

# FINANCIALink®

Your Money Management Newsletter



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## Quick HITS

**The IRS** received 143,607,800 personal income tax returns for fiscal year 2011.<sup>1</sup>

**About 15%** of Americans provide care for aging parents, other relatives, or friends.<sup>2</sup>

**The unemployment** rate in 2011 was 16.3% for young adults aged 18 to 24, compared with 8.8% for all adults aged 18 to 64.<sup>3</sup>

**Health-care spending** in the United States grew by 3.9% in 2010 and 3.8% in 2009, the slowest growth rates in the 51 years that the federal government has been tracking national health expenditures.<sup>4</sup>

**The average** American factory worker produces about \$180,000 worth of goods per year — more than three times the production level in 1978.<sup>5</sup>

1) Internal Revenue Service, 2012  
 2) *InvestmentNews*, May 28, 2012  
 3) Pew Research Center, 2012  
 4) Centers for Medicare & Medicaid Services, 2012  
 5) *The New York Times*, April 3, 2012



## Up FRONT 8.6 million

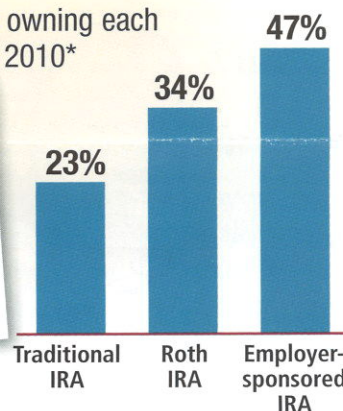
Number of American households with a net worth of \$1 million or more in 2011 (not including home equity), equivalent to about 7.3% of all American households

Source: *The New York Times*, May 10, 2012

## SnapSHOTS

### ARE YOU CONTRIBUTING?

Percentage of U.S. households owning each type of IRA who contributed in 2010\*



\*Households may own more than one type of IRA.

Source: Investment Company Institute, 2011

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Practical insights for your **FINANCIAL GOALS**



# His and Her **RETIREMENT CONCERNS**

It's no secret that men and women are different, so it may not be surprising that they have different priorities when planning for retirement. Men often tend to focus on financial nuts and bolts, whereas women may place more emphasis on lifestyle issues (see chart).

In fact, a comfortable retirement requires attention to both of these concerns: a solid financial base and a lifestyle you can both enjoy. If you and your spouse are focused on different retirement issues, you could use those differences as an "agenda" for discussion. Here are some ideas to get you started.

## DISCUSS RETIREMENT TIMING

A recent study indicated that 62% of couples disagree on the timing of their retirements.<sup>1</sup> Your retirement date may depend on many factors, including your job, health, retirement savings, and personal goals — and these factors can become more complicated when two people are involved. Another study suggested that only 16% to 20% of couples retire in the same year.<sup>2</sup>

Despite these challenges, it's important to project an approximate retirement date for each of you, whether it's the same day or several years apart.

## TALK ABOUT YOUR FINANCES

Once you have projected your potential retirement dates, try to estimate the income you might expect based on your current savings strategy. One approach is to calculate the total principal you might accrue based on your current contributions and a reasonable rate of return. Then calculate how much you could withdraw each month without reducing the principal.

Of course, the longer you work and contribute to your retirement savings, the more time you have for your savings to pursue growth. Your Social Security benefits would also typically be higher the longer you wait to claim them (up to age 70). Be sure to learn more about Social Security options that are available for married couples.

## SHARE YOUR LIFESTYLE IDEAS

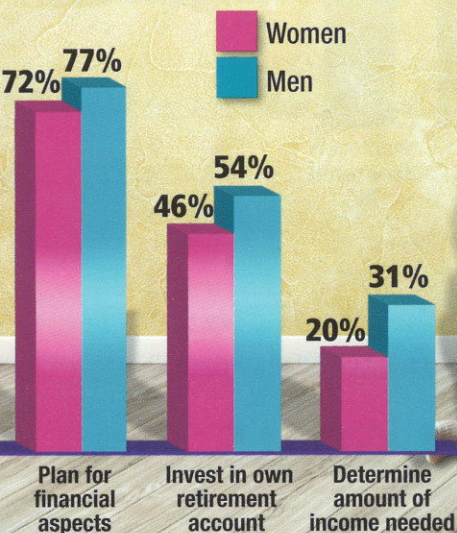
To help avoid misunderstandings, each of you should clearly express your goals for the kind of life you look forward to in retirement. Do you or your spouse want to work part-time? Do you plan to stay in your current home, or would you like to move closer to family, friends, or other retirees? How might your health affect your lifestyle? What kinds of activities would you like to pursue? These are just a few questions to ask; you and your spouse may have many more.

