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INVESTMENT THOUGHTS FROM CHRIS AND GREG



Dear Clients,

A couple of weekends ago, Peggy and I went to Andrew's wedding in Chicago. Andrew was one of our "college kids" who graduated in 2003 and has been enjoying a successful career at GE Credit. His best man was Justin, his sidekick during Andrew's time at UW, in our office and for a couple of years at GE. Justin told me he'd left GE for a smaller firm because it wasn't clear to him what difference his work was making. He said that when he'd worked in our office he could see that we made a direct impact on our clients' lives, and that he could see the impact of his work within our office.



Today, our college kid is Katie Ward, who cranks out this newsletter along with a dozen other responsibilities. She doesn't get her email address on the back page, but her work makes a difference.

The value of making a difference (and being able to directly observe it) came into focus for me last month when I read a survey on what is most important to the folks who run brokerage houses. When asked about the top priorities for their business over the next 5 years, the CEO's of broker/dealers responded:

1. Hiring brokers and advisors.
2. Retaining high value producers.
3. Introducing new products and services.
4. Acquiring and retaining new investors.

The list continued on, and we were struck by the fact that none of the priorities offered by the study involved providing service to existing investors. In contrast, our #1 priority is to serve our existing clients. We do so by:

- a) Managing risk within your investment portfolio.
- b) Staying on top of your investment and financial needs by communicating with you on a regular basis.
- c) Educating ourselves and our staff about the increasingly complex world of global investing (and applying that knowledge effectively).
- d) Making a good impression when you send a friend or family member to meet us.

Maybe Thanksgiving and the annual re-showing of The Wizard of Oz have made us sentimental, but Dorothy was on to something when she said, "If I ever go looking for my heart's desire again, I won't look any further than my own back yard." Our desire is to take care of you. I hope you feel that we are, and invite you to please call or write if you have any suggestions to help us do an even better job.



Along with philosophical thoughts about family, football and the meaning of life, Thanksgiving reminds us that the end of the year is upon us. We offer the following tax-planning article to aid you in your struggle to get it "just right" this year, but more importantly as a reminder that there are arcane rules out there. They can help you or hurt you, but in most cases a little planning and help can go a long way. Once again, call or write and we may be able to steer you in the right direction.

Ways You Can Lower Your 2007 Tax Bill

TAX REPORT By Tom Herman

September 12, 2007; Page D1, Wall Street Journal



Many people will get hit with significantly higher tax bills for this year and next if Congress fails to extend several provisions that already have expired or are scheduled to disappear at the end of 2007.

The alternative minimum tax, or AMT, is by far the biggest issue, and it garners most of the attention. Yet the fate of many popular tax breaks scheduled to expire at the end of this year, ranging from the sales-tax deduction to a credit for energy-efficient home improvements, is also uncertain.

If Congress does nothing to change the AMT, about 25 million taxpayers will be ensnared by it for 2007, up from about four million for 2006, according to the latest Treasury Department estimates. The AMT is a separate method of calculating income taxes, with different rules than the regular system. Higher AMT exemption amounts expired at the end of last year. While Congress is expected to take some action to prevent the AMT from spreading rapidly, it's not yet clear how far lawmakers will go. In the past, Congress has enacted temporary fixes, and that's what is widely expected to happen again this year.

Tax advisers, meanwhile, are urging their clients to consider taking advantage of some expiring tax breaks now, in case Congress doesn't renew these provisions for 2008 and beyond.

One of the most-popular breaks set to disappear at the end of 2007 involves state and local sales taxes. If you itemize your deductions, you have the option of deducting your state and local sales taxes instead of your state and local income taxes. This is especially important if you're from a state with no state income tax, such as Florida, Texas, Nevada, South Dakota and Washington. But it also benefits many people in other states with relatively low income taxes. More than 11.4 million people claimed this sales-tax deduction for 2005.

Many older taxpayers can still take advantage this year of a charitable-giving provision set to expire Dec. 31, says Sidney Kess, a New York lawyer and accountant. If you're 70½ or older, you can transfer as much as \$100,000 directly from an individual retirement account to a qualified charity without having to pay income tax on that money. What's more, the transfer counts toward your required minimum distribution.

