



We Appreciate Your Business!

We Did It Again!

Inland Retail REIT (Real Estate Investment Trust) has agreed to be acquired for a 40% gain over purchase price. This is the second Inland REIT in the past two years to return greater than 40% return over purchase price. Close of the transaction is expected to be February 22, 2007. Although voting is not completed, I expect the acquisition to be approved.



Brian C. Tillotson

Do the Recent Tax Law Changes Impact You?

By Brian C. Tillotson

On August 17, 2006, the President signed into law a broad overhaul of pension and savings rules known as the "Pension Protection Act of 2006" (the "Act"). While many provisions of the Act focus on securing the funding status of defined benefit pension plans, the Act contains numerous provisions designed to encourage savings under 401(k) and other defined contribution plans.

Some of the changes will impact many of you.

First, the new Act extends the reduced tax rates on capital gains and dividends through 2010. Not a big change, but one that needed to be clarified. Capital gains are taxed at a maximum rate of 15% through 2008. Taxpayers in the 10% and 15% tax brackets will be taxed at 5% in 2007 and that drops to 0% in 2008. The 2008 rates have been extended to 2010.

Second, and very important, is the elimination of the income limits for Roth IRA conversions. Current law limits any IRA to Roth IRA conversion if the taxpayer's AGI is greater than \$100,000. The new Act eliminates the income limits for conversions starting in 2010. If this law remains, I recommend everyone seriously consider converting any IRAs to Roth IRAs under many circumstances. I will be happy to work with you to determine if that is the best solution

for your specific goals and objectives. Keep in mind, there are several major benefits to Roth IRAs, including the proceeds not being taxed when distributed after age 59 (and in other "hardship cases) and the non requirement of RMDs (required minimum distributions).

Third, the Act provides for special treatment of employer stock held in a qualified retirement plan (such as a 401(k). Previously, there was no significant difference between employer stock and other funds held in a 401(k). If you terminated from a company for whatever reason (retirement, new job, etc.), the majority of people rolled the stock over into an IRA.

The new Act provides for tax relief for employer stock. Per the new Act, in many cases, individuals will want to take a lump sum distribution of employer securities and pay the tax. This is because the employer stock is treated like an individual stock as opposed to funds in a 401(k). Specifically, current distributions from a qualified retirement plan are taxed as "operating income" (salary). Employer stock is now taxed different. The term the new code uses is Net Unrealized Appreciation (NUA) on employer stock. The individual is only taxed at operating income levels on the cost basis of the stock. The difference between the cost basis and the current value (NUA) is taxed at long-term capital gain rates.

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For example, an individual has 10,000 shares of their company stock in their 401(k). The cost basis (human resources provides) is \$5 per share. Current price is \$20 per share for a total market value of \$200,000. If the individual rolls the stock over into another 401(k) or IRA, the \$200,00 will be taxed as operating income when distributed (which is usually at higher rates than long-term capital gain rates).

However, if the individual takes a lump sum distribution of the company stock, they will be taxed at operating income rates for \$50,000 but only long-term capital gains rate on the \$150,000 NUA (the \$200,000 market value less the \$50,000 cost basis). Assuming a 28% marginal tax rate and a 15% long-term capital gains rate, the individual would pay \$56,000 in taxes (timing based on when they took distributions from the IRA) by rolling the stock over into another IRA but only \$36,500 in taxes by taking the distribution.

Other changes in the new Act include:

- Making permanent the catch-up contri-

butions provisions for people older than 50 years.

- Roth 401(k) and Roth 403(b) are now permanent.
- Beginning in 2008, employer plans can be rolled directly into Roth IRA's (\$100,000 AGI conversion threshold still applies).
- Non-spouse beneficiaries can transfer inherited employer plan account into inherited IRA subject to beneficiary RMD rules starting in 2007.
- In 2006 and 2007 only, an individual age 70 1/2 or older can make a charitable gift from an IRA or a Roth IRA of up to \$100,000 per year. No income tax to donor. Donee cannot claim a charitable income tax deduction. Also, can use all or part of the annual RMD for the contribution.

If you would like additional information on the new Pension Protection Act of 2006 please call Brian Tillotson.

