort Myers.

After serving on the planned giving committee of the United Way of Lee County for several years, Scott joined the Board of Directors. He's also a member of the executive committee.

Operations Manager Linda Harness attended the annual Raymond James National Conference in Nashville. While there, she learned about a new Raymond James trust program, Caregiver Services, to help clients or their parents who have declining health or mental capacity issues locate competent care managers.

Scott attended a continuing education sponsored by Lincoln Financial on insurance ethics.

Scott attended the GE Asset Management Global Trends 2007 conference in Washington, D.C. At this due diligence meeting, Scott learned about developments in infrastructure technology, emerging markets, environmental solutions, digital connections, global liquidity, and corporate citizenship.

An active member of the Southwest Florida Chapter of the Financial Planning Association, Scott participated in its Financial Planning Hotline sponsored by the *News-Press*. Scott and his colleagues answered callers' financial planning questions as part of the annual Financial Planning Week events.

Staff Profile

Pamela Lyons, Client Information Manager

What are your job responsibilities?

As Client Information Manager, I'm responsible for organizing and maintaining our clients' financial information. I also analyze client information, prepare planning reports, and develop and maintain office procedures. Additionally, I complete special projects as they arise.

How did you become interested in the personal financial planning profession and what led you to Scott White Advisors?

I have been in the financial services industry for 37 years. Much of that time was spent managing operations for the private client services division of a major bank, where I was involved in investments, cash management, and data processing for our private clients. During the years before I retired from the bank, I managed large projects involving cash management systems. The projects were required as a result of mergers and acquisitions, and provided me great experience, as well as travel around the United States. Ultimately, the commute from Florida to California caused me to realize it was time to retire and find a new career that let me stay at home with my family in the Fort Myers area. I wanted

a job that would allow me to stay in the financial services arena and use the skills I had developed in my banking career. Scott's need for someone to help analyze and manage client information was a perfect match.



How do you enjoy spending your personal time?

My husband and I have six grandchildren who range in age from six months to 11 years, and they keep us really busy. We enjoy travel as time permits. Also, I love to read and really enjoy scrapbooking.

What are the most rewarding aspects of your job?

Assisting in the identification of solutions that allow our clients and their families to realize their personal financial goals brings me great pleasure. I also take pride in helping assure that our clients receive only top quality service. ■

Year End Tax-Planning Ideas

Securities Sales To realize a gain or loss in 2007, the trade date must occur on or before December 31, 2007. Settlement date is irrelevant for publicly traded securities.



The limit on the deduction of capital losses in excess of capital gains is \$3,000. Any net capital losses in excess of \$3,000 are carried over into 2008. Both short- and long-term losses are counted on a dollar-for-dollar basis. The holding period to achieve a long-term capital gain or loss is now more than twelve months.

Count the period from trade date to trade date. Whether a gain is short- or long-term does make a difference. The date a long-term gain is realized also makes a difference. In general, net short-term gains are subject to a 35% maximum rate, while net long-term

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Protecting Estates and Benefiting Families: Generation-Skipping Trusts

by A. Scott White, CFP®, ChFC, CLU

In the big scheme of things, estate planning is about more than just tax savings. It's about families. For high net worth families, effective estate planning includes preventing future generations from wasting their inheritance through bad business deals, gambling, or other means. It's also about protecting future generations from predators who may give bad investment advice, creditors who may try to gain access to family money, and ex-spouses who may try to take advantage of family members.

Estate planning may not keep your heirs from experiencing these woes, but an estate plan that includes a generation-skipping trust (GST), together with the right trustee, can prevent heirs from losing their whole fortune due to these culprits. Successful people who have worked hard to accumulate significant wealth and enjoy a comfortable lifestyle living their retirement dreams frequently want to pass some of their wealth to future generations. These people may find that a generation-skipping trust (GST) provides a unique estate planning opportunity.

Under a generation-skipping trust, the second generation—grandchildren—are the principal beneficiaries, and the first generation—children—are the executors. A GST can allow the first generation to have income from the property while they live, but trust principal is preserved for grandchildren. The children receive only income from the trust, and use its principal for things that benefit the grandchildren, including health care, housing, or tuition bills. At the death of the income beneficiary the principal passes to the next generation.

A GST also provides an ideal solution for protecting family wealth from claims of creditors. If the first generation children are involved in business activities that carry a high risk of creditor claims, or they are asked to sign personal guarantees for banks or other lenders, a GST can provide protection. Since the interest is accessible only to



the children, and not their spouses, bad financial or life decisions will not dwindle the principle of the trust. In addition, clauses can be constructed to prohibit any spousal rights to the interest income in the case of a divorce.

Proper estate planning with a generation-skipping trust can potentially provide the security and stability that families seek for future generations. To understand generation skipping trusts, it's important to understand how generation skipping transfers are taxed. Be sure to go over this with the appropriate tax professional. ■



Copies of Vital Records Can Save Time and Headaches

Your vital records are stored in a safe deposit box or safe. There may be times when you need to know certain information contained on documents you've placed in safekeeping but don't need the actual document. You can avoid the inconvenience of obtaining the original documents by making copies of your vital records and storing them in an accessible place.



Create one file that includes copies of all documents you've placed in safekeeping (e.g., a "Safety Deposit Box" file). Then, you not only can turn to it for vital facts, but if you are incapacitated, whoever handles your important affairs will be able to locate key documents quickly. Caution: The specific contents of some documents, such as wills and trusts, may be inappropriate to keep in more highly accessible home files. Instead of a photocopy, you might simply file a page containing those key facts that are less confidential in nature or obliterate very sensitive items on the copy.

Be sure to make backup copies of all computerized records, and keep a backup copy of those records in a safe place. If your hard drive has a meltdown, you'll need to be able to recreate the important financial information that was lost. ■

A Season for Giving *continued...*

Many families receive numerous requests for charitable contributions around the holidays, and they want to help, but are afraid of scams. It's wise to be cautious about donating money, because more than one million federally recognized charities solicit for charitable contributions each year. That means there is endless potential for fraudsters to profit under the guise of altruistic causes.

To avoid scams, be sure to research charities before donating. Fake charity scams often set up quasi-legitimate agencies so that, at first glance, they appear real. They may also name themselves something similar to other legitimate charities, so look closely. Also beware of e-mail solicitations for donations, as most legitimate charities don't use e-mail for that purpose.

Also, be aware of the difference between tax exempt and tax deductible. Tax exempt means the organization doesn't have to pay taxes. Tax deductible means contributions can be deducted on federal income tax returns. Even if an organization is tax exempt, contributions may not be tax deductible, so potential donors should investigate before they donate. Finally, never donate cash; always write a check.

To help donors get on the right track, online databases such as GuideStar, Charity Navigator, and the Better Business Bureau Wise Giving Alliance can provide assistance. ■

Year End Tax Planning Ideas *continued...*

gains are taxed at a maximum of 15%. However, some gains may be subject to a 25 or 28% rate, such as gains on the sale of art or collectibles and gains on certain depreciated real property.

Retirement Plans If you are a calendar year taxpayer, the deadline for establishing a qualified retirement plan for deductions against 2007 income is December 31, 2007. The contribution need not be made until the tax filing deadline of the taxpayer's return. *Note: however, that a SEP plan can still be established for 2007 deductions up until the return due date in 2008.*

In order for a distribution to qualify as a lump sum distribution, 100% of the balance to the credit of the employee must be distributed in one taxable year. If you have retired this year, make sure that you received (or will receive by year-end) everything you have coming under your former employer's qualified retirement plan. ■

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