

Thompson-Hamel, LLC Newsletter

Autumn 2010

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Important News

PROJECTED 2011 TAX LAW CHANGES

A host of tax provisions enacted in 2001 and 2003--commonly referred to collectively as the "Bush tax cuts"--expire at the end of the year. While it's possible that new legislation could extend some or all of these expiring tax provisions, election-year politics make it difficult to predict what action, if any, Congress will take. With that in mind, here's what you need to know about the major changes that are scheduled for 2011.

Federal Income Tax Brackets

Right now, there are six income tax brackets: 10%, 15%, 25%, 28%, 33%, and 35%. For 2010, these brackets apply to married couples filing joint federal income tax returns in the following manner.

2010 Income Tax Brackets--Married Filing Jointly	
Taxable Income	Marginal Tax Rate
Not over \$16,750	10%
Over \$16,750 to \$68,000	15%
Over \$68,000 to \$137,300	25%
Over \$137,300 to \$209,250	28%
Over \$209,250 to \$373,650	33%
Over \$373,650	35%

As it stands now, there will be no 10% bracket for 2011, and the remaining bracket rates will return to their original 2001 levels: 15%, 28%, 31%, 36%, and 39.6%.

Long-Term Capital Gains Tax Rates

For 2010, if you sell shares of stock that you've held for more than a year, any gain is a long-term capital gain, generally taxed at a maximum rate of 15%. If you're in the 10% or 15% marginal income tax bracket, however, you'll pay no federal tax on the long-term gain (a 0% tax rate applies). That means if you're a married couple filing a joint federal income tax return, and your taxable income is \$68,000 or less, you pay no federal tax on the gain.

However, these rates expire at the end of 2010. Beginning in 2011, a 20% rate will generally apply to long-term capital gains. Individuals in the 15% tax bracket (remember, there won't be a 10% bracket in 2011) will pay the tax at a rate of 10%.

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2011 TAX LAW CHANGES (con't)

Special rules (and slightly lower rates) will apply for qualifying property held for five years or more. Finally, while qualifying dividends are taxed in 2010 using the same capital gains tax rates described above (i.e., 15% and 0%), in 2011 they'll be taxed as ordinary income subject to the increased 2011 tax brackets.

The Estate Tax

There is currently no estate tax for 2010, and special rules are in place that govern the way basis is calculated for property passing upon death. The estate tax reappears in 2011, however, with a \$1 million exclusion amount (meaning that up to \$1 million of assets will be exempt from estate tax) and a top tax rate of 55%. To put that in context, for 2009, the top estate tax rate was 45%, and estates received an exclusion of \$3.5 million.

Year	2009	2010	2011
Estate tax exclusion	\$3.5 million	N/A	\$1 million
Top estate tax rate	45%	No tax	55%

Other Important Changes

Other changes for 2011 include:

- *Phase out of itemized deductions and exemption amounts*--Itemized deductions and personal exemption amounts will once again be phased out for higher-income individuals.
- *The "marriage penalty" returns*--Changes made to correct the federal income tax "marriage penalty" expire at the end of 2010, resulting in a reduced standard deduction amount and lower tax bracket thresholds (i.e., higher rates will apply at lower income levels) for married couples filing jointly in 2011.
- *Tax credits get cut*--The child tax credit will be reduced and both the Hope education tax credit and the earned income tax credit become less generous (the Making Work Pay tax credit also disappears).
- *Section 179 small business expensing*--The increased IRC Section 179 expense limit ends (Section 179 allows small businesses to elect to expense the cost of qualifying property rather than recover the cost through depreciation deductions); the amount that a small business may expense will drop from \$250,000 in 2010 to \$25,000 in 2011.

**Article by Forefield Advisor*

Representatives of AIC do not provide legal or tax advice. Please consult your tax advisor or attorney regarding your situation.

IMPORTANT REVIEW:

BENEFICIARY DESIGNATIONS

Have you checked your beneficiary designations recently?

We have stated before how important it is to review your estate documents every five years or so to ensure they meet your current wishes and estate tax laws. Given the many life changes we all experience, it is also prudent to periodically check your beneficiary designations on your life insurance policies, annuities and qualified retirement plans to make sure they are consistent with your current desires. Please contact Pam Scheppele in our office to discuss your beneficiary designations.

BRIAN HAMEL TRI-CHAIR OF PRESQUE ISLE ROTARY CLUB AUCTION SPECIAL PROJECT

The Presque Isle Rotary Club recently announced Brian had volunteered to be one of the tri-chairs of the club's special project held in conjunction with the annual auction to be held on November 30th, December 1st and 2nd. This year's special project will provide funding to the Catholic Charities of Maine Food Bank in Caribou to repair the roof on the food warehouse and distribution center. This food bank supports 24 food pantries in Aroostook County from St. Francis to Sherman serving more than 33,000 people, many of which are children and senior citizens. This project will greatly assist our fellow citizens in their time of need, and if you are interested in learning more about this worthy project or wish to make a contribution, please contact Brian at (207) 764-3302.