Operations Corner

1099's Delayed

First Clearing received a month-long extension from the IRS to send out 1099's through the end of February.

A long time has passed since Congress first mandated mailing of all tax forms by January 31st, and, in that time, tax laws have become significantly more complex. In past years, in order to deliver forms by that deadline, First Clearing and other firms had to send tax forms to print vendors knowing that there would very likely be numerous changes provided later to be passed through to clients from securities issuers.

First Clearing filed for this extension hoping that it will allow additional time to receive pass-through reclassification information from securities issuers, and, subsequently, minimize the need to publish amended 1099s. Several additional brokerages -- including Morgan Stanley, Merrill Lynch, Wachovia, Edward Jones and Raymond James -- also requested and received month-long 1099 extensions from the IRS.

The expected mailing date for 1099's from First Clearing Corporation is February 20, 2007. If you have any questions regarding your 1099 please call Karen Spence.

Key Dates

January 1

New years Day

January 15

Martin Luther King, Jr.

January 31

Lunch & Learn Timmaron CC

February 19

Washington's Birthday

April (date tbd)

Lunch & Learn Timmaron CC

May 28

Memorial Day

July 4

Independence Day

July (date tbd)

Lunch & Learn Timmaron CC

September 3

Labor Day

October 8

Columbus Day

October (date tbd)

Lunch & Learn Timmaron CC

November 12

Veterans Day

November 22

Thanksgiving Day

December 25

Christmas Day

On a Personal Note:

- Prestyn dances four days a week at a minimum and still maintains A Honor Roll! We are so proud of our beautiful girl.
- Dylan was hospitalized just before Christmas with Spinal Meningitis. We are very lucky that he was only in the hospital a few short days and has recovered fully!
- Laney is definitely the third child! She is finally walking at 14 months unlike Prestyn and Dylan who both walked at 10 months. Do you think we carry her too much?
- Karen loves working at Virtus Wealth Management and is studying to become a licensed financial advisor because...who can ask for a better mentor than Brian???? NO ONE!
- Kasee has improved her golf game dramatically since she now has a golf video game and plays all night long at home in her living room.

TECH TALK

The rollout of Virtus Wealth Management's new website is here! We are so excited about this great new extension of our business. Here are some ways that the website could add benefit to you, our valued client:

You will find:

Virtus Wealth Management's Mission Statement.

A schedule of all upcoming events.

An online form that can be used to RSVP to the events.

One centralized location for client account information.

Information on Wachovia's Envision Process, and how it can benefit you.

Information on the Elite Investor Syndicate, and the form needed to join.

A tax center, with current tax publications, Forms, Calendars, as well as an organizer.

A vast library of articles related to taxes and all things financial.

Links to many Financial websites such as Forbes, Fortune and NASDAQ.

A picture center, to see how much fun our events are, or simply what we at Virtus Wealth Management look like!

A Glimpse of the Future

We will be working on adding many features to the website as time goes by. Some of those features will include a library of all previous newsletters in electronic format, as well as a page that will include links to all outside investment companies. No more going to five different websites. Come to VirtusWealth.com, and all of the companies will be linked there.

We are sad to say that we will not be having a Valentine Party after all. We were unable to find a venue that could serve our clients around the Valentine Holiday. We wish you all a Happy Valentines Day!

**Securities offered
through
VSR Financial Services,
Inc.**

Member NASD/SIPC
Registered Investment
Advisor

On a Special Note

We thank you for your patronage. Without you we would not exist. It has been very satisfying over the years to watch as you reach your financial goals and knowing that we had some small part.

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Interesting Facts

- The first paper currency issued by the U.S. Department of Treasury were Demand Notes Series 1861.
- The first product to have a bar code scanned was Wrigley's Gum.
- Apples are more effective at keeping people awake in the morning than caffeine.
- A quarter has 119 grooves around the edge.
- Every day more money is printed for Monopoly games than for the U.S. Treasury.
- The average person spends two weeks over their lifetime waiting for the traffic light to change.
- Over one billion Valentines are sent each year in the United States.
- 85% of all Valentines are purchased by women.
- Valentine party in Victorian times would find young ladies writing their name on slips of paper. The young men would draw the slips of paper and pin one to their sleeve. That is how the expression "wearing your heart on your sleeve" came from.