The Coleman Comment

January 2011

Timely tips and fiscal facts from Coleman Financial Group that help you *Build Confidence in Your Financial Future*.

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2010 Tax Relief Act Update

We start off another New Year with a focus on taxes.

As the financial crisis of 2008 continues to fade, the road to recovery still requires some deft maneuvering.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, also known as the 2010 Tax Relief Act is part of the ongoing economic stimulus.

Although these measures are temporary there are several savings opportunities for individuals and businesses.

Here are just a few provisions of the Act:

*Individual tax rates remain the same for 2011 and 2012. Marginal rates remain at 10, 15, 25, 28, 33 and 35%. (without the extension the top rates would have been 36% and 39.6 %.)

*Dividends on capital gains remains at 15%

*Payroll tax cut for employees. The employee share of the payroll tax is reduced from 6.2% to 4.2% of wages in 2011 (up to total wages of $106,800) -- a savings of 2% of

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income. For self employed the reduction is also 2% (from 12.4% down to 10.4%)

*Tax free distributions from IRAs to charities. If you are age 70 ½ and older, you can make a direct contribution from your IRA to a public charity. Although it doesn't qualify as a charitable deduction, there is no income tax on the distribution. The contribution does count toward your annual Required Minimum Distribution (RMD.) This provision applies for 2010 and 2011.

*Federal Estate Tax. For decedents dying after 12/31/2009 and before January 1, 2013, the new exclusion amount (amount excluded from estate taxation) is $5 million, and the maximum estate tax rate is 35%. A new portability feature for spouses has been added - if the entire exemption is not used at the death of the first spouse, the remaining amount can be added to the surviving spouse's exemption amount.

For more information on the 2010 Tax Relief Act visit http://finance.senate.gov/legislation/

Get Real With Your Retirement Planning in 2011

Kick off the New Year with an eye toward a more financially secure future.

One of the big lessons learned (or re-learned for many of us) from what is now being called the "great recession" is that investment risk is real - our portfolios may lose value for a period of time. And, losing value when we're close to or in our retirement years can significantly alter our goals and lifestyles.

However, there's another risk that can massively impact our portfolios; the savings shortfall risk - we may still not be saving enough for our retirement needs.

Lower savings rates of 3, 4 and 5% of income are not enough. And, when we're not saving or contributing higher amounts to begin with, we may take on riskier investing behavior in an attempt to make-up for our savings shortfall. In the end, that's a losing proposition - more like gambling, not prudent investing.

There may be several reasons for the savings shortfall:

We think we can't save any more money now because of other debts and financial obligations.

We don't have any idea how much income we'll need for our retirement lifestyle and lifetime.

We don't adequately understand our investment options at work or utilize additional investment vehicles.

We don't fully understand the financial risks we may face in retirement.

Combine the savings shortfall with other factors like fewer company pensions, longer life expectancies, rising healthcare costs, inflation, taxes and stock market volatility, and the potential for running out of money in retirement becomes more of a reality.

According to the Employee Benefit Research Institute 2010 Retirement Readiness Rating™ "nearