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Write On The Money

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Taxing Returns

The number of fraudulent tax returns filed because of identity theft increased 579% between 2002 and 2007. The Federal Trade Commission received more than 56,000 complaints in 2007 alone.

Source: Treasury Inspector General for Tax Administration, 2008

Inside:

To Your Health

The amount of money a 65-year-old couple will need to cover medical expenses over the course of their retirement has risen an average of 5.8% a year since 2002. A 65-year-old couple retiring in 2008 will need approximately $225,000 to cover their potential lifetime medical expenses.

2002	$160,000
2003	$170,000
2004	$175,000
2005	$190,000
2006	$200,000
2007	$215,000
2008	$225,000

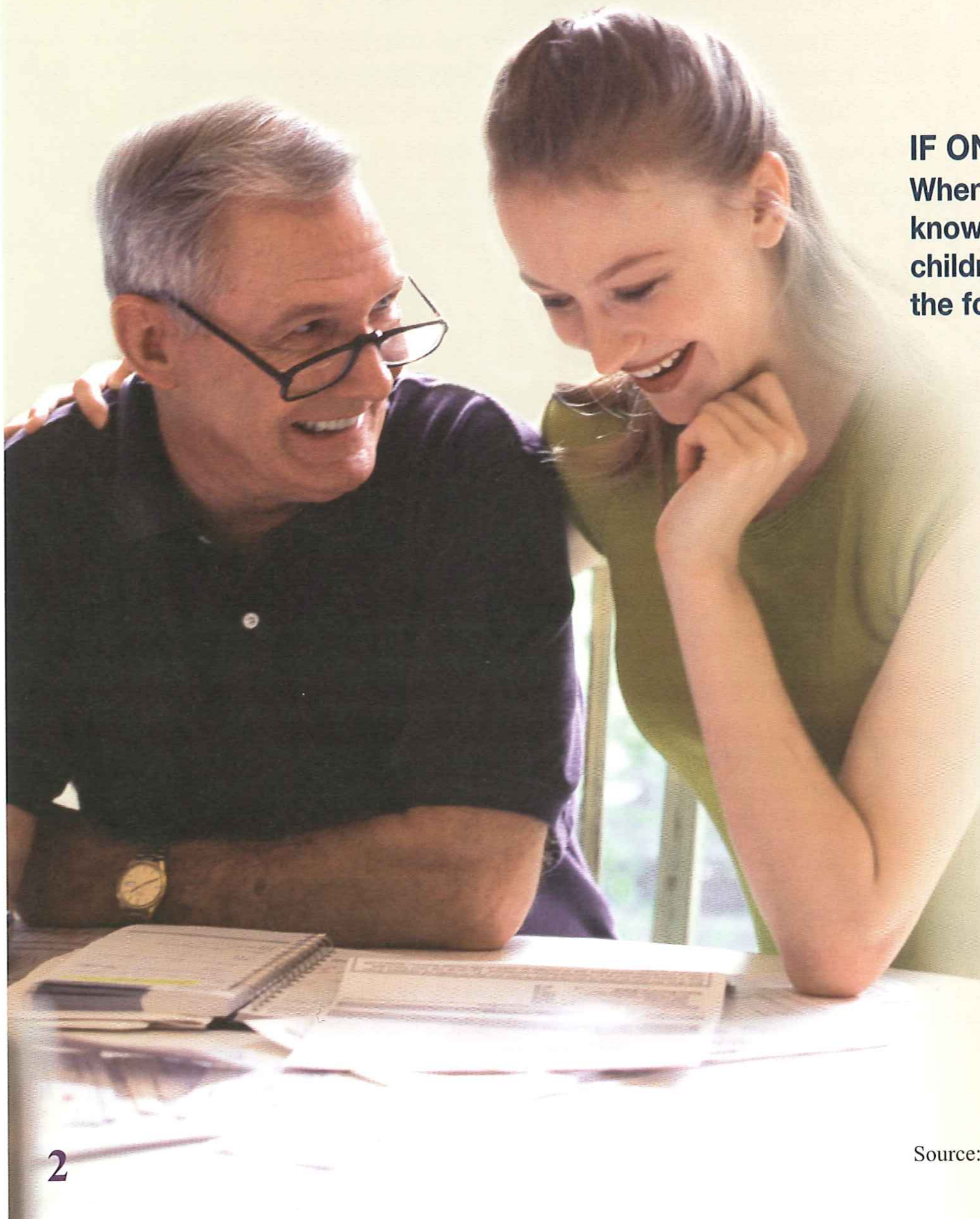
Source: *InvestmentNews*, March 17, 2008

Practical Insights for Your Financial Goals

Saving Their Education

Forty-six percent of parents saving for their children's higher education believe that they will never accumulate enough to cover the college costs.[1] Increasing college tuition places a bigger burden on some parents.

