Quarterly Newsletter

Batty Erlandsen and Associates
Certified Public Accountants

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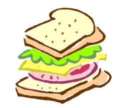
To Our Clients and Friends

In this newsletter we discuss elder abuse. Many of you are now assisting with the care of elderly parents and we feel you are in the best position to recognize abuse and do something about it. On the other end of the age spectrum are our children and many of you have faced the "kiddie tax" issue for them. This newsletter discusses an expansion of that problem. It seems many of us have become members of the "sandwich" generation. We hope the information in this newsletter will lighten that burden and help keep you informed.



Inside this Issue:

Financial Abuse of the Elderly by Gary Nogle, C.P.A.

The National Center on Elder Abuse defines financial abuse (or exploitation) as "Illegal taking, misuse or concealment of funds, property or assets of a vulnerable elder." While there has been publicity about abuse of seniors in long-term care facilities, around 80% of elders who are dependent on others for at least some care are living at home. Most abuse of seniors, financial and otherwise, occurs at the home. Many of the abusers start out by helping the elder, but over time they divert assets for their personal use. The abusers often feel that they were entitled to the assets because of providing care to the elder and/or they are heirs of the elder's estate.

"Scams" of the elderly have received a lot of publicity. Some of the more famous of these are phony charities, investment fraud, identify theft, home improvement fraud, sweepstakes scams and bank examiner scams. However, much financial abuse of the elderly is done by abusers known to the victim. The abuse is often much more subtle like short-changing the elder when picking up groceries, cashing checks without permission or overcharging for caregiver services.

Signs of potential financial abuse of elders include abrupt changes in wills, sudden changes in bank account balances, the providing of services which are not necessary, changes in Powers of Attorney, new friends (especially if they move in with the elder), substandard care being provided and unpaid bills despite sufficient financial resources. While anyone of any age can be a victim of financial abuse, the elderly are especially vulnerable as they tend to be more socially isolated, are more inclined to suffer from physical or mental disabilities and may either lack familiarity with financial matters or don't realize the value of their assets.

Steps which can be taken to help the elderly protect their finances include:

*Arrange for direct deposit
*Hang up on telemarketers and sign up for "do not call"
*Don't sign blank checks or any documents you don't understand
*Review credit card statements
*Secure ATM cards and passwords

We believe that our firm can bring unique skills to assist elderly clients with their financial matters. In addition to having staff with special training and unique knowledge to assist elderly clients, we are experienced in investment advising, financial planning, and estate planning.

Among the services we offer are bill paying, monitoring bank accounts and other financial assets, advice regarding investments, income tax planning and compliance, assistance with insurance claims and many other services which can be very beneficial to the elderly. Assisting our elderly clients with their financial matters can enable us to be a shield between them and those who would attempt to take advantage of them financially.

Financial abuse, especially that committed against the elderly, exacts a terrible toll, not only financially but the victims are often devastated emotionally also. Our involvement in assisting our elderly clients with their financial matters can help them avoid this exploitation. Call us for more information or to set up a meeting to discuss your situation.

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Parents Scramble As Congress Expands "Kiddie Tax" Reach by Robert W. Batty CPA, PFS

Parents who thought they were finished with the "kiddie tax" received some bad news in the Tax Increase Prevention and Reconciliation Act (TIPRA). "Unearned income" such as dividends and capital gains that would have been taxed at the child's rate under prior law will now be taxed at the parent's rate <u>for four more years</u>. Pre-TIPRA, the kiddie tax for 2006 would have applied if the child was under age 14, the child had net unearned income over $1,700, and the parent could claim the child as a dependent. In the TIPRA, Congress did not change these threshold amounts, but it raised the age limit so that, beginning in 2006, the kiddie tax applies to children under age 18. Thus, investment income for children ages 14 to 17 now is taxed at the parent's bracket when overall income exceeds $1,700. The change is effective immediately and applies to tax years beginning after December 31, 2005. The kiddie tax provision is one of the revenue raisers in TIPRA. The joint Committee on Taxation estimated that the provision will raise $776 million over 5 years and $2.128 billion over 10 years.

The kiddie tax taxes a child's unearned income at the parent's tax rate, which will almost always be a higher rate. Unearned income includes dividends, interest, capital gains, rents and royalties. It also includes taxable Social Security benefits, pension and annuity income, and income received as the beneficiary of a trust.

The kiddie tax does not apply to the child's earned income-wages, salary, tips and other compensation received for services rendered. These amounts are taxed at the child's lower rate. TIPRA provides an exception for distributions from certain qualified disability trusts. The kiddie tax also does not apply to a child who is married and files a joint return.

Some things to consider to control the "kiddie tax" are as follows:

- Investing in long-term assets for capital appreciation that can be sold when the child attains age 18 and the income will be taxed at the child's rate.
- Use of Section 529 plans for education savings where the income is not taxed currently, so does not affect the "kiddie tax".

SPOTLIGHT ON OUR CLIENTS:

Wilbert® PRECAST, INC.

CELEBRATING 100 YEARS

Wilbert Precast has had the honor of serving the local community for over 100 years. Dan Houk, the fourth generation owner and manager of Wilbert Precast, continues the family tradition established by his great-grandfather and great-great-uncle in 1906. From producing hitching posts, horse watering troughs and burial vaults, Wilbert has also grown from a company with only a few employees in Spokane to a regional precaster with over 100 employees in three facilities including Yakima, Washington and Lewiston, Idaho. After purchasing Yakima Precast in 2006, Wilbert plans to open a new, state-of-the-art manufacturing facility in Yakima in 2007.

Among the company's numerous accolades, Wilbert Precast, Inc. received the prestigious Agora Award for business excellence in the medium-size business category presented by the Spokane Regional Chamber of Commerce in 2005.

Wilbert Precast is a nationally certified manufacturing facility that offers a diverse precast concrete product line including window wells, steps, septic tanks and retaining walls for homebuilders, many products for underground utilities, burial vaults, light poles bases and many other products. You can gain a great deal of information from their website at www.wilbertprecast.com.

Serving the Inland Northwest as a certified public accounting firm since 1946, Batty, Erlandsen and Associates, P.S. provides a variety of services to our clients. Accounting and Auditing, Internal Control Consulting, MAS 90 and QuickBooks Consulting, and Business Planning are just a few examples. Our firm is a strong team, each member having their own strengths and experience. Together, we offer a wide range of services for our clients.

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