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September 2010

MESSAGES from the Masters

ACTION VS SELF-DELUSION by Jim Rohn

Knowledge fueled by emotion equals action. Action is the ingredient that ensures results. Only action can cause reaction. Further, only positive action can cause positive reaction.

Action. The whole world loves to watch those who make things happen, and it rewards them for causing waves of productive enterprise.

I stress this because today I see many people who are really sold on affirmations. And yet there is a famous saying that ***"Faith without action serves no useful purpose."*** How true!

I have nothing against affirmations as a tool to create action. Repeated to reinforce a disciplined plan, affirmations can help create wonderful results.

But there is also a very thin line between faith and folly. You see - affirmations without action can be the beginnings of self-delusion. And for your well being, there is little worse than self-delusion.

Because words soothe and, like a narcotic, they lull us into a state of complacency. Remember this: **TO MAKE PROGRESS YOU MUST ACTUALLY GET STARTED!**

The key is to take a step today. Whatever the project, start **TODAY**. Start setting your first goal...today. Start listening to motivational cassettes...today. Start a sensible weight-reduction plan...today. Start calling on one tough customer a day...today. Start putting money in your new "investment for fortune" account...today. Write a long-overdue letter...today. **ANYONE CAN!**

Get some momentum going on your new commitment for the good life. See how many activities you can pile on your new commitment to the better life. Go all out! Break away from the downward pull of gravity. Prove to yourself that the waiting is over and the hoping is past -- that faith and action have now taken charge.

It's a new day, a new beginning for your new life. With discipline you will be amazed at how much progress you'll be able to make. What have you got to lose except the guilt and fear of the past?

Now, I offer you this challenge: See how many things you can start and continue in this -- the first day of your new beginning.

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McCormick-Klessig & Assoc., Ltd. provides individuals, families, small and medium sized businesses with complete coverage of personal and business risks in all product lines: Commercial Personal Life Accidental and Health (including group products).

Reduction in Capital Gains & Dividend Taxation

Today's topic is the reduction in taxes on capital gains and dividends.
If you would like additional information on this topic, please call my office.

The 2003 Tax Act (Jobs and Growth Tax Relief Reconciliation Act of 2003 - JGTRRA) was signed into law in May 2003. The capital gains and dividend taxation provisions of the 2003 Tax Act, scheduled to expire at the end of 2008, were extended through 2010 by the 2005 Tax Act (Tax Increase Prevention and Reconciliation Act - TIPRA).

Reduction in Long-Term Capital Gains Tax Rates

A **capital gain** results when an asset is sold or exchanged for more than its cost basis. Capital gains realized on assets held for one year or less are **short-term capital gains** and are taxed at **ordinary income tax rates**. **Long-term capital gains** resulting from the sale or exchange or an asset held more than one year, however, **receive more favorable tax treatment**.

Prior to the passage of the 2003 Tax Act, the maximum long-term capital gains tax rate was 20% (10% for those in the 10% and 15% income tax brackets). The 2003 Tax Act reduced the maximum long-term capital gains tax rate from 20% to 15% for capital gains realized on or after May 6, 2003 and through December 31, 2008. For taxpayers in the 10% and 15% tax brackets, the long-term capital gains rate was reduced from 10% to 5% for capital gains realized on or after May 6, 2003 and through December 31, 2007, and to zero percent in 2008.

Capital gains taxes were scheduled to return to the rates in effect prior to the passage of the 2003 Tax Act in 2009. As part of the 2005 Tax Act, however, **Congress extended the lower capital gains tax rates through 2010**.

Capital Gains	Through 2007	2008 - 2010	2011 and later
Maximum Tax Rate	15%	15%	20%
Tax Rate (10% and 15% brackets)	5%	0%	10%

NOTE: It was previously advantageous to shift appreciated assets to teenage children, who could then sell them to, for example, fund college costs and pay just a 5% long-term capital gains tax rate, compared to their parents' 15% rate. In 2008, 2009 and 2010, in fact, the long-term capital gains tax rate drops to 0% for taxpayers in the 10% and 15% income tax brackets, which would have made such arrangements even more appealing. Congress, however, effectively dismantled this income-shifting strategy by expanding the "kiddie tax" to children who are 18 to 23 years old by the end of 2008, meaning that the gain on appreciated assets sold in 2008 by dependents under age 19 (under age 24 if a full-time student) are taxed at the parents' 15% long-term capital gains tax rate.

Reduction in Dividend Tax Rates

Prior to the passage of the 2003 Tax Act, dividends were taxed at ordinary income tax rates. With the passage of the 2003 Tax Act, **dividends paid by a domestic or qualified foreign corporation to individual shareholders are taxed at the new lower capital gains tax rates** (15% or 5%). Beginning on January 1, 2009, dividends were scheduled to again be taxed at ordinary income tax rates. The 2005 Tax Act, however, extended use of the lower capital gains tax rates for dividends received by individuals through December 31, 2010.

Dividends	Through 2007	2008 - 2010	2011 and later
Maximum Tax Rate	15%	15%	Ordinary income tax rates
Tax Rate (10% and 15% brackets)	5%	0%	Ordinary income tax rates

NOTE: The individual shareholder must own the dividend-paying stock for at least 60 days in the 120-day period surrounding the ex-dividend date to receive the favorable tax rate.