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Foundation

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"Giving" Advice

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About Your Foundation

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

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Dividend Tax May Alter Investment Strategies

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Dow Jones **Newsires**

NEW YORK (Dow Jones)--Getting a tax break on dividends may soon be a boon of the past.

Dividends, long viewed as reliable income streams for investors, may no longer be worth going after for many investors, if tax rates on these distributions of capital rise.

Currently, qualified dividends--those paid by a domestic corporation or qualified foreign corporation and held by investors for a certain period--are taxed at 15% for individuals in the top tax brackets. But if Congress doesn't act this year, the top rate could rise in 2011 to 39.6%, effectively making high-dividend securities worth less.

"Investors should think of taxes as added expenses," says Rex Macey, senior vice president and chief investment officer and Wilmington Trust. "If I get less income from a dividend, the security isn't worth as much to me."

The changing tax landscape could alter the way investors go after returns, making annuities, tax-advantaged retirement accounts and municipal bonds look more appealing for income investors.

"Investors looking for total return will become more interested in long-term growth, rather than dividend income, which is the way it was in 2003 before there was a preferential rate for dividends," says Gary Cotter, a certified financial planner in Sun City Center, Fla.

While President Barack Obama's budget proposal calls for raising the top rates on dividends to only 20%, it could be risky for investors and their advisers to assume lawmakers will address the dividend issue before year's end. Many made the same assumption last year regarding the estate tax, feeling certain that Congress would prevent the tax from lapsing as it did on Jan. 1. They were left stunned and, to some extent, ill-prepared when Congress did nothing.

Many dividend yields--the dividend as a percentage of stock price--are still noticeably beating returns on certificates of deposit and money-market funds, says Mari Adam, a certified financial planner in Boca Raton, Fla.

For instance, companies like AT&T (T), Duke Energy (DUK) and Altria (MO) are paying out more than a 6% dividend yield. And since stocks are characteristically liquid investments, investors can hold on to their dividend-paying stocks up to the point when tax rates change.

But with taxes edging higher, investors can't just look at yields--they have to look at the total return, Adam says.

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