

# WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™



## Market Insights

*A periodic newsletter from Idaho Trust*

*Japan's recent economic changes have shown some signs of success. China, whose economy was slowing, is now poised to tighten monetary policy as growth has once again picked back up. Year-end is near and it is now time again when investors need to think about tax planning before 2013 is recorded in the books.*

### Japan's Economy

Japanese Prime Minister, Shinzo Abe, has had success this year shaking up the long dreary Japanese economy. However, he is now faced with trying to sustain the progress that his economy has only recently enjoyed. The Prime Minister and Bank of Japan Governor Haruhiko Kuroda have tried to re-inflate their economy that has languished in deflation for more than a decade. Recently, there have been signs that the newly adopted 2% inflation target, quantitative easing program and fiscal programs have had some success. Property values in Japanese urban areas have increased, gasoline and food prices have risen and the Nikkei 225 stock average in Japan has risen 40% this year. But overall, these new fiscal and monetary policies may only be validated if they cause wages to increase which may signal the beginning of the end of deflation.

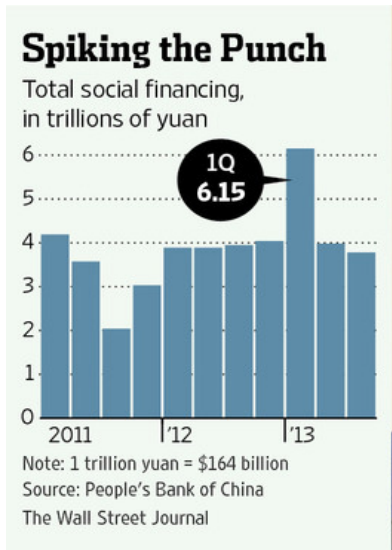
### China's Reversal

Recently, the People's Bank of China has signaled that it is preparing to slow its economy. This is somewhat a surprise because lately the Chinese economy has been slowing. However, in the 3rd quarter of this year annual GDP growth in China reached 7.8% showing that growth has increased and that it shouldn't have trouble

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

meeting its 7.5% annual growth target. The change of policy appears to be in response to creeping inflationary pressures, credit expansion and returning capital inflows from foreign investors.



*Li Keqiang, Premier of the People's Bank of China*

## 7 Year-End Tax Saving Strategies

The end of the year is quickly approaching. Now is the time to start planning how you can save on taxes. It looks as though it is going to be another positive year for the equity markets so investors should expect larger year-end capital gain distributions from the investments in their taxable accounts. Idaho Trust offers the following strategies to help our clients reduce their tax burden:

**Tax-Loss Harvesting** – Do your taxable investment accounts have capital losses that can be realized to offset gains? Realizing losses can be used to offset realized gains that have been generated during the current year. Unused losses can be carried over to future tax years. There are short-term capital gains, assets held less than twelve months, and long-term capital gains, assets held more than twelve months. Short-term capital gains are taxed at an investor's ordinary income tax bracket which can be as high as 39.6%. Long-term capital gains are taxed at a 15% tax rate for most investors. Higher-income investors, singles with taxable income above \$400,000 and married joint-filing couples with income above \$450,000, are taxed at 20%. Tax payers in higher tax brackets are also affected by the new 3.8% Medicaid surtax on the lesser of the net investment income (NII) or modified adjusted gross income (MAGI) above a certain threshold.

**Wash Sale Rules** – Make sure your tax-loss selling conforms with IRS Wash Sale guidelines. Under the Wash Sale rule, a loss deduction will be disallowed if within 30 days of the sale you buy substantially identical securities. The wash sale period is 30 days before and 30 days after the date of the sale, for a total of 61 days.

**Year End Capital Gains Distributions** – Be careful when purchasing mutual funds at the end of the year in a taxable investment account. Mutual



funds pass through the tax liabilities they incur to shareholders. Funds are required to pay shareholders 98% of the dividends and capital gains received so the tax burden for investors can be large in a positive year.

**Carry Forwards** – Review your tax return to determine if you have any carry forward losses that could be used to offset potential capital gains distributions, sales that might create a gain or other realized gains during the calendar year. Carry Forwards can be found on Schedule D of your individual tax return.

**Contribute to a Retirement Plan** – If you are eligible to contribute to a retirement plan, including a 401(k), a 403(b) or a traditional IRA, you can maximize your contributions to reduce your taxable income. In order for your contributions to count on your 2013 income tax return, they will need to be made to your 401(k) and 403(b) accounts by December 31, 2013. You can make contributions to your IRA accounts until April 15, 2014 for the 2013 tax year.

**Giving** – Gifting assets can reduce estate taxes. For 2013, the lifetime gift tax exclusion is \$5.25 million per person. You can use this exclusion, sometimes called the “*unified credit*”, to transfer assets during your life, upon death or a combination of the two. If you exceed the limit, you, or your heirs, will owe tax of up to 40%. Also, you can gift another person \$14,000 this year without it counting against your lifetime exemption. Spouses can combine this annual exclusion to double the size of the gift. For example, this year a married couple with a child who is married and has two children could make a joint cash gift of \$28,000 each to the adult child, the child’s spouse and each grandchild, providing the family of four a total of \$112,000 a year. Only gifts that exceed the \$14,000 annual limit count against your lifetime exemption.

**Establish a Relationship With Idaho Trust Bank** – Idaho Trust Bank provides total wealth solutions for successful people in the West. Our Private Bankers are highly trained and knowledgeable about tax planning strategies. We work closely with our clients’ tax and legal advisors to ensure they keep more of their investment return and pay less in taxes. If you do not already have a relationship with Idaho Trust, we would welcome the opportunity to help you create and preserve wealth for generations!

## Conclusion

International markets continue to be very fluid and dynamic environment. However, the recent improvement in Asian growth bodes well for international investors. With year-end around the corner it is a good time to think about tax planning before 2013 has passed us by.

*The information appearing in the newsletter is provided for general educational and guidance purposes. While information is obtained from reliable sources, accuracy cannot be assured. This information is not intended to provide tax or legal advice.*

## S&P 500 Index

3 Month	4.75%
Year-to-Date	25.29%
1 Year	27.15%
3 Year	16.49%
5 Year	15.14%

## MSCI EAFE Net Index

3 Month	9.54%
Year-to-Date	20.05%
1 Year	26.88%
3 Year	8.36%
5 Year	11.99%

## Barclays Aggregate Bond Index

3 Month	1.24%
Year-to-Date	-1.10%
1 Year	-1.08%
3 Year	3.01%
5 Year	6.08%

As of 10.31.2013

## Boise Branch

888 W. Broad St.  
Boise, Idaho  
208.373.6500

## Coeur d’Alene Branch

622 E. Sherman Ave.  
Coeur d’Alene, Idaho  
208.664.6448

## Las Vegas Trust Office

2850 W. Horizon  
Ridge PKWY, Ste 200  
Henderson, Nevada  
702.430.4747

[Info@IdahoTrust.com](mailto:Info@IdahoTrust.com)  
[www.IdahoTrust.com](http://www.IdahoTrust.com)



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