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The Legal "Tax Loophole" for Income Investors

-- By Carla Pasternak

One of the subjects readers ask me about most frequently is taxes.

More specifically, investors want to know how to minimize their tax burden and maximize the cash that goes in their pocket. Well, I've found just the thing -- a "loophole" that investors can use to increase the amount of dividends they receive. *(Full Story Below)*

Also in Today's Issue...

Capture 14% Yields and Total Returns up to +185.6%

On the last trading day of 2009, 94% of the picks in this high-yielding portfolio were up. Most of them have returned more than +10%, and several have returned +100% or more. But the best part is that these picks carry stable yields of up to 14.3%!

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The Legal "Tax Loophole" for Income Investors

You probably didn't know the United States withholds a portion of dividends paid to many foreign investors.

This amount comes right off the top, before the payment even hits an investor's account. Even after this cut, the foreign investor will still have to pay taxes on what's left.

But the United States isn't just being greedy. Just about every nation does something similar.

Switzerland withholds up to 35% of dividends paid to foreign investors... Israel withholds up to 25%... Canada takes 15% off the top.

Typically the yields found abroad can make up the difference. For instance, the high yields on Canadian trusts can still make them worthwhile to most investors, even with the added withholding tax.

And truth be told, you can get this withheld money back. Investors filing for a foreign tax credit via IRS Form 1116 can reclaim foreign dividends withheld. But you won't receive this cash until you file your tax return, sometimes up to a year after the actual dividend has been paid.

Income Notes

The federal government is facing a lawsuit over billions in unclaimed bonds that date back to the patriotic fundraising efforts of World War II, leading to a showdown between states who say they should be given the money and a Treasury Department that claims ownership.

More than \$16 billion worth of the bonds are unclaimed, either lost or forgotten about with the death of the original purchasers.

The state attorneys general suing the Treasury Department charge that the federal government made no effort to find those people. They want the money given to the states, who have a legal system in place for finding the owners of unclaimed funds.

-- Associated Press

One Stock a Month is All You'll Ever Need

For the entire 2009 calendar year 100% of Amy Calistri's *Stock of the Month* picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

But there's also a legal tax loophole you can use to your advantage. And it can mean more income in your pocket from day one.

A Select Cadre of ZERO-Tax Nations

For decades the United States has wanted to attract foreign investment. Likewise, many countries crave American capital. As the richest nation in the world, the United States is one of the most attractive sources of investment in the world.

To promote mutual investment, the United States has signed tax treaties with about 50 countries that reduce the amount of dividends withheld.

While the treaty terms vary from nation to nation -- Switzerland, for example, withholds only 15% of dividends paid to American investors -- there is a select cadre of nations where the dividend withholding tax is zero. Every cent paid by the foreign company makes it into your account.

In total, less than two dozen countries either have tax treaties with the United States that result in 0% withholding or simply don't withhold dividends to foreign investors. Of those, many are smaller nations that aren't exactly hotspots for income investing.

But there are a few gems that offer attractive dividends and zero withholding...

Brazil doesn't withhold a dime of dividend income. It's also one of the best growth stories in the world. But you may not realize the juicy dividends that can be found in the country. In my [High-Yield International](#) portfolios, for instance, I hold a Brazilian telecom yielding 11.9%.

Meanwhile, Hong Kong, [the gateway to investing in China](#), doesn't withhold any dividends either. And the United Kingdom, where I uncovered a mining giant for my subscribers paying 13.2%, lets investors keep every penny paid to them in dividends.

Now I'm not saying to ignore any country that withholds dividends -- that would be like going to a restaurant and limiting yourself to only one side of the menu. There are simply too many high yields out there that are attractive, even if a little is taken off the top.

But if maximizing short-term income is your primary goal, then this "tax loophole" should be one of your favorite tools.

Good Investing!



Carla Pasternak's Dividend Opportunities

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