

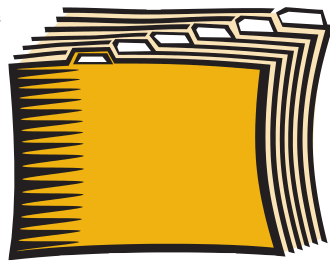
# TAX TIPS

2006 TAX TIPS NEWSLETTER

*Greetings! This issue of Tax Tips is full of practical things you can do to reduce your taxes and keep more of what you earn this year. If you have questions please call for a conference or appointment.*

## Tips for Deducting Charitable Contributions

The IRS reports that charitable contributions are up over 6% from last year. With so many more giving and so many more in need due to recent disasters, a few tips are in order to help ensure you get the most from your donations.



**Tip 1 Consider donating appreciated stock versus writing a check.** Donations of stock are usually valued at the fair market value of the property and not what you paid. This means a stock that cost you \$1,000 and is now worth \$5,000 is treated as a \$5,000 donation and not a \$1,000 donation. Even better, by donating the stock you also avoid paying tax on the capital gain!

**Tip 2 Know who you're donating to.** For tax reasons you want to make sure the organization is a qualified organization. It is also important to know what type of qualified organization it is if your total contributions for the year approach 20% of your income. This is because the IRS limits the amount of contributions you can make in any one year based upon your income, the type of contribution (cash; non-appreciated property; and appreciated long-term capital gain property), and who you donate to (church, public charity, or private foundation).

**Tip 3 Know how the charitable group uses its funds.** While not purely a tax question, many clients want to feel their money is being put to good use. Useful web sites that measure the efficiency of your charitable dollar can be found at [www.charitynavigator.org](http://www.charitynavigator.org) and [charityguide.org](http://charityguide.org).

**Tip 4 Maximize your vehicle contribution.** Donating your used car or truck to the wrong charitable organization could cost you thousands on your tax return. Because of widespread inflation of used car values on tax returns, the law now states that you may only deduct what the charitable group actually receives from your used car (if they resell the vehicle) AND NOT the car's fair market value. The exception is if the charitable group uses the vehicle themselves OR substantially improves the vehicle (i.e. a charitable group that teaches unemployed how to become auto body specialists). The charitable group is required to provide you with a statement of value (Form 1098C or equivalent).

**Tip 5 Document.** Make sure you keep good records of all your cash and non-cash contributions. If donating property; make a list of the items being donated, take a photo of the items, and establish a value using an approved method (like thrift shop value). Not sure what to value the item? Go to Salvation Army's web site for a list of the values they use for their donated items.

**Tip 6 Mileage.** You may deduct your travel expenses (mileage, tolls, fares and parking) to and from drop off locations when you make non cash contributions or when you go to a qualified organization or event to volunteer.

**Tip 7 250/500/5000.** Remember these three numbers when making contributions. For a charitable contribution of \$250 or more, you can claim a deduction only if you obtain a written acknowledgment from the qualified organization. If you have \$500 or more in contributed property (non-cash), an IRS Form 8283, Non-cash charitable contributions, must be completed and accompany to your return. Finally,

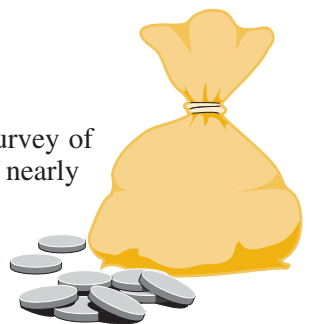
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## Retirement: Got Enough?

According to the 16th annual Employee Benefit Research Institute's (IBRI) Retirement Confidence Survey of 2006, while a majority of U.S. workers think they'll be able to retire comfortably; most aren't saving nearly enough to meet that goal.

The survey found about 68 percent of workers are confident about having adequate funds for a comfortable retirement. Yet, more than half of all workers say they've saved less than \$25,000 toward

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## Retirement: Got Enough?

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retirement. Even among workers 55 and older, more than 40% have retirement savings under \$25,000.

This apparent over confidence in workers' retirement savings is concerning to experts at a time when corporate pensions and retiree health insurance programs are disappearing across the country. And it is no secret the Social Security system will be strained without an overhaul. The table below shows the results of the 1,250 interviews in the survey.

**Retirement Confidence Survey 2006**

Amount of Retirement Savings	% of all Workers	% of Workers 55 & over
Less than \$25,000	53	42
\$25,000 – \$49,999	12	8
\$50,000-\$99,999	12	12
\$100,000-\$249,999	11	12
\$250,000 or more	12	26

Note: Survey results are from 1,250 interviews and have a statistical error range of 3%.

What can you do to better your chances of a financially sound retirement?

**Tip 1** Whenever possible take full advantage of your employer-sponsored retirement savings plans to maximize your contribution and the employer match if there is one.

**Tip 2** Understand what tax advantaged retirement accounts are available to you. Popular employer sponsored plans allowing pretax contributions are: 401(k), 403(b), 457 and SIMPLE plans. And new this year, is a Roth 401(k) allowing after tax contributions, an employer match and tax-free withdrawals at retirement. Tax deferred plans

are also available to the self-employed. SEP IRA, Simple and Traditional/Roth IRAs are among the more popular.

**Tip 3** Determine if you are saving enough for a comfortable retirement based upon your age, savings and income. Most people do not take the time to see just how well positioned they are for their retirement.

**Tip 4** A good rule of thumb is to plan to have annual retirement income of 70% to 85% of the income you receive in the years before retirement.

Your Social Security benefit, any pension payouts and income from retirement savings are the most common sources of income to comprise the 70 to 80%.

**Tip 5** Given the extended life span of today's retirees, experts are suggesting withdrawal of no more than 4% to 6% of your retirement savings per year.

If you would like to discuss your retirement savings plans and the many tax-favored programs available, feel free to call.



## Tips for Deducting Charitable Contributions

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donating an item or a group of similar items valued at more than \$5,000 must have an appraisal by a qualified appraiser.

**Tip 8** Lastly, set up a file for your charitable giving at the beginning of each year. Place all receipts and records for charitable giving

in the file. Make a running list of cash donations and the value of goods and services received from the charity for your donation. If you're like most of us, you'll be surprised at the level of your giving that before meticulous tracking was not being captured.

## Mortgage Points

The term "points" is used to describe charges paid to obtain a home mortgage. In some areas they are called loan origination fees, loan discounts or discount points. These fees may or may not be deductible on your tax return.

- Points paid to obtain an original mortgage loan to acquire your home may be deducted on your tax return in the year you paid them.
- But points paid solely to refinance your home mortgage usually must be deducted over the life of the loan using the following calculation:

$$\text{points paid} / (\# \text{ of total payments of loan} \times \# \text{ payments made each year})$$

What many people do not realize is that points paid to refinance your mortgage can be deductible.

**Tip 1** If part of the refinanced mortgage money was used to finance improvements to your home the points associated with the home improvements may be deductible in the year the points were paid.

**Tip 2** If you are refinancing a mortgage for a second time, the balance of points paid for the first refinanced mortgage that have not yet been deducted may now be fully deducted.

Closing costs such as appraisal fees and other non-interest fees generally are not deductible. If your income is above the phase-out threshold, you could lose all or some of the deduction for points. It's important to retain all of your closing documents for future reference and tax filings whenever you purchase, refinance and sell your home(s).

*This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.*