

Financial advisers prepare for crush of A-B investors

Biggest uncertainty for shareholders is whether A-B, InBev deal will close in 2008 or 2009

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Now that the sale of **Anheuser-Busch** is no longer a question of whether but mostly of when, tax accountants and financial advisers are gearing up to handle an expected rush of business.

Investors with A-B stock will need to formulate their end-of-year tax planning strategies amid a volatile market compounded by the economic uncertainty typical of presidential election years.

The good news for investors is the purchase of their A-B stock by InBev will come at \$70 a share, well above the low \$50s where the stock had been trading before talk of the sale.



MARK GILLILAND

Les Block said once a closing date for the InBev deal is announced, Brown Smith Wallace will assign additional experienced workers to its tax department.

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The bad news is the gain will produce a capital gains tax bill that will hit virtually all A-B shareholders. That liability could be substantial for investors with large holdings, and according to money managers and tax accountants, there aren't too many options to lessen the impact of the tax hit.

The big question in the equation is whether the deal will close in 2008 or 2009.

The issues are "on everyone's mind," said Robert Minkler Jr., partner in the tax services group and member of the management team at **Anders Minkler and Diehl LLP**, CPAs and consultants. Minkler said the A-B sale and tax issues have become major topics of conversation in his firm's offices, and are discussed at its weekly tax management meetings.

"There's always a chance the deal might not go through, but all indications are that it will," Minkler said. "Unless a person has already sold their stock, there isn't much to do at this time (the third quarter of the tax year)."

The uncertainty of when the deal will close has prompted most shareholders just to hold onto their stock, he said. "We don't know which year the deal will close," he said. "Why pay capital gains tax a year earlier than you need to?"

Joe Terril, president of wealth management firm **Terril & Co.** based in Des Peres, said his firm has had a slight increase in business from people asking about how to soften or reduce the capital gains tax bite. Most investors are interested in how they can reinvest their proceeds, Terril said.

"There's a lot of nervousness in the market now, and anything short of insured investments scares people," he said.

Les Block, tax partner in the accounting and consulting firm of **Brown Smith Wallace LLC**, said his firm has begun receiving inquiries and it expects that volume to pick up in the fourth quarter. He said the firm has sent out a "client alert" notice to its client base, and once the closing date of the A-B sale is known, BSW will assign additional more-experienced partners, principals and managers to the tax department.

"We'll get more tax preparation and consulting questions before the end of the year,"

Block said. "When the deal closes, and people have their cash in hand, our wealth management division can help them reach decisions about what to do. This is about as straightforward as a deal can get -- no stock involved -- so people will have capital gains."

Although a tax hit is likely in an all cash sale, "2008 is probably among the most tax-friendly times for it to happen," said Joe Hoffmeyer, senior vice president for wealth management at **First Bank**. He noted that the capital gains tax rate, now 15 percent, had previously been 28 percent, and may increase by 2010.

One possible approach for mitigating the tax is a donation to charity of appreciated securities. "There are still opportunities to gift a portion of the stock and lower the capital gains," said Christopher Lissner, president and general partner of **Acropolis Investment Management, LLC**.

Hoffmeyer said he's not yet had conversations with clients about charitable donations of appreciated stock, but thinks some of his bank's clients will donate stock before the transaction closes.

"Many of our clients have held A-B stock a long time," he said. "Some might face a large capital gains liability. This is an opportunity some of them may want to consider."

Block also noted that clients who are charitably inclined may donate appreciated securities and receive a tax deduction for the fair market value of the stock at the time of the donation. He pointed out that this type of tax strategy is done on a regular basis.

However, Terril said people have to understand that if they make such a donation, they're giving away their principal to take the tax writeoff. "Generally, if you are charitably minded, and can afford to give away some principal, then it's a good idea, but only if it fits both criteria," he said.

Another possibility for offsetting the capital gains tax is tax loss harvesting on individual positions in the market, Lissner said. Losses can be used to mitigate the capital gains taxes.

"This is a valid strategy," he said. "Ideally, it's done earlier in the year rather than later, but to the extent it can lower the basis (for computing capital gains), the more it makes sense. Time is still our friend in this. We're just in August."

An interesting footnote to the issue is the strong St. Louis identity of A-B and its reputation for community involvement. Hoffmeyer said that because of brand loyalty to A-B, some emotion may come into play.

Lissner said his company handles proxy voting for all the clients for whom it manages money. "We always vote for what we think is in the best economic interest of the client. But with A-B, we've sent out a letter to clients saying that if it's a personal issue, or if they want to voice an opinion on how we should vote, we will comply with their wishes. They can vote their heart on these."

Gil Stuenkel is a St. Louis freelance writer.