

## How To Make Tax Reform Work For You

### Capital Gains And Losses

The U.S. tax code is about to undergo its most sweeping overhaul since the income tax began in 1913. Because of the importance of the Tax Reform Act of 1986, we've prepared a column answering some of the questions investors are asking us at Shearson Lehman Brothers.

This column will focus on how you may be able to minimize your 1986 tax bill and handle capital gains and losses. Don't forget that there are other areas that should be looked at such as tax shelters, municipal bonds, borrowing, retirement accounts and income shifting. But for now, we would like to concentrate on capital gains and losses.

#### Does tax reform affect me this year?

Definitely, once it takes effect on January 1, 1987, many deductions and other tax-saving provisions of the old law will no longer be available or will be "worth" less because of your tax rate is likely to be lower. So you have only until December 31, 1986 to take certain actions to save cash.

#### What sort of actions?

The chief ones are to defer income until 1987 or 1988, when tax rates will drop significantly and to accelerate deductible expenses into 1986. You also may want to take capital gains on appreciated assets this year because the special, low-tax treatment of these gains ends in 1986.

#### How can I defer income?

If you're a salaried employee, deferring wages may not be possible. But if you get a bonus each year, ask that it be deferred.

#### What sort of deductions may I speed up?

You can probably prepay some state and local income taxes as well as property taxes. If you're planning to buy a car, boat or major appliances,

do it this year so you can deduct the sales tax. Subscribe to business journals. Join a professional association, or pay for investment advisory services this year, because the deductibility of many miscellaneous expenses will be drastically cut back next year.

If you've decided to make a large charitable contribution, do it this year if possible. Donate long-term appreciated securities if you can, because you will get a deduction for their full market value but won't be taxed on the capital gains as you will if you sell the securities and donate cash. Appreciated securities given to charity next year will be treated much more stringently.

#### What should I do about long-term capital gains?

Next year long-term capital gains on stocks, bonds and other assets will be taxed at a maximum rate of 28%, versus 20% currently. So you may benefit from selling appreciated securities now and paying the tax in 1986 rather than later on. If you want to keep owning the same securities, consider repurchasing them

shortly after selling them. Then, when you eventually sell them again, you'll pay the 28% tax just on the appreciation from the higher (repurchase) price.

