



KEATS, CONNELLY
and Associates, Inc.

*Bridging the Border to
Your Financial Future*

September 2007 E-Update

KCA in the News

Upcoming Workshops

Experienced professionals from Keats, Connelly & Associates, Inc. conduct workshops in cross-border currency exchange, U.S. immigration after 9/11/01, and estate planning. We will provide you with strategies and information to get the best of the Canadian and U.S. tax systems, take advantage of currency exchange rates, receive your Canadian RRSPs tax-free or nearly tax-free in the U.S., find investments exempt from U.S. income taxes and withholding, and maximize Medicare benefits, just to name a few. General question and answer sessions will also be held to address your specific concerns.

New this year is registration on the website. We do not accept credit cards over the internet; however, after you have registered, you will receive a call from us to arrange payment for the workshop. The workshops fill up quickly so don't delay.

[Cross-Border Living Workshop](#)

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|-----------|---|
| 1/23/2008 | Hyatt Grand Champions Resort
Indian Wells, CA |
| 1/29/2008 | Marriott
West Palm Beach, FL |
| 1/31/2008 | The Ritz-Carlton
Naples, FL |
| 2/7/2008 | The Ritz-Carlton
Phoenix, AZ |

Workshop registration begins at 7:30 AM; the workshop itself begins at 8 AM. Breakfast and lunch is provided and a complimentary copy of Mr. Keats' book, *The Border Guide*, is also included. The admission price is \$100 per single attendee and \$150 per married couple. We accept VISA, AMEX, and MasterCard. Please call **1-800-678-5007** to register.

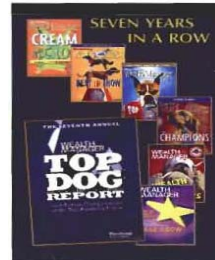
More information is available on our website at: www.keatsconnelly.com

Speaking Engagement

Bob Keats will be speaking to an audience of tax and immigration attorneys and financial executives at the National Club in Toronto, Ontario Canada, on Thursday, September 20. The one hour speaking and 'Question and Answer' luncheon session is being presented by *The American Chamber of Commerce in Canada*. The topic, ***Straight Talk about Working, Living and Investing in the U.S.***, is based on Bob's personal experiences in immigrating to the U.S. and forming Keats, Connelly & Associates, Inc. **Price is \$45 for members and \$55 for non-members.** To pre-register, please call **(416) 644-8542**.

Recent Recognition from Business Community / Peers

- KCA ranked fourteen in the list of 'Top Independent Investment Advisors' in Phoenix, Arizona, in the *Top Dog* report. KCA made the list for the seventh year in a row in the August 17, 2007 edition of *The Business Journal*.
- KCA was the fastest growing financial advisor in Arizona with \$100 million or more assets under management according to *Financial Advisor* magazine in its annual 'Top RIA [Registered Investment Advisor] Survey' July 2007 edition. Last year KCA grew more than 46 percent, more than any other independent firm in Arizona...and well above the mean 25% growth of all firms in the survey. Nationally, KCA ranked 24.

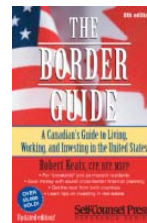


Recent Company Recognitions

- **Robert Keats'** 8th edition of his bestselling book – ***The Border Guide*** – 2007 received a positive review in the September/October 2007 edition of *bizAZ*, an Arizona business magazine.

The Border Guide – 8th Edition

This updated edition includes extensive new information on the Canadian/U.S. Tax Treaty, the impact of the higher Canadian dollar, new border issues since 9/11, and many small regulatory changes that are needed to keep the book and you, current.



Available at:

www.self-counsel.com

Employee Recognitions

- **Dale Walters**, KCA CEO, recently became an accredited **Investment Adviser Certified Compliance Professionalsm** (IACCPsm) to add to his list of professional designations.
- **Dale Walters** has been written up in several newspaper articles (*The Business Journal of Phoenix, Arizona Business Gazette, Northeast Phoenix Independent, and the Jewish News of Greater Phoenix*) during the month of July for KCA recognitions and for his accomplishments as a top financial planner in Phoenix. *The Arizona Republic* Sunday, July 8, 2007 edition quoted Dale stating that “*Ethics is the most important thing.*” Dale added, “*The only way to build trust is to uphold a high ethical standard. We always act in the client’s best interest, even if it doesn’t appear to be a good financial move [for KCA].*”
- *The South Florida Sun-Sentinel* highlighted staff planner, **Barry Rabinowitz**, in the Sunday, July 1, 2007 news edition for his contributions toward providing financial advice through the Sentinel’s ‘Money Makeover’ program for low-income individuals and families that are in debt. Barry has taught financial planning at colleges in South Florida and New York and also sits on the board of directors of the Gold Coast Chapter of the Financial Planning Association in Palm Beach County.

CBTA in the News

Keats, Connelly and Associates Purchased Cross Border Tax and Accounting

Keats, Connelly and Associates purchased Cross Border Tax & Accounting, LLC (CBTA), which serves clients with international tax concerns and offers a full range of tax planning and preparation in both the United States and Canada. The acquisition makes CBTA a wholly-owned subsidiary of Keats, Connelly and Associates.

As part of Keats, Connelly and Associates, CBTA will now be able to offer financial planning and investment management to its current client base, and it will provide KCA with the chance to advise a new market of cross-border citizens.

***** ARTICLES OF INTEREST *****

Florida’s Property Tax Crisis / Peter Benedek

It seemed like a good idea at the time. The Save-Our-Homes (SOH) constitutional amendment was introduced to protect low income households and pensioners from losing their homes as a result of valuation driven property tax increases. What SOH did, is cap homesteaders’ taxable property value increases to 3% or inflation, whichever is lower. The biggest beneficiaries today are the wealthiest longtime residents of Florida. The unintended consequence was a two-tier discriminatory taxation system that even Barron’s called ‘loony’.

As property values appreciated dramatically since 2000, property taxes on identical residential real estate routinely have non-homestead to homestead tax ratios of 3-10. Homesteaders account for 49% of taxable property but only pay 32% of property taxes. But businesses, investment properties and indirectly renters are penalized, as are homesteaded first time home buyers or those wanting to move to another house, as benefits were not portable.

A special legislative session was held in June to solve the property tax crisis.

Instead of the promised rollback of county/municipal expenditures to a level more consistent with inflation and growth, what we got is perhaps a one year 7% reduction, after about 100% expenditure increases and tripling of snowbirds' taxes since 2001. I say perhaps, as politicians have an "override" vote to dispense with legislated reductions, and some of the county property appraisers already declared (to be challenged) property value increases of 5% last year. Of course, property value increases in excess of inflation primarily translate into tax increases for non-homesteaders.

Instead of 'Same Tax for Same Value', what was delivered is 'super-exemption' (exemptions of 75% for first \$200,000 and 15% for the next \$300,000, which is up to \$195,000 exemption on \$500,000 assessed value) benefiting homesteaders; those who would be better off under the current SOH regime, may keep the current benefits. If this 'super-exemption' passes at the next January constitutional vote (without any corresponding expenditure cuts), it can lead to further offload Florida's spending onto snowbirds (and businesses/renters), though it will solve some of the disparities among homesteaders (particularly first time buyers).

But the root cause of the current Florida property tax mess, is that the usual control that voters exercise on free spending politicians, via the ballot box, does not apply in Florida. The vast majority of voters, being homesteaders, are unaffected by expenditure increases; despite annual 15-20% expenditure increases, many Florida voters' residential property taxes stayed essentially flat each year, as the load was shed onto non-homesteader snowbirds. This open loop system remains unchanged and will likely lead to continued out of control spending and growing financial hardship on many snowbirds.

Over a one-to-two year horizon, given the falling property values and the new legislation, taxes will stay flat or slightly decrease. In the long-term, some will grin and bear it, but we'll likely see another set of unintended consequences (and further loading of costs onto remaining non-homesteaders) if:

- U.S. citizen non-homesteaders become homesteaders (need to factor in risk of future state income tax); conversion benefit for \$500K condo's \$195K exemption at about 2% is \$4,000 annually
- Non-U.S. individuals sell and move to other more snowbird friendly (cost/value) states

So, one flawed tax system is being replaced by another flawed one. And when change is required, it is slow and painful because of the apparent requirement for constitutional amendments rather than just legislation.

The only glimmer of hope was the legal action initiated by a group of Alabamans challenging the constitutionality of Florida's discriminatory tax system. On August 6th, a Leon County (Florida) judge dismissed the case. The Alabamans' legal team promises to take the case to the U.S. Supreme Court!

Note: Peter Benedek, PhD, contributed to this edition as a Research Analyst Contract Consultant for KCA

In a World of Uncertainty, Lower Cost Provides Edge / Peter Eickelberg

Most investors realize that market returns are ultimately out of their control. This fact forms one impetus for so-called "passive" investing. But passive investors might not always consider the things they can do to bias a portfolio for better returns. Principal among these is cost reduction.

When comparing two equivalently invested mutual funds, for example, we can clearly see that the more expensive fund must not only outperform the cheaper fund, it must do so by enough to make up for the extra amount it charges. A growing body of research indicates that returns are largely market-based and that paying up for manager skill represents a slippery slope for long-term investing.

Passive funds (such as index funds) generally have lower costs than active funds and do not rely on the dubious benefits of "active" management to outperform peer funds. Faced with a world of investment uncertainty, an investor who selects a less expensive passive fund starts with a quantifiable performance edge.

Summary: State Estate Taxes: The Best and Worst States / Worth – June 2007

In a recent article titled Guarded Optimism in the June 2007 *Worth* magazine, writer Dan Weil reviews which states are the best for minimizing estate taxes. Four particular states stand out when factoring in climate and 'quality of life'.

Arizona, California and Texas are three of the nine community property states, which allow tax-free transfers to a spouse and a 100% step-up in cost basis of a deceased spouse asset, as well as the savings assets, so that they can be sold without corporate gains tax. **California** also offers certain exclusions from assessments with real property transfers between parent and children or grandchildren. This, combined with not having a state gift tax, makes for an attractive strategy in reducing your estate by gifting a home to one of these descendants.

Arizona and **Florida** are two of the states that use the Uniform Probate Code that simplifies executing uncontested wills. **Florida** and **Texas** offer different options for relief from estate taxes. Currently, **Florida** has no estate tax, thanks to the incumbent Governor, Jeb Bush. For those U.S. citizens that live abroad and want to avoid estate tax without having to reside there, Weil quotes an Austin, Texas, estate lawyer who suggests setting up a testamentary trust in **Texas**.

States that have No Death Taxes

Alabama	Colorado	Idaho	Montana	South Carolina
Alaska	Delaware	Louisiana	Nevada	South Dakota
Arizona	Florida	Michigan	New Hampshire	Texas
Arkansas	Georgia	Mississippi	New Mexico	Utah
California	Hawaii	Missouri	North Dakota	Wyoming

Note: Dan Weil is a freelance writer whose work has appeared in The New York Times and the Wall Street Journal. This article is strictly intended for use with proper Estate planning only and is not relative to Income taxes.

ID Theft and Old Cell Phones / Kathy Bayer

Unknowingly, you can be giving away your personal or your company's trade secrets and passwords simply by donating or selling your old cell phones. Personal information stored on the Subscriber Identity Module (SIM) card in your cell phone is the same as having information stored in your personal computer.

The SIM card is a portable memory chip which can be switched out and used in another cell phone – even by the owner if the battery dies in one phone and you install the card into another phone. It will still charge the call to the same SIM card holder's cell phone account. In order to avoid roaming fees, even International SIM cards may be purchased and installed in your handset.

SIM cards contain certain pieces of data on your phone, but not all of the data. Re-sold or refurbished phones may still contain the previous owner's private data. Recently, stored text and codes were retrieved from a principle officer's discarded cell phone and vital corporate information on business transactions and other information on his private business dealings were disclosed to the new cell phone owner.

Check with your cell phone service provider on tips to secure your phone. There may be a way to track your phone's 15 digit serial number (International Mobile Equipment Identity – IMEI) to lock out thieves if your cell phone is lost or stolen. Also, be sure to request instructions on removing your SIM card and wiping your cell phone memory clean prior to disposing your old cell phone.

KCA Office News

Three New Employees Have Joined KCA / CBTA This Fall

Santina Michel – Administrative Assistant, Florida office

Jamie Ellrod – Administrative Assistant / Tax

Elisabeth Finkbeiner – Staff Accountant / Tax Preparer

We welcome Santina, Jamie and Elisabeth to our team and look forward to their being valuable additions to Keats, Connelly & Associates and to our Cross-Border Tax and Accounting division.

KCA Staff Changes

Kathy Bayer – Marketing Administrator

Kristin Martin – Investment Assistant

Congratulations to longtime employees, Kathy and Kris, in their new positions at KCA. We appreciate your hard work and contributions to KCA.



A KCA Reminder...

- Please call your Staff Planner with all new and updated information pertaining to your financial planning. Be sure to forward copies of all supporting documents to KCA. *Thank you...*

Keats, Connelly & Associates, Inc.

3336 N. 32nd Street, Suite 100

Phoenix, AZ 85018-6241

1-800-678-5007

602-955-5007