

# STEWARD

*A Quarterly Publication of Allodium Investment Consultants*

**“People who complain about taxes can be divided into two classes: men and women.”**

~ Author Unknown

Given the large budget deficits that our nation is now running, higher income tax rates may be on the horizon even if Congress extends for a year or two some or all of the “Bush Tax Cuts” that are set to expire at the end of 2010. Therefore, you may want to begin talking with your investment advisor now about adjustments that will be made to your investment program to minimize the impact of a higher future tax burden. Below are some strategies that we’ll be discussing with our clients to defend their portfolios from higher future taxes:

#### Boost tax-deferred and tax-free income accounts:

Maximizing contributions to tax-advantaged accounts may allow you to deduct current-year contributions for tax purposes and/or benefit from tax-deferred or tax-free growth on assets in these accounts going forward. Examples of such tax-advantaged accounts include 401ks, 403bs, Traditional IRAs, SIMPLE/SEP IRAs, Roth IRAs and more. You can also reduce your tax burden by...

- Making tax-deferred contributions to health savings accounts to save for future health care costs if this option is available in your health plan.
- Contributing to a 529 College Savings Plan on a tax-deferred basis to save for future educational expenses.
- Using donor-advised funds or donating appreciated investments to earn charitable tax deductions in the current year and eliminate future taxation on gifted assets.

#### Increasing tax efficiency of investment portfolio:

After taking advantage of all the available tax-advantaged opportunities, you can also strive to manage your taxable assets in a more tax-efficient manner. Some strategies for doing so follow:

- Placing tax-inefficient investments like high-yielding bonds, TIPS and real estate investment trusts in tax-advantaged accounts to defer or avoid tax on the income.

- In taxable accounts, choosing tax-exempt investments such as tax-free municipal bonds over taxable bonds for the tax-free income.
- Investing in stocks, stock mutual funds or ETFs for the long term to defer taxes on the gains and benefit from lower long-term capital gains tax rates.
- Placing tax-efficient investments such as low-turnover passively-managed equity mutual funds and exchange-traded funds in taxable accounts to reduce capital gains.
- Rebalancing tax-deferred rather than taxable portfolios when appropriate to minimize taxable gains.
- Selling some taxable investments at a loss to offset realized capital gains on other taxable assets.

Beyond fully exploiting tax-advantaged opportunities and increasing tax-efficiency of your portfolio, it’s also helpful to take these steps to manage your tax burden:

- Before tax rates rise, consider realizing income early, and also converting Traditional IRAs to Roth IRAs.
- Ensure that you have a comprehensive investment and tax management strategy that includes your estate planning and philanthropic objectives, and keep your estate plan up to date.
- Keep your tax advisor informed about tax management strategies that you’re pursuing in your investment program so they can assist where needed.

Allodium works closely with our clients and their tax advisors to develop comprehensive and coordinated tax-management strategies. So if you have questions about any of the tax-management strategies listed above or about how you may better prepare for potential higher taxes ahead, please contact me. I’d enjoy the opportunity to answer your questions and share more about tax-savings techniques we employ with our clients.

*David Bromelkamp*  
President and CEO

## HEADLINES

- Thank you to all of our clients who took the time to complete our recent client satisfaction survey administered by an independent vendor. Honest client feedback is invaluable to our efforts to always improve what we do. We were pleased that overall client satisfaction with our services averaged 4.8 on a 5-point scale which was up from 4.7 on our last survey in 2008 despite the difficult financial markets since then.
- We were pleased to welcome four new clients to Allodium in the fourth quarter of 2010 and appreciate their trust and business, as we do for all our clients.
- In October, Dave was a featured guest on Copernicus Radio discussing how the Global Fiduciary Standards of Excellence inspired our launch of Allodium to serve clients better. You can hear Dave's interview on the web at this link > [Copernicus Radio](#).
- FYI - our office will be closed on these upcoming holidays: Friday, December 24 for Christmas; Monday, January 17 for Martin Luther King Jr. Day & Monday, February 21 for Presidents' Day.

UPCOMING EVENTS:

As a community service, we welcome all opportunities to share investment management and fiduciary best practices with individuals, families and organizations. To this end, Allodium will sponsor the following free educational lunch workshops for non-profit leaders:

- Wednesday, March 9, 2011 - How to Manage Investment Risk in Volatile Markets
- Wednesday, June 15, 2011 - How to Make Financial Decisions that Reflect Your Values

Please contact Cristy Leaf at 612-230-3706 or [cleaf@aicria.com](mailto:cleaf@aicria.com) to RSVP or to be added to our invitation list for future workshops.

ALLODIUM TEAM PROFILE:  
CRISTY LEAF

**Role At Allodium:** Marketing & Customer Service Associate



**Joined Firm In:** 2006

**Hometown:**  
Butternut, WI

**Favorite Book:**  
Sand County Almanac & Song of the Dodo

**Favorite News Source:**  
CNN.com & NPR

**Favorite gadget:** Currently my Blackberry

**Favorite Activity:** Camping

**Person I admire most:** My grandparents

**What I'm most thankful for:** Everything

Click [here](#) to see more about Cristy on our website.

**We Appreciate Your Introductions:**

We launched Allodium to provide objective investment advice and personal service to a limited number of individuals, families and organizations. We embrace our responsibility to always act in our clients' best interests. To maximize our objectivity and avoid conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks, brokerage firms and other financial product providers, and we do not receive commissions for the investment options that we recommend. If you know of a family member, friend or associate who may be looking for this type of objective investment advice, please contact Dave Bromelkamp at 612-230-3702 or [dbromelkamp@aicria.com](mailto:dbromelkamp@aicria.com) to arrange a friendly, no-obligation introduction.

**Steward**

Published quarterly by  
Allodium Investment Consultants.

Please contact Cristy Leaf at 612-230-3706 or [cleaf@aicria.com](mailto:cleaf@aicria.com) if you have any comments about this publication or would like to be added to or removed from our mailing list.  
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