

FINANCIALink

Your Money Management Newsletter



Gregory Taranto, CPA

TARANTO FINANCIAL SERVICES & CPAs



1263 Route 31 • Lebanon, NJ 08833
 (908) 730-7211 • Fax (908) 735-5524
 Email: gtaranto@americanportfolios.com
 www.TarantoAssociates.com

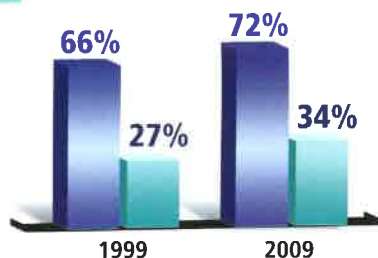
SnapSHOTS



RETIREE WORKFORCE

Although many workers plan to continue working in retirement, a much lower percentage of retirees actually end up working in their retirement years. Many are forced to leave the workforce earlier than they expected as a result of job changes or for health reasons.

 Workers who plan to work for pay in retirement
 Retirees who actually worked in retirement



Source: 2009 Retirement Confidence Survey, Employee Benefit Research Institute

Up FRONT

67% of taxpayers filed their returns electronically in 2009, an increase of 168% over the past decade.

Source: Internal Revenue Service, 2009



Quick HITS

Donations by individuals accounted for 75% of the more than \$307 billion given to charity in 2008.¹

Thirty-nine percent of self-employed workers are “completely satisfied” with their jobs, compared with 28% of all wage or salaried employees.²

More than half (56%) of Americans say the most recent economic downturn has made it more important to have life insurance.³

Forty-six percent of employees who left their jobs in 2008 cashed out their 401(k) plans.⁴

The top financial goal for 50% of investors in 2010 is to rebuild their portfolios.⁵

Sources:

- 1) *The Wall Street Journal*, November 9, 2009
- 2) Pew Research Center, 2009
- 3) Life and Health Insurance Foundation for Education, 2009
- 4) CNNMoney, October 28, 2009
- 5) *Money*, December 2009

Securities Offered Through:

American Portfolio Financial Services, Inc., 1263 Route 31, Lebanon, NJ 08833, Member FINRA/SIPC.

Practical insights for your **FINANCIAL GOALS**

Getting Something **FOR GIVING**

Americans are very generous when it comes to causes they believe in. In fact, donations by individuals accounted for 75% of the \$307.7 billion given to charity in 2008.¹ Religious groups, educational institutions, and grant-making foundations were among the top donation recipients.²

If you are interested in making the most of your own charitable gifts, setting up a charitable trust may offer your family and your favorite charity some benefits that you hadn't considered.

CHARITABLE REMAINDER TRUST

A grantor who places money, securities, property, and other assets in a charitable remainder trust can designate an income beneficiary, even if it is the grantor herself, to receive payment of a specified amount (at least annually) from the trust. At the end of the trust period, which can be for a certain number of years or for the rest of the grantor's lifetime, the designated charity receives the "remainder" assets, as the name implies.


One key benefit of this strategy is that if the trust is properly executed, you can donate highly appreciated assets without incurring a capital gains tax liability. This may enable you to leverage your gift by donating that portion of the asset value that might otherwise have been consumed by taxes. You may also qualify for an income tax deduction on the estimated present value of the remainder interest that will eventually go to charity.

CHARITABLE LEAD TRUST

A charitable lead trust takes a nearly opposite approach. The grantor places assets in the trust, which pays an income to the charity. At the end of the trust period, the remaining assets are paid to the grantor or the grantor's beneficiaries. This can help reduce, or in some cases even eliminate, estate taxes on appreciated assets that eventually go to the grantor's heirs. The appeal here is that the family can use the assets that might otherwise create a tax liability to benefit a charity without ultimately surrendering control of the assets.

Bear 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. 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 before implementing such strategies.

Charitable trusts may help your charity of choice while also providing you with potential tax benefits. Call today to discuss your need for a planned giving strategy.



The Fairer (and More Charitable) Sex

Affluent U.S. and U.K. women give an average of **2.3%** of their net investable assets to charity each year, compared with **1.3%** donated by affluent men.

Source: *Journal of Financial Planning*, October 2009

Life and TAXES

In a 2009 Gallup poll, 46% of respondents indicated that the amount of income tax they pay is too high. Although this figure is down from a high point in the late 1990s, the percentage of taxpayers who think taxes are too low has remained below 4% over this 10-year period.¹

Just about any financial transaction can have tax consequences. However, you may be able to find some relief from a surprising source. Life insurance, whether term or permanent, not only helps protect your family from the financial repercussions of an unexpected death, but it offers some tax benefits as well.

TERM POLICY

An individual term life insurance policy remains in force for a specific period of time and pays a death benefit if the insured dies during the term. The policy doesn't accumulate any cash value and has no residual value if allowed to lapse.

The death benefit paid to the beneficiary is not considered income and therefore is not subject to income taxes. Furthermore, if the insured person does not own the policy, the death benefit is not

considered part of the insured's estate for the purposes of calculating estate taxes.

PERMANENT POLICY

Like a term policy, permanent life insurance offers a death benefit that is generally not taxable as income. However, a permanent policy also has the potential to accumulate cash value during the insured's lifetime. As a result, there are some unique benefits to permanent policies that may have potentially favorable tax consequences.

Premiums paid into a permanent life insurance policy help build cash value, which can be withdrawn (up to the amount of the premiums) by the policyowner; these withdrawals are not subject to income tax. In addition, loans can be taken against the policy's cash value, and these amounts are free of income tax.

However, withdrawals and unrepaid loans will reduce the policy's cash value and death benefit.

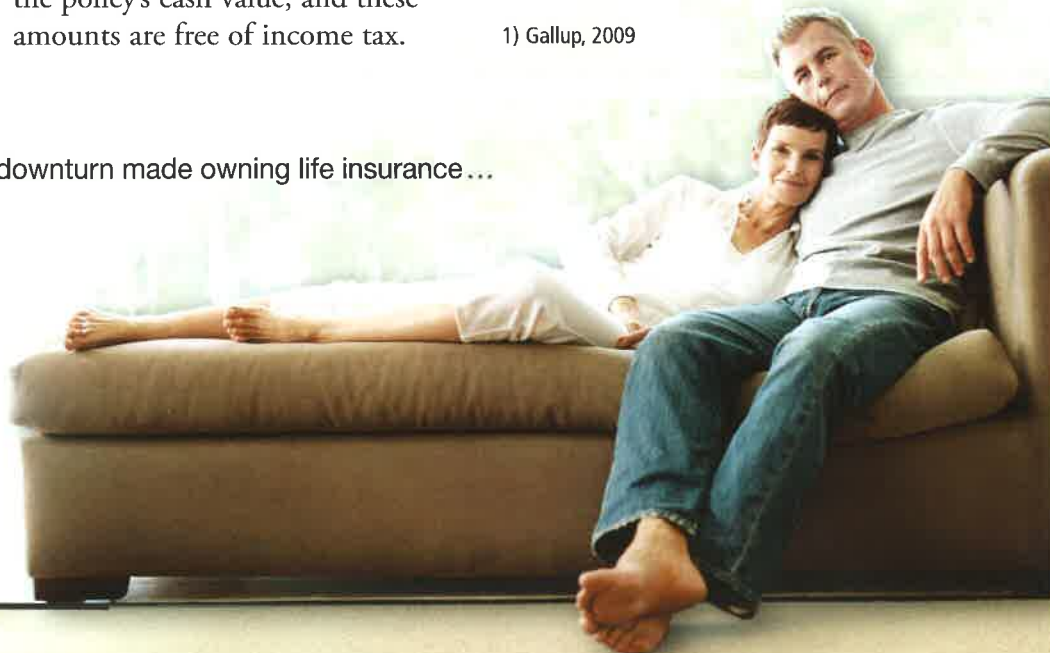
The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. Any guarantees are contingent on the claims-paying ability of the issuing insurance company.

1) Gallup, 2009

Craving Coverage

Consumers said the recent economic downturn made owning life insurance...



An Average **WAY TO INVEST**

Market volatility over the past few years may have caused you to question the reliability of standard investing methods. However, as you can see from the chart below, an old standby like dollar-cost averaging might have helped make the most of a highly volatile period.

Dollar-cost averaging calls for investing a fixed amount in a particular security, such as a mutual fund, on a regular basis, usually monthly. In theory, you buy more shares when prices fall and fewer shares when prices rise. The result can be a lower average cost per share.

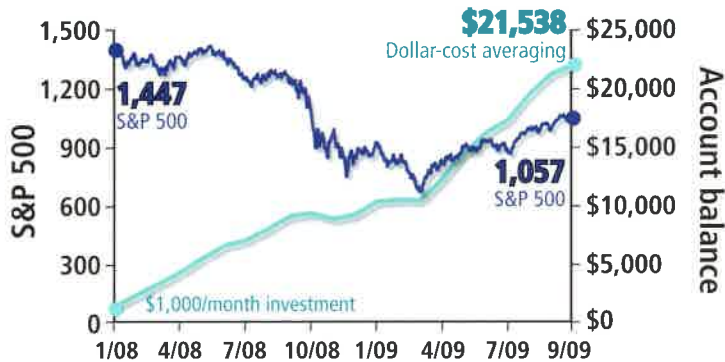
Although dollar-cost averaging is hardly foolproof, consider how it might have worked in this hypothetical scenario. Beginning in January 2008, a hypothetical investor invested \$1,000 per month in a mutual fund that tracked the S&P 500. By the end of the third quarter of 2009, he had contributed \$21,000 and his account had

grown to \$21,538. His hypothetical 2.6% investment return seems fairly meager until you consider that the S&P 500 stock index lost 20% during this period.

Dollar-cost averaging does not ensure a profit or prevent a loss. Such plans involve continuous investments in securities regardless of fluctuating prices. You should consider your financial ability to continue making purchases during periods of low and high price levels. However, this can be an effective way for investors to accumulate shares to help meet long-term goals.

The return and principal value of mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.



Sources: Yahoo! Finance, 2009; Thomson Reuters, 2009. S&P 500 Composite Index (total return) for the period 12/31/2007 to 9/30/2009. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.



The information in this newsletter is not intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. This material was written and prepared by Emerald. Copyright 2010 Emerald.

Now may be a good time to reassess whether you are on track to pursue your retirement savings goals. Call today to develop a strategy to help navigate your way toward a comfortable retirement.

Working toward a better financial future,