



Just in case it matters to you:

CLIENT / CONTACT BULLETIN 10-01

- **HAPPY NEW YEAR.** It's time to think about *strategic* income tax planning, particularly since a *new federal program gives cash awards* to "people who turn in friends, relatives and employers for fudging their tax returns." Directed by Congress to pay up to 30% of collections (taxes, penalties and interest), the IRS program last year "enticed insiders to rat out big-dollar cheats and corporate tax shelters & games" involving some \$65 billion in alleged unreported income. Plus, 'whistleblowers' can get paid even if they "planned and initiated the tax scheme" in some cases. Since any disgruntled employee might report "fairly mundane matters (for example, misclassification of workers as independent contractors to avoid payroll tax)... every company and every upper income citizen is a potential target." DCG has provided aggressive-but-protective tax strategy to our clients for decades. Remember that 'early in the year' planning is most effective. [FORBES – Dec 14, 09]
- **GLOBALLY, 2010 "WILL BE A YEAR FOR ANGER MANAGEMENT."** Projections are for *another 60 million* people unemployed, with 200 million workers "at risk of joining the ranks of people living on less than \$2 a day" – key factors for triggering political instability. Governments have already toppled in Latvia and Iceland; the Economist Intelligence Unit considers Britain and France at "medium risk" and 77 other countries at "high-risk, mostly in Latin America and Asia – including the world's largest and most successful emerging market, China... The congruence of calamities which could prove politically tempestuous involves the sharp rise in unemployment, increased poverty and inequality, weakened middle classes and high food prices... But vulnerability to unrest depends also on a host of factors including degree of income inequality, state of governance, levels of social provision, ethnic tensions, public trust in institutions, the history of unrest, and type of political system." America is at least considered in the 'low risk' category for now. [THE ECONOMIST – WORLD IN 2010]
- **BUT, REGARDING 'PUBLIC TRUST IN INSTITUTIONS':** So far, while some 7.3M jobs have been lost in America's private sector since the recession started at the beginning of 2008, "federal workers are enjoying an extraordinary boom time in hiring... and the number earning six-figure salaries has exploded." Examples: Dep't of Defense civilian employees earning above \$150K have grown by nearly 5-1/2 times; the Transportation Dep't now has 1,700 employees earning above \$170K versus one person two years ago; average yearly pay for some two million federal workers' (excluding congress, administration, postal service, intelligence agencies and military) now exceeds \$71K versus just over \$40K in the private sector; and the newest rules give raises to top civil servants whenever an agency's leader gets a raise. [USA TODAY – Dec 11, 09]
- **"PEOPLE DON'T ALWAYS ACT IN THEIR OWN BEST INTEREST** and, rather, behave in a self-destructive fashion...– lazy decision makers, taking the path of least resistance, with defaults which are often unhealthy... People are not dispassionate information processors. If we want to believe something, we're amazingly adept at persuading ourselves that what we want to believe is true...and our fear system is not very good at dealing with gradually unfolding threats (like inflating market bubbles or global climate change)... Moreover, when stakes are high, the brain tends to narrow its focus, which impairs performance in the types of tasks that involve expansive thinking, such as drawing connections between disparate things." According to research from Carnegie Mellon University, all this is an explanation for the psychology behind the current financial turmoil, which essentially uproots the premise that "people act rationally, making logical decisions about how and why they spend money." So much for the assumptions of classical economics! [DISCOVER MAGAZINE – Jan/Feb 10]



- A GREAT WAY TO TACKLE THE NEW YEAR with fresh, insightful perspective is: *THOUGHTS ON LIFE IN RHYME AND SCULPTURE*, the newest book from DCG affiliate Dennis Gray, now available in bookstores and from Amazon.com. http://www.amazon.com/Thoughts-Life-Rhyme-Sculpture-Dennis/dp/0533160839/ref=sr_1_1?ie=UTF8&s=books&qid=1261093474&sr=1-1
- **THOUGHT FOR THE WEEK:**
"Youth cannot know how age thinks and feels, but old men are guilty if they forget what it was to be young." -J.K.Rowling