Of course, the choices you have for your retirement lifestyle may depend on your financial situation. That's why it's so important to share your concerns now and work together to pursue your goals. With clear communication and realistic planning, you could potentially enjoy a retirement that fulfills *both* of your expectations.

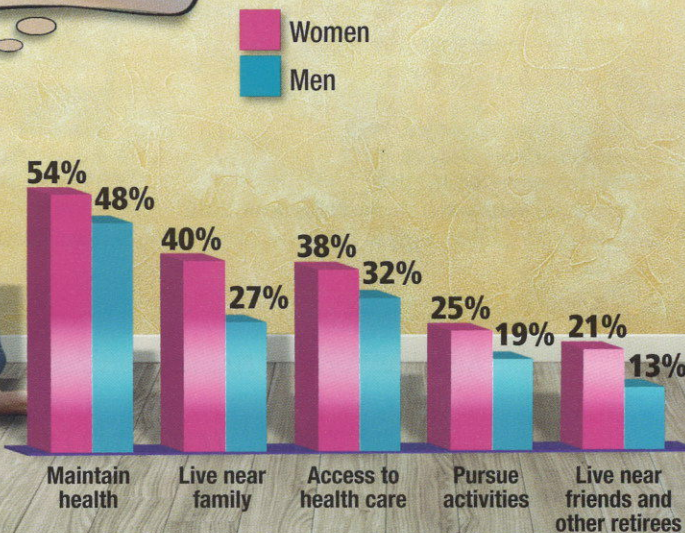
1-2) *The Wall Street Journal*, April 9, 2012

## What Matters to You?

Percentage of adults aged 40 to 75 who say they have done the following to prepare for retirement



Percentage of adults aged 40 to 75 who consider the following to be a retirement priority



Source: *Journal of Financial Planning*, April 2012



# THE DOW *Then and Now*

If you're like most investors, you probably pay at least some attention to the Dow Jones Industrial Average (DJIA). For more than a century, the Dow has been a symbol of the U.S. stock market. It's so ingrained in American financial thinking that you may not have stopped to consider what it represents and how accurately it may reflect broad market trends.

## TRACKING AMERICAN INDUSTRY

The DJIA was established in 1896 by Charles Dow, the *Wall Street Journal* editor who co-founded Dow Jones & Company with statistician Edward Jones. The original DJIA was composed of 12 industrial stocks, and the average was exactly that — a simple average of the 12 stock prices. On its first day of publication (May 26, 1896), the DJIA stood at 40.94. That summer it dropped to 28.48, the lowest point on record.<sup>1</sup>

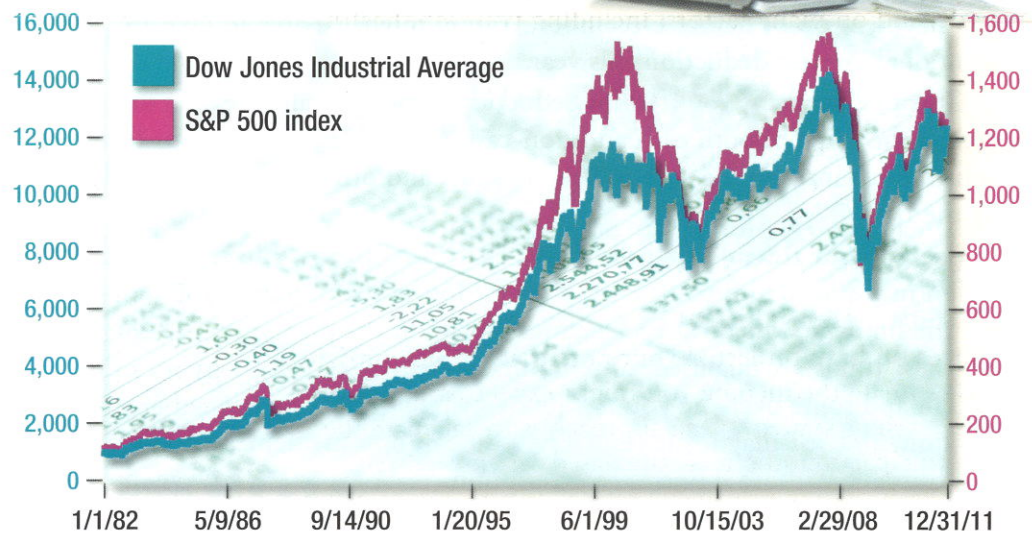
The Dow was expanded to 20 stocks in 1916 and to 30 in 1928. At the same time, a divisor was introduced to adjust for stock splits, distributions, and substitutions — making the DJIA a market index rather than an average.<sup>2</sup>