While you can't claim a charitable deduction for such transfers, you also don't count them as taxable income. That's important since many other tax breaks depend on the level of your adjusted gross income, which is your gross income after subtracting certain items such as moving expenses, the student-loan interest deduction and other items. For example, there can be major limits on certain deductions and personal exemptions depending on the level of your adjusted gross income.

"I've had clients do this, and it's a great idea," says Claudia Hill, an enrolled agent and the owner of Tax Mam Inc., a tax-services firm in Cupertino, Calif. One of her clients, for example, transferred the maximum \$100,000 to his favorite charity earlier this year. That move "satisfied his minimum required distribution amount for this year and also benefited his estate planning," Ms. Hill says.

Another provision set to vanish after this year is a deduction for many people who buy mortgage insurance. It doesn't apply, however, to mortgage-insurance contracts issued before 2007, and it begins to phase out once your adjusted gross income exceeds \$100,000 (or \$50,000 for married people filing separately).

Deductions for higher-education tuition and fees, and a credit for certain energy-efficient home improvements, are also expiring this year, says Mark Luscombe, a lawyer and CPA at CCH, a Wolters Kluwer business. The tuition deduction is an "above-the-line" deduction, since it appears on the federal income-tax return above the line for adjusted gross income. Thus, taxpayers can take advantage of it whether or not they itemize their deductions -- as only about one-third of all taxpayers do.

Until the end of 2007, elementary and secondary-school teachers and other educators can deduct as much as \$250 per educator for the cost of books, computer equipment and other classroom supplies they pay for out of their own pockets. More than 3.5 million taxpayers took this deduction for 2005, according to the latest IRS data. To be eligible, you must be a kindergarten-through-grade-12 teacher, instructor, counselor, principal or aide for at least 900 hours during a school year.

ANOTHER TAX-SAVING IDEA: Take advantage of your investment losers.

Start by combing through your portfolio, focusing on stocks, bonds or mutual-fund shares that are selling for less than you originally paid for them. If you've been thinking about selling something for investment reasons, this may be a good time to do it, says Nadine Gordon Lee, president of Prosper Advisors LLC, a wealth-management firm in Armonk, N.Y., who says she has done some tax-loss "harvesting" for clients.

Realized capital losses can be used, dollar-for-dollar, to offset realized capital gains. If your losses exceed your gains, or if you have no gains at all, you can deduct as much as \$3,000 a year (or as much as \$1,500 for married couples filing separately) from wages and other ordinary income. Any excess amounts are carried forward into future years. Before you sell, make sure you understand the so-called wash-sale rule. A wash sale typically happens when you sell a security at a loss and, within 30 days before or after the sale, you buy the same thing or something "substantially identical."

If you run afoul of the rule, you can't deduct your loss. Instead, add the disallowed loss to the cost of the new securities, and the result is your basis in the new securities.

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Retirement Planning for 2008



In addition to planning for the rest of 2007, now is a great time to get a head start on your 2008 planning. Here is what's new for retirement plans:

1. Contribution limits for most employees' retirement plans remain the same in 2008, as shown in the table below.

	Plan Type		
	401(k), 403(b), 457	Simple	Traditional or Roth IRA
2008 Deferral Limit	\$15,500	\$10,500	\$5,000
Catch-up if age 50+	\$5,000	\$2,500	\$1,000

2. If you are self-employed, your maximum plan contribution may have increased slightly. The old and new limits are outlined below.

	Plan Type		
	SEP	Simple	401(k) or Profit-Sharing
2008 Deferral Limit	20% of pay or \$46,000, whichever is less	100% of pay of \$10,500, whichever is less	100% of pay of \$46,000, whichever is less
Catch-up if age 50+		\$2,500	\$5,000

Annual pay eligible for contributions capped at \$230,000

3. The income limitation for eligibility to fully fund a Roth IRA contribution was raised to \$101,000 for single filers and \$159,000 for joint returns.

No matter what your contribution level, small increases can really add up. An extra \$5 per week (skipping one deluxe coffee or fast-food lunch) would put \$260 into your retirement plan over the course of a year; over 20 years that would grow to more than \$14,500 (at 9% annual growth). With most companies and plans offering automatic deposit, "saving more" can be the New Year's resolution you keep throughout 2008!

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Best Wishes to You and Yours

Greg Andrea
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For a Joyful Holiday



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Winter Newsletter

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