



Deducting Advisor Fees on your Tax Return

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Every year at this time clients ask us if investment advisor fees are a deductible expense. Unfortunately, the answer is not a simple yes or no. Here are our recommendations regarding taking the deduction.

Taxable Accounts

A taxable account is a non retirement account. A typical registration for a taxable account is a Trust account, Joint account, Individual account or Transfer on Death (TOD) account. For an account of this type the asset management fee *is* a tax deductible expense. The fee is listed on Schedule A under the section called "Certain Miscellaneous Deductions". It is very clear that the IRS allows you to deduct investment expenses for this type of account.

However, your ability to enjoy the tax savings via Schedule A depends upon two factors. First, the tax savings is only allowed to the extent that your deduction exceeds 2% of your Adjusted Gross Income. Second, Miscellaneous Deductions are a "tax preferred item" for purposes of calculating the Alternate Minimum Tax (AMT). If the AMT applies to you, some or all of the deduction could be disallowed.

IRA and Tax Qualified Accounts

These accounts include IRA, Rollover IRA, SIMPLE IRA, Roth IRA, Profit Sharing Plans, and SEP IRA accounts. Asset management fees paid directly from these accounts are paid using funds that have received special tax treatment and therefore some feel they are not subject to the deduction. However, the rules are murky and leave room for interpretation. For this reason, we strongly suggest that you consult a qualified tax advisor before you assume the deduction. If you do not have a tax advisor, please call us and we will recommend one.

We hope you find this information helpful. Please don't hesitate to call us if you have any questions.



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