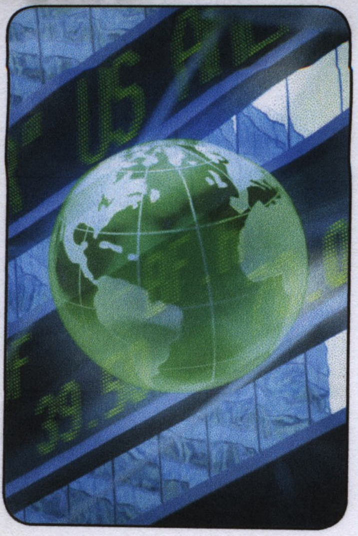

Stocks, Bonds and Mutual Funds

Tax and Business Update

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Capital Gains and Losses

Capital Gain Tax Rates—2014 and 2015

Capital Gain	Holding Period	Ordinary Tax Rate Bracket						
		10%	15%	25%	28%	33%[1]	35%[1]	39.6%[1]
Short-term	≤ 1 year	10%	15%	25%	28%	33%	35%	39.6%
Long-term[2]	>1 year	0%	0%	15%	15%	15%	15%	20.0%

[1] Capital gains and qualified dividends for taxpayers in these tax brackets will likely also be subject to the 3.8% tax on net investment income.

[2] Special rates apply to capital gains from the sale of collectibles (28%) and depreciable real estate (25%).

Capital losses offset capital gains and, to the extent there is an excess loss, up to $3,000 ($1,500 MFS) can be deducted against ordinary income each year. Any remaining loss is carried forward indefinitely to future tax years.

Qualified Dividends

Dividend Tax Rates—2014 and 2015

Dividends	Holding Period	Ordinary Tax Rate Bracket						
		10%	15%	25%	28%	33%[1]	35%[1]	39.6%[1]
Qualified	> 60 days[2]	0%	0%	15%	15%	15%	15%	20%
Other	≤ 60 days	10%	15%	25%	28%	33%	35%	39.6%

[1] Capital gains and qualified dividends for taxpayers in these tax brackets will likely also be subject to the 3.8% tax on net investment income.

[1] 90 days in the case of preferred dividends.

Qualified dividends are dividends received from domestic corporations and qualified foreign corporations. A taxpayer must hold the stock for more than 60 days (90 days for preferred stock) for the dividend to be treated as a qualified dividend.

Stocks and Mutual Funds

Holding period. The holding period for stocks traded on an established securities market and mutual fund shares begins on the day after the trade date and ends on the date sold (trade date).

Share Identification Methods (for Sales)

	FIFO	Specific Identification	Average Cost
Stocks	✓	✓	N/A[1]
Mutual Funds	✓	✓	✓

[1] Average cost method is allowed for stock acquired through a dividend reinvestment plan after 2010.

First-in, first-out (FIFO) method. If the stock or securities have been acquired on different dates or at different prices, and the taxpayer does not or cannot identify the specific shares sold, they are considered to be sold in the order they were purchased.

Specific identification method. If the taxpayer specifically identifies the shares sold, the basis and holding period of those shares are used in computing the character (short-term or long-term) and amount of the gain or loss.

Average basis method. Each share's basis is the total basis of all shares (in all accounts holding such shares at the time of the sale) divided by the number of shares. To determine holding period, the shares disposed of are considered to be those acquired first (FIFO method).

Interest Income

Table of Equivalent Taxable Yields						
Federal Tax Rate						
Federal Rate	15.00%	25.00%	28.00%	33.00%	35.00%	39.60%
NII Tax	0.00%	0.00%	0.00%	3.80%	3.80%	3.80%
Total	**15.00%**	**25.00%**	**28.00%**	**36.80%**	**38.80%**	**43.40%**
Tax-Exempt Yield	**Equivalent Taxable Yield**					
1.00%	1.18%	1.33%	1.39%	1.58%	1.63%	1.77%
1.50	1.76	2.00	2.08	2.37	2.45	2.65
2.00	2.35	2.67	2.78	3.16	3.27	3.53
2.50	2.94	3.33	3.47	3.96	4.08	4.42
3.00	3.53	4.00	4.17	4.75	4.90	5.30
3.50	4.12	4.67	4.86	5.54	5.72	6.18
4.00	4.71	5.33	5.56	6.33	6.54	7.07
4.50	5.29	6.00	6.25	7.12	7.35	7.95
5.00	5.88	6.67	6.94	7.91	8.17	8.83
5.50	6.47	7.33	7.64	8.70	8.99	9.72
6.00	7.06	8.00	8.33	9.49	9.80	10.60
6.50	7.65	8.67	9.03	10.28	10.62	11.48
7.00	8.24	9.33	9.72	11.08	11.44	12.37
7.50	8.82	10.00	10.42	11.87	12.25	13.25
8.00	9.41	10.67	11.11	12.66	13.07	14.13

The following table can be used to find the tax-exempt yield that is equivalent to a certain taxable return. For example, a tax-exempt bond that yields 6.50% to a taxpayer with a marginal tax bracket of 25% is equal to a taxable bond with a yield of 8.67%.

Note: The table does not take state taxes into consideration. However, it does assume that taxpayers in a 33% or greater marginal tax rate are also subject to the 3.8% net investment income (NII) tax. (In some cases, taxpayers in a lower marginal tax rate bracket will be subject to the NII tax.)

Notes

Worthless Securities

A taxpayer is allowed a capital loss for securities held as an investment if the securities become worthless. The loss is allowed only in the year the stock or security becomes completely worthless; partial losses are not allowed. Worthless securities are treated as though they were sold on the last day of the tax year. This deemed date of sale is used to determine if the loss is long-term or short-term.

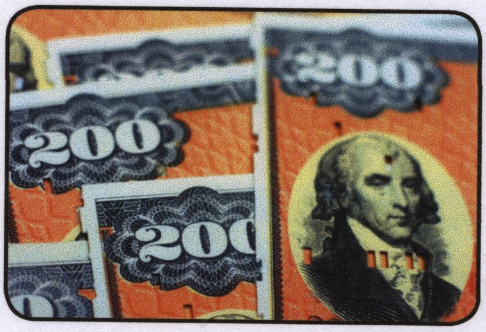
Wash Sales

A wash sale occurs if a taxpayer sells or trades stock or securities at a loss and within 30 days before or after the sale, directly or indirectly:

1) Buys substantially identical stock or securities,
2) Acquires substantially identical stock or securities in a fully taxable trade or
3) Acquires a contract or option to buy substantially identical stock or securities.

If the wash sale rules apply, the loss is deferred and the basis of the new shares is adjusted accordingly.

Caution: Taxpayers must consider activity in their IRAs and other retirement accounts when applying the wash sale rules to their taxable accounts (that is, purchasing a security in an IRA can result in a wash sale in a taxable account).



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