If you are a parent or a grandparent who wants to help family members pay for tuition and other school expenses, contributing to a tax-advantaged vehicle such as a Coverdell Education Savings Account or a Section 529 plan can be a great gift with lasting value.



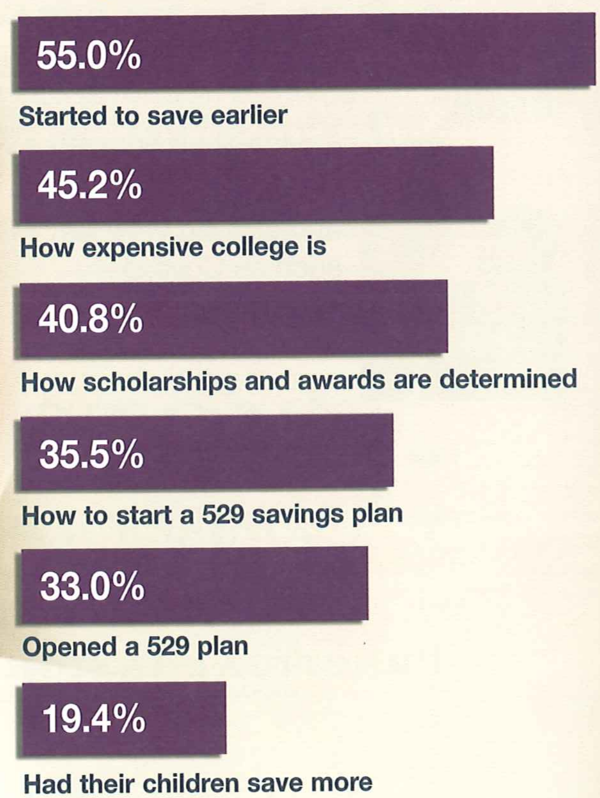
Coverdell Education Savings Account

Also called an ESA, this popular college savings vehicle allows you to contribute up to $2,000 annually per child (under age 18). Any earnings accumulate tax deferred, and withdrawals are free of federal tax if used for qualified education expenses (including tuition and associated fees; required books, supplies and equipment; and room and board). ESAs also offer flexibility, giving you the option of choosing your own investments. ESA funds can also be used to pay K–12 private-school costs (this provision expires on December 31, 2010, unless Congress acts to extend it).

To be eligible to contribute the full $2,000 annually, the donor must have a modified adjusted gross income that is less than $95,000 (single filer) or $190,000 (married filing jointly).

IF ONLY I KNEW THEN...

When surveyed about what they should have known and done when preparing for their children's college costs, parents responded with the following "wish I knew" items.



Source: *Best's Review*, August 2007

Section 529 Plans

These state-sponsored plans also allow tax-free withdrawals for qualified higher-education expenses. They have no donor income restrictions, and contribution limits are higher than a Coverdell ESA.

All states and the District of Columbia offer at least one of the two types of 529 plans: prepaid tuition plans and college savings plans. Prepaid tuition plans allow you to lock in tuition rates for in-state public colleges at current prices; 529 savings plans offer the opportunity to save money with more investment flexibility, but don't come with the guarantee of a prepaid tuition plan.

As with other investments, there are generally fees and expenses associated with participation in ESAs and 529 savings plans. There is also a risk that the plan investments may lose money or not perform well enough to cover college costs as anticipated.

The tax implications of a 529 savings plan should be discussed with your legal and/or tax advisors because the plans can vary significantly from state to state. Also note that most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers.

Before investing in a 529 savings plan, please consider the investment expenses, risks, charges, and expenses carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options and underlying investments, can be obtained by contacting your financial professional. You should read this material carefully before investing.

The cost of college is climbing steadily. Call today to discuss funding options that can help relieve the financial strain of putting kids through school.

1) *InvestmentNews*, February 25, 2008

Charity That Pays

If there's one thing Americans know about, it's the pursuit of happiness. According to a recent survey, spending money on ourselves offers no measurable boost in happiness, yet spending money on others or giving it to charity significantly raises levels of happiness and satisfaction with life.[1] It's no wonder that over 83% of all the money given to charity in America is donated by individuals.[2]

By organizing your giving, you can make it more effective, allowing your largess to benefit not only the intended charity, but potentially yourself and your heirs. Two popular ways to structure your giving are charitable lead trusts and charitable remainder trusts.