## THE DJIA TODAY

The Dow still comprises 30 stocks, but its composition has changed to reflect the evolution of the American economy from industrial production to services. Whereas the original DJIA was made up of “smokestack” companies that produced products such as sugar, rubber, coal, and gas, the current Dow includes companies that offer insurance, banking, communications, and entertainment. General Electric is the only survivor from the original DJIA.<sup>3</sup>

Despite these changes, the Dow remains a measure of large, well-established American corporations. It does not reflect the performance of small or mid-sized companies or companies outside the United States. These trends may be measured by

## Tale of Two Indexes



Source: Yahoo! Finance, 2012, Dow Jones Industrial Average and S&P 500 index for the period 1/1/1982 to 12/31/2011. 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. Investments seeking to achieve higher rates of return also involve a higher degree of risk.

other indexes that do not always move with the Dow.

Yet even with its small sample size of just 30 stocks, the DJIA is surprisingly in tune with larger market trends. The S&P 500 index, which represents a much broader sample of large companies, generally moves in a similar pattern with the Dow (see chart). The performance of an unmanaged index is not indicative of any particular investment, and individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary.

Of course, what probably matters more to you is the long-term perfor-

mance of your own investments. It's generally not a good idea to let daily changes in the Dow influence your investment decisions. It may be wiser to develop an appropriate strategy for your personal situation and risk tolerance, and allow your investments to pursue growth over time.

One lesson to learn from the long history of the Dow is that the American economy keeps on growing. Since its debut at 40.94 on May 26, 1896, the Dow had gained more than 30,000% by May 26, 2012, when it reached 12,454.83.<sup>4-5</sup>

1-4) Dow Jones Indexes, 2012  
5) Yahoo! Finance, 2012



# End-of-Year TAX TIPS

The end of the year is fast approaching, so now may be a good time to start thinking about steps that could help reduce your 2012 income tax liability. Of course, before you take any specific action, be sure to consult with your tax professional.

**Consider income timing.** Some tax experts recommend deferring income to the next tax year, if possible, to help lower gross income. The situation this year is more complicated because federal income tax rates are scheduled to be higher in 2013. Congressional action on taxes may not become clear until the new Congress takes office after the first of the year.

**Examine your capital gains and dividend strategy.** The favorable tax rates on capital gains and dividends are scheduled to expire after 2012. Because the future of these provisions is uncertain, you may want to reconsider your strategy before the end of the year.

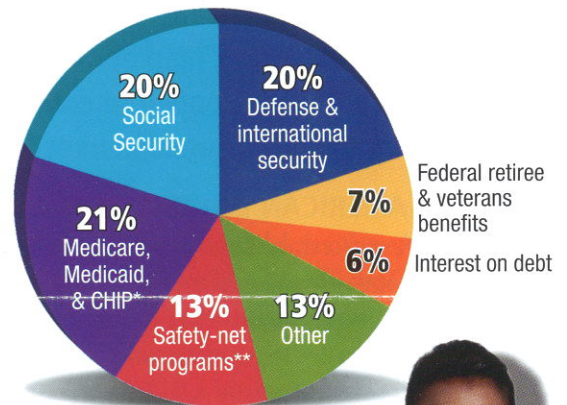
**Make your January mortgage payment early.** If you make next year's first payment on or before December 31, you might be able to take an additional interest deduction this year.

**Give to charity.** If you itemize deductions, you typically are able to deduct the value of both cash and non-cash charitable contributions from your taxable income. Be sure to keep receipts and other records required by the IRS.

**Use up your flexible spending account (FSA) funds.** Although this action may not reduce your taxes, you risk losing the money if you don't use the funds in a medical FSA before the end of the plan year. You can use these funds for qualified, unreimbursed medical expenses, including insulin and some over-the-counter items such as bandages, contact lens solution, and self-diagnostic tests. Over-the-counter medicines are not reimbursable without a doctor's prescription.

## Where Tax Dollars Go

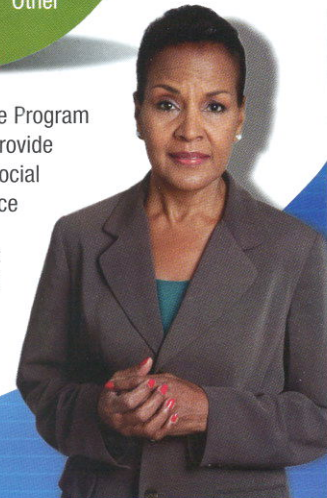
Breakdown of federal spending in fiscal year 2011



\*Children's Health Insurance Program

\*\*Domestic programs that provide hardship aid, other than Social Security or health insurance

Source: Center on Budget and Policy Priorities, 2012



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*Clear communication is important with any long-term strategy. Call today to discuss whether your current financial approach is in step with your lifestyle goals.*

*Working toward a better financial future,*