MEGAN SCHEPPELE GRADUATES

Congratulations go out to Pam and Casey Scheppele's daughter, Megan, on her recent graduation from Caribou High School with honors. Megan is attending Holland College in Charlottetown, Prince Edward Island studying Video Game Art and Animation. Congratulations Megan!!



One of Megan's drawings

ART KEEPS ON RUNNING

As many of you are aware, Art began his running career a number of years ago and he continues to actively pursue his passion for running during his regular weekly workouts. This year Art celebrated his 36th consecutive running of the Potato Blossom Festival 5-miler in Fort Fairfield in the scalding heat and was recognized at the awards ceremony for his commitment to this race and running in general in Aroostook County. Art followed this up with another successful completion of the famed Beach-to-Beacon 10k road race in Cape Elizabeth, Maine, running with his daughter and son-in-law, Nancy and Steve Wyman. WAY TO GO ART!!

Nancy and Art at Beach to Beacon Run



MISSION TRIP FOR JAY

Jay recently accompanied the Limestone United Methodist youth group on a mission trip to Lynn, Massachusetts. One of the goals was for the traveling teens to have an eye opening experience, while at the same time helping other people. They were joined with two groups from Minnesota and one from Virginia for a total of about 70 teenagers to assist the 5 members of the "Youth Works" staff with programs in Lynn. The teens mainly worked with local youth with a daily program and interacted with people that attended an adult day care unit. Based from the stories from our youth, we knew one of the goals was reached, in that they did have an eye opening experience.



Pictured: Back Row: Justin Thompson, Brandon Thompson, Josh Worthen and Jay Thompson.

Front Row: Kyle Frazier, Carol Castle, Emily St. Pierre, Monique Lebel, Bailey St. Pierre and Pastor Ellen Cleaves.

EMPLOYEE FOCUS—NANCY R. WYMAN



Nancy Wyman

Nancy, who is Art’s daughter and Jay’s sister, joined the original family business of Thompson Associates in 1999, following in the footsteps of her Mom, “Fritzie”, after her retirement in 1998. Nancy provides payroll, accounts payable and financial statement services to the firm from her home in Massachusetts.

Nancy received her Bachelor’s degree from the University of Maine at Orono in May 1981, her Master’s of Professional Accounting from the University of Hartford in May 1989, and she successfully passed the Uniform Certified Public Accountant exam in November 1993.

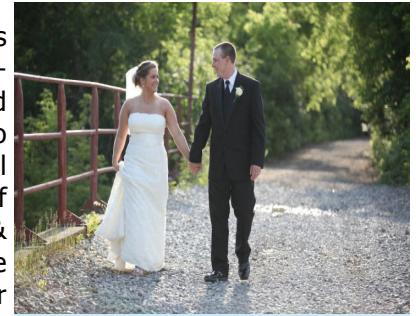
Nancy’s hobbies include cross country skiing, camping and hiking and she resides in Hopkinton, Massachusetts, with her husband, Steve, and their daughters, Lindsey and Kylie.

WEDDINGS AND ANNIVERSARIES



Diane and Jay

On June 25th, Jay Thompson and Diane Saunders celebrated their marriage at the Presque Isle Country Club. One day later on June 26th, Brian and Gail Hamel’s oldest daughter, Natalie, was wed to Marcus Nadeau at the Presque Isle Congregational Church followed by a reception at the University of Maine at Presque Isle’s Campus Center. Jay & Diane and Natalie & Marcus were blessed to have family and friends from near and far witness their special days. Best wishes for a lifetime of happiness together!



Natalie and Marcus

On August 16th Brian and Gail Hamel celebrated their 30th wedding anniversary and on September 2nd Art and Fritzie Thompson rang in their 55th. Their marriages have been blessed with wonderful children and grandchildren, countless memories and accomplishments, and certainly much happiness. Congratulations!



Then and Now

403(b) RETIREMENT PLANS

We have been working with school administrators, educators and support staff since 1964 to establish supplemental retirement savings plans, which are commonly referred to as 403(b) or tax sheltered annuities (TSA). Not only can these plans supplement your Maine State Retirement System or other retirement plans, they also provide an opportunity to reduce your current income taxes. Over two years ago, we developed a relationship with Annuity Investors Life Insurance Company, which had made a decision to be actively involved in the future 403(b)/TSA marketplace, and thus we have the ability to place your investments with Annuity Investors through either a fixed or variable annuity product. The Annuity Investors fixed product currently offers a first year interest rate of 3.65% and will be adjusted to current market rates after the first year, which are currently set at 2.15%. The guaranteed minimum rate on this product is 1.00%. The Annuity Investors variable annuity product provides participants the opportunity to invest in a variety of equity-based and fixed income investments. It would be our pleasure to meet with you to discuss your investment options. If you have any questions or would like additional information concerning the Annuity Investors project offerings, please don't hesitate to contact Brian or Jay.

Variable products are subject to investment risk, including possible loss of principle. Before investing, carefully consider the investment objectives, risks, limitations, charges and expenses of the product and the underlying investment options. This information can be found in the product and investment option prospectuses. Copies are available by calling our office. Please read carefully before investing.

DISTRIBUTIONS FROM QUALIFIED RETIREMENT PLANS

We are often asked "When can I take money out of my retirement plans?" The answer is "It depends!" Generally speaking, if you take a withdrawal from a qualified retirement plan prior to the age 59 1/2 you will be assessed a 10% penalty from the Internal Revenue Service (IRS) and the withdrawal will be taxed as ordinary income assuming the original contributions to the plan were pre-tax contributions (traditional Roth IRA contributions are not pre-tax contributions). By taking distributions after age 59 1/2 you will avoid the 10% IRS penalty, but you will still have the ordinary income tax consequences. At age 70 1/2, or at your date of retirement if you are still working at age 70 1/2, you are required to withdraw what are referred to as required minimum distributions (RMD), which are calculated based on your life expectancy, and these RMDs are taxed as ordinary income. Please note Roth IRAs are not subject to the RMD requirement at age 70 1/2. If you fail to take the RMDs, the amount not withdrawn is subject to a penalty tax rate of 50%. So, the lesson here is that you need to pay attention to when you are taking withdrawals from your qualified retirement plans. Please give us a call if you have questions concerning withdrawals from your qualified retirement accounts.

WEBSITE LEARNING CENTER

Planning for retirement and other financial matters can at times be complicated, frustrating, time consuming and overwhelming. As an educational tool, our website at www.thompsonhamel.com has a tab entitled "**Learning Center**" that has a great deal of useful information, including articles, newsletters, tax and money information and financial calculators to name a few. We would encourage you to visit our website and browse the learning center.

401 (k) IN-SERVICE WITHDRAWALS

Many people believe they cannot transfer money from their 401(k) plan until either they retire or are no longer employed by their existing employer. In fact, if you are at least 59 1/2 and are still working for the entity providing the 401(k), some 401(k) plans allow for an in-service withdrawal. As long as this in-service withdrawal is rolled over to an IRA, there are no adverse tax consequences to the employee. An in-service 401(k) withdrawal may make sense for you if you are looking for an investment product that may not be included in the investment platform offered by your employer. Please contact Brian or Jay if you would like to discuss an in-service 401(k) withdrawal.

IMPORTANCE OF CLIENT SERVICE

We take a great deal of pride in paying attention to the needs of our clients and having an open and frequent line of communication. We take very seriously our role with our clients and we are committed to being accessible and available to provide professional and competent service in our fields of experience. We truly appreciate the trust you have placed in us and would like to thank you for being a valued client. If you ever have any questions or would like to schedule a meeting, please don't hesitate to contact us. In addition, assuming you are pleased with the high quality of service we provide to you and you become aware of others who could benefit from the services we provide, we always welcome referrals from our valued clients.

2010 AROOSTOOK COUNTY TAX SEMINAR

October 29, 2010 will mark the 35th year in a row Thompson-Hamel, LLC has hosted the Aroostook County Tax Seminar. This seminar, which will be held at the University of Maine at Presque Isle's Campus Center, brings together professionals in the fields of life and health insurance and financial, tax and estate planning for a day long educational seminar on current events, trends and changes in the respective industries that impact the clients of the attendees. If you have an interest in attending this seminar, please contact Pam Scheppele at (207) 764-3302, or by email at pscheppele@thompsonhamel.com and she will be happy to provide you with further information and register you for the seminar. Also, beginning in early October you will have the ability to register on-line at www.thompsonhamel.com

2010 CALENDARS

Since 1962 it has been our tradition to annually provide our clients with desk calendars and we (Art in particular) make a concerted effort to deliver these calendars to everyone in person thus providing us an opportunity to catch up with you. With our client base now at 5,000 strong, it is now time for us to check in with our clients to determine who wishes to still receive these calendars. If you could send us an e-mail at info@thompsonhamel.com, call us toll-free at (888) 377-9373 or our local number at (207) 764-3302, or drop by our office at 99 Fort Rd., Suite 3 in Presque Isle and let us know your wishes we would greatly appreciate it.



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John "Jay" Thompson
Brian N. Hamel

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***Integrity, Confidentiality, Professionalism
& Client Services at its Finest!***



Photo by Pam Scheppele

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