

Discovering Investment Advisory Opportunities Using Form 1040

I) Sources of investment income:

- 1) Does investment income indicate the client has successfully managed a financial program? Yes No
- 2) Does the client understand the nature of the investment vehicles currently in the portfolio? Yes No
- 3) Do prior years' returns show investment income fluctuations? Yes No
 - a) If yes, is there a pattern? Yes No
 - b) Have any conclusions been drawn? Yes No
- 4) Do current or prior years' returns indicate taking of aggressive tax positions? Yes No
- 5) Is the clients' tax return posture consistent with other evidence of the clients' risk posture? Yes No
- 6) Is the client's investment philosophy consistent with the client's age and capacity for financial risk? Yes No
- 7) Once the risk tolerance level and time horizon are identified, will the client's investments be suitable for current and future needs? Yes No

- 8) If the amount of portfolio income appears high in relation to total income, which would put the client in a high marginal tax bracket, should the client convert taxable income to tax-exempt or tax-deferred income, such as municipal bonds? Yes No
- 9) Does investment income suggest that a liquid fund has been established for emergencies? Yes No
- 10) Will nontaxable interest income trigger the alternative minimum tax (AMT) or cause Social Security benefits to be taxable? Yes No
- 11) Does the client have too much or not enough money in cash (savings accounts)? Yes No
- 12) If the client is not satisfied with his or her rate of return are expectations reasonable? Yes No
- 13) Are the client's assets divided up in such a way as to minimize estate taxes? Yes No
- 14) Is there a net annual decrease each year in portfolio income?
 Yes No
 - If yes, does that represent an overall negative cash flow through a dip into savings? Yes No

II) Capital Gain/Loss (Schedule D)

1. Does the number of capital gain and loss transactions indicate excessive trading? Yes No
2. Could the client generate capital losses to offset capital gains or ordinary income?
 Yes No
 - Has the client considered the timing of investments sold and purchased for possible tax savings? Yes No
3. Does the client's estate plan reflect current investments? Yes No

- If yes, are they sufficiently liquid and properly titled? Yes No
- 4. Have proceeds from major capital transactions been reinvested appropriately? Yes No
- 5. Does the nature of pass-through items tell anything about the client's investment strategy? Yes No

III) Interest and Dividend Income (Schedule B)

1. Is the client so risk adverse as to have all his or her money in CDs? Yes No
 - If yes, has the client been informed of purchasing power risk and interest rate risk that will erode away the principal over the long term? Yes No
2. If the client has been keeping "all of his or her eggs in one basket," has a proper diversification strategy been considered? Yes No
3. Has the client diverted himself or herself from earning unnecessary taxable income? Yes No

IV) Above-the-Line Deductions – IRAs, Keoghs, SEPs, and Alimony

1. If the client has been contributing, are existing retirement assets properly invested to achieve his or her objectives? Yes No
 - If not, does the client anticipate receiving retirement plan distributions in the current year? Yes No
2. Do both spouses qualify for traditional IRA deductions? Yes No
 - If not, does a nondeductible Roth IRA still make sense for the client's retirement plan? Yes No
 - If yes, is the client disciplined enough to begin making IRA contributions either early in the year or on a monthly basis? Yes No

3. Is the client or client's spouse divorced? Yes No
- a) If the client is divorced, does he or she pay alimony or child support? Yes No
4. If child support is an issue, does the client need to establish an education fund for his or her children? Yes No
5. Would it be advisable to establish a 2503(b) or 2503(c) trust? Yes No
6. If the client is paying alimony, has the time frame been factored into the client's plans? Yes No
7. If the client is receiving alimony, has the effect of its cessation been considered? Yes No
8. If the client can foresee paying alimony, has the potential for the commencement of payments been considered? Yes No
9. If the client is currently paying alimony, have plans for the additional funds that will be generated when the alimony payments terminate been made? Yes No
10. Does the current relationship of alimony payments the client is making to income seem appropriate or otherwise make sense? (If the client's income has declined relative to the payments, a court order to reduce payments could be considered.) Yes No

IRA Distributions, pensions, Social Security benefits, Etc:

1. Have the sources of the client's retirement income been analyzed? Yes No
2. Are distributions of retirement funds being managed effectively? Yes No

3. Does the level of the client's retirement income appear sufficient to meet goals such as travel and hobbies? Yes No

4. If the client is entitled to receive Social Security benefits but is not receiving them, does deferral make sense? Yes No

IRA, Keogh, SEP, etc., contributions:

1. Is the client covered by a retirement plan with maximum contributions and deferrals? Yes No

2. Are the investment vehicles used for the client's retirement funds appropriate considering the client's goals, age, risk tolerance level, and so forth? Yes No

3. Considering age, accumulated investments, and levels of debt, does the client appear to be on track toward funding retirement income? Yes No