Majestic Oak Financial
A Registered Investment Advisor

Anna M. Popke, CFP®
4100 Greenhaw Lane
Harrison, Arkansas 72601
(870) 743-1557
anna@majesticoakfinancial.com
www.majesticoakfinancial.com

April 6, 2010

Spring is here and tax season is almost over! Enjoy the warmth, sunshine and flowers before the dog days of summer get here.

News You Can Use – Confused by Estate Planning Rules?

If you're confused over the complexity of the estate planning rules, you're not alone by any means. The changes that have occurred at the beginning of this year along with the lack of direction on next year's laws render a complicated situation almost impossible to plan around with any surety. And, like any government or IRS mess, there are always opportunities and potential landmines hidden in the chaos.

The estate tax laws for 2010 are very different from previous years. For 2010 only, those who die with considerable assets can pass on all of it without any federal estate tax levied. However, don't make the assumption that the government won't get its share. The big difference for inheritances received in 2010 is whether the assets that get passed on to heirs receive a "step-up" in basis.

In years prior, when an heir received an inheritance, the basis of the asset was generally equal to the market value of the asset on the date of death of the deceased. For example, let's say you received 10 shares of stock X from Grandma who died on 3/3/09. Grandma was a shrewd investor, purchasing those shares years ago for $2 each. At her death, those same shares were worth $100 apiece. You sold them a month after Grandma's death when the shares were worth $103 each. Because of the step-up basis rules, you would only report a capital gain of $3/share (the selling price of $103 minus the price of the shares on 3/3/09 of $100 per share). However, if Grandma died this year (2010) and you received those shares, your cost basis may be the original purchase price of $2 and you could be stuck with the tax bill for a capital gain of $101/share when you sell those shares at $103 each. This puts the tax bill squarely on the shoulders of the heirs instead of the estate of the deceased.

There is some relief here for smaller estates and assets inherited by the surviving spouse. The first $1.3 million of assets inherited by anyone will receive the step-up in basis. If an additional $3 million is transferred to the surviving spouse, the cost basis also receives a step-up. Anything above that, regardless of who receives the asset, will not get the step-up.

Of course, a couple of caveats. The step-up basis rules also work the other way. If the value of the asset is less than the purchase price as of the date of death, the basis will step-down. So, let's say that Grandma bought shares in stock Y for $50/share and they are worth only $10/ share at her death in 2010. You inherit these shares, hold them and sell them at $15 each. You may still be on the hook for the capital gain of $5/share because your stepped-down basis is $10/share, regardless of the fact that Grandma paid $50/share.

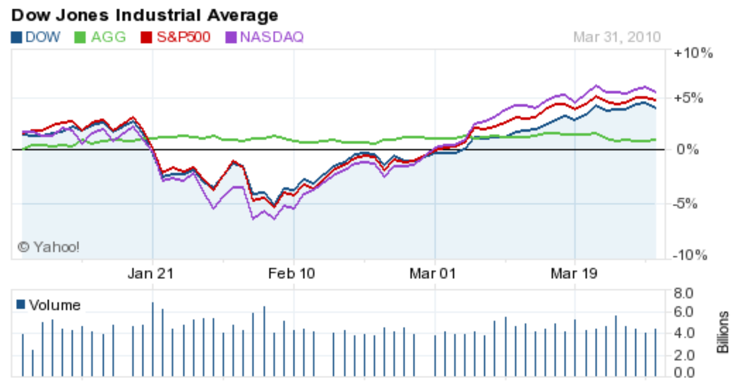
Another issue to watch out for is that the federal government may revise the estate tax rules this year and whatever provisions they dream up could be made retroactive back to January 1, 2010, changing the rules entirely.

What happens for 2011 is anyone's guess. If the federal government makes no changes whatsoever, then the rules revert back to those that were in effect in 2001. Under those circumstances, any amount can be inherited by the surviving spouse without estate tax. A decedent can pass up to another $675,000 to any heir estate-tax free. Transfers to heirs other than the surviving spouse over the first $675,000 will be subject to federal estate tax rates of 55% with an additional surcharge of 5% on estates over $10 million. In exchange, all assets receive a step-up (or step-down) in basis, as applicable.

Most of us wish we could leave problems such as the taxation of anything over $4.3 million to our heirs. But, next year's issues may hit many more people between the eyes. It does not take much more than a good combination of some decent property, a thriving small business and a considerable 401k account to take a taxpayer's net worth over the lower $675,000 exemption amount. At this time, if you have a living trust or other estate planning documents, it's a good time to review how these documents will operate in the case of early demise in the midst of all this confusion or if new strategies to minimize the impact of the new laws are needed.

1st Quarter 2010 Market Performance

Index	3/31/10 Ending Value	1Q 2010 Performance*
Dow Jones	**10,856.63**	**4.11%**
S&P 500	**1,169.43**	**4.87%**
NASDAQ	**2,397.96**	**5.68%**
Lehman Aggregate Bond	**104.20**	**0.98%**



Your Individual Investment Reports

The following investment reports for 1st Quarter 2010 are provided for your review:

- ***Portfolio Performance*** – Overall Portfolio Performance for 1st Quarter 2010
- ***Asset Performance*** – Performance of each asset within each account for 1st Quarter 2010
- ***Account Summary*** – Current market value of each asset within each account as of 3/31/10
- ***Investment Billing Statement*** for the 2nd Quarter 2010**: Investment advisory fees for the period of 4/1/10 through 6/30/10 (based on 3/31/10 values). *This is an informational billing only.* Your account is automatically debited unless other arrangements have been made.

Please remember that this investment reporting is for informational purposes only. You should also refer to the monthly account statements you receive from TD Ameritrade.

As always, please do not hesitate to contact me if you have any questions about your reports or wish to discuss any other financial matters.

Sincerely,

Anna M. Popke, CFP®

*Index performance is provided as a benchmark only. The performance of your individual investment portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.

*****PLEASE NOTE:*** Clients who hold "cash reserves" within their brokerage accounts will have slightly different portfolio balances depicted on the Statement of Assets Summary and the Billing Statement. This is because "cash reserves" are excluded from the advisory fee. However, cash held awaiting investment in the upcoming quarter *will* be subject to the normal quarterly fee.

Investment Advisory Fee Calculations:
Fees are paid in advance on the 7th (or prior closest business day) of the month following the end of the quarter. The amount due is calculated by applying the prorated annual fee percentage to the previous quarter-end account value(s). Fees are further prorated for accounts opened after the beginning of a new quarter. Fees may be paid directly from the investment account(s) or consolidated and paid from a specified account. Money market/cash reserves are excluded from totals. Statements have been prepared by Majestic Oak Financial from information provided by TDAmeritrade and while deemed reliable, are not guaranteed.