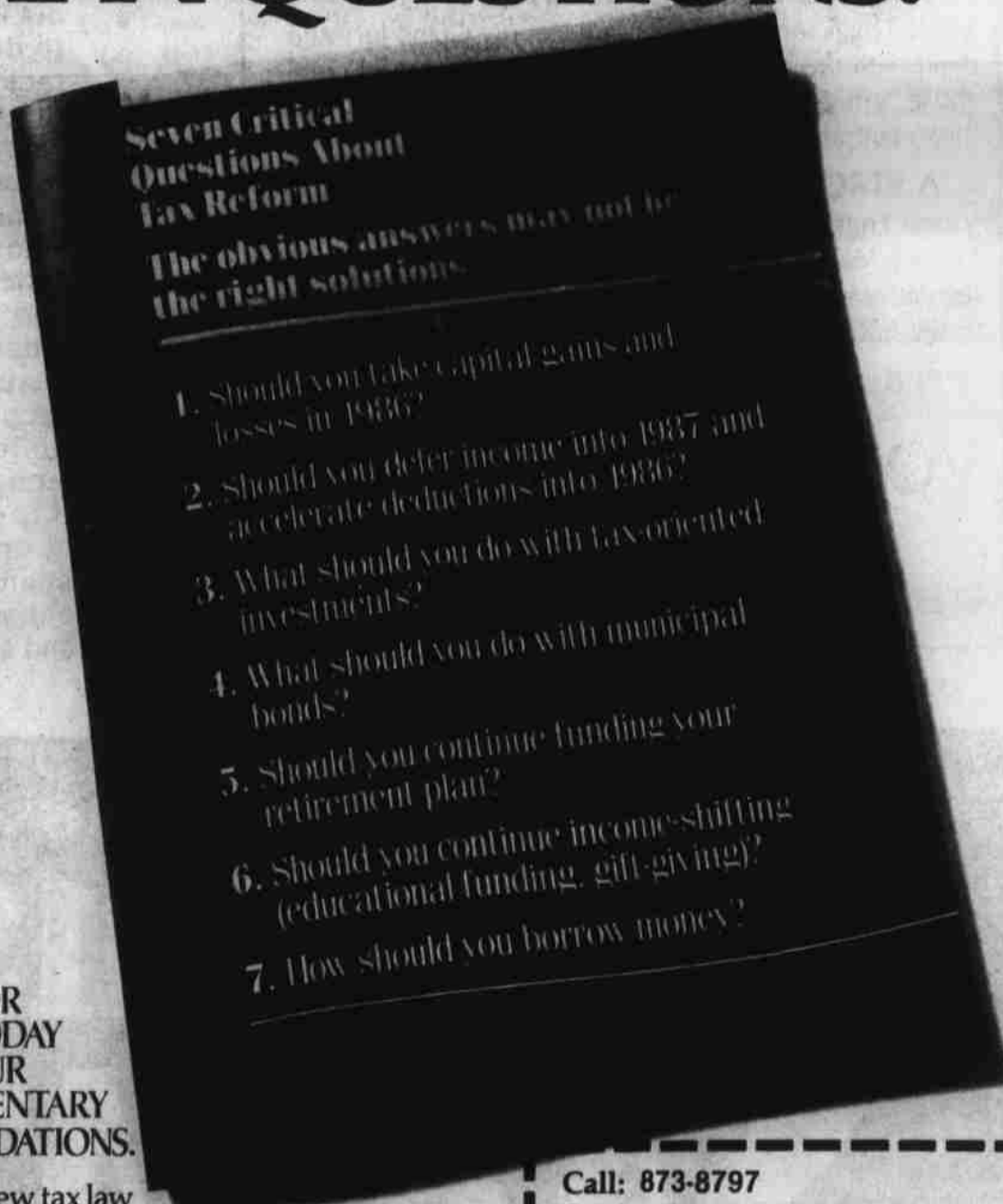
Before you take these steps, however, figure out whether paying lower federal capital gains tax now is outweighed by securities transaction costs, state and local taxes on the gain (which may be higher after 1986), and lost earnings on the amount you have to pay in tax.

#### What about long-term losses?

If you already have taken short-term capital gains in 1986, try to take long-term losses, too, before year end to offset those gains. This will give you a tax benefit of up to 50% from the loss.

There are many other steps you can take right now and in the future to save taxes on short-and-long-term capital gains and losses. These and other aspects of the new tax law are explained in Shearson Lehman Brothers' new booklet, "Seven Critical Questions About Tax Reform." Call Shearson Lehman Brothers at 873-8797 for a free copy.

# BEFORE DECEMBER 31<sup>ST</sup>, YOU MUST ANSWER THESE SEVEN TAX QUESTIONS.



## The New Gorbachev Technique

By Rabbi Marc H. Tanenbaum

It will be some time before we have authentic knowledge about what actually took place between President Ronald Reagan and Soviet Chairman Mikhail Gorbachev at the Iceland summit meeting. But certain facts we do know that are of special interest for the Soviet Jewry movement.

Why Iceland? One U.S. government official informed us that Gorbachev insisted on Iceland because there were no Jews there. Clearly he wanted to avoid being confronted again forcefully on the Soviet Jewry issue. Leaders of the Soviet Jewry movement made sure that Gorbachev would not escape the human rights issue by sending a delegation to Reykjavik and making the case for Soviet Jewry before the international press.

Once the Jewish delegation and, particularly some sons of the Soviet Jewish refuseniks, such as Goldfarb and Slepak were present in Iceland, the Soviet diplomats and media people adopted an altogether new Gorbachev technique. Rather than cold-shoulder them as in the past, they behaved like Dale Carnegie disciples. They refused the refuseniks in an open, even warm manner; took notes on their requests about the families' desire to leave; and promised they would look into their cases.

Given the cunning chess game that Gorbachev played with Reagan on the SDI issue, the smiling Soviets may be more complicated to deal with than the scowling Stalinists.

CALL OR WRITE TODAY FOR OUR FREE COMMENTARY & RECOMMENDATIONS.

While the new tax law has been extensively written about, enormous confusion and misunderstanding remain. We believe the seven key issues for the serious investor are those above. And how you answer them this year will determine how you'll feel next year. These are the points we're addressing with our clients. Let us help you answer them. Call or write today.

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