Charitable Lead Trust (CLT)

A CLT is set up to provide the designated charity with any income produced by the trust's assets during your lifetime. After you die, the remaining assets are distributed to your heirs. This type of trust can help reduce current income taxes on trust income, as well as gift and estate taxes on appreciated assets that are eventually transferred to your heirs.

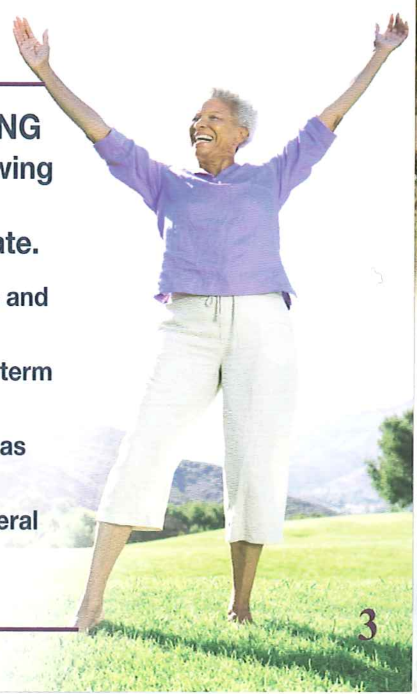
Charitable Remainder Trust (CRT)

With a CRT, you can make a donation to your favorite charity and avoid capital gains taxes on highly appreciated assets. You can receive a regular income from the trust for a set period or your lifetime. Afterward, the assets remaining in the trust are given to the charity. The assets you transfer to the trust may be partially tax deductible, and any appreciated assets sold by the trust are exempt from current capital gains.

Keep in mind that donations to both types of trusts are irrevocable; therefore, the assets cannot be withdrawn once the trusts are formed. Not all charitable organizations are able to use all possible gifts, so it is prudent to check first. The type of organization you select can also affect the tax benefits you receive.

The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate conservation professional and your legal and tax advisors before implementing such strategies.

1) LiveScience.com, 2008
2) Better Business Bureau, 2007



QUESTIONS TO ASK BEFORE DONATING

When investigating a charity, ask the following questions about its mission, goals, and programs before deciding whether to donate.

- **Can the charity clearly communicate what it is and whom it helps?**
- **Can the charity define its short-term and long-term goals?**
- **Can the charity tell you about the progress it has made toward its goals?**
- **What percentage of donations is spent on general administration versus the program's services?**

Source: CharityNavigator.org, 2006

Your Best Interest

When it comes to debt, people give themselves credit — lots and lots of credit. At the end of 2007, Americans owed $941.1 billion in credit-card debt.[1]

Successfully managing credit is crucial, but there are some arcane credit-card rules that may affect your balance, your interest rate, and even your credit score.

• **The more you use, the more you lose:** Your credit score is based in part on how much credit-card debt you have in relation to your credit limit. Experts recommend using no more than 10% of your available credit. Over 50% could actually reduce your credit score.[2]

• **Bare minimum:** About 60% of Americans carry a balance on their cards from month to month, including some who pay only the minimum required payment.[3] With a $2,000 balance and a 14% interest rate, paying only the minimum payment each month would take over 14 years to pay off the debt and the interest.[4]

• **Universal default:** If your credit-card agreement has a universal default clause, you could be hit with a higher interest rate if you are 30 days late paying any of your credit cards or other payments, such as your mortgage, car loan, and even your phone bill.

1, 3) CardTrack.com, 2007–2008
2, 4) CNN.com, 2008

THE COST OF A CREDIT CARD

By carrying credit-card debt over from month to month, not only is this hypothetical individual paying a significant amount of interest, but he or she is also missing out on the opportunity to pursue potential investment returns.

Credit-Card Debt

- **$10,000 balance**
- **14% interest**
- **$155 monthly payments**
- **10-year payoff**

Stock Investment

- **$155 monthly investment**
- **8% annual rate of return**
- **10 years**

$47,333 difference

This hypothetical example is used for illustrative purposes only and does not represent any specific investment or credit card. It assumes an 8% annual rate of return on the stock market investment and a 14% annual interest rate on the credit cards. It also assumes a 10-year repayment schedule for the credit-card debt with no new charges added. Actual results will vary. Investments with the potential for higher rates of return also carry a greater degree of risk of loss.

Are you worried about the costs associated with health care in retirement? Have you dedicated funds for this purpose? Please call today to discuss this and other financial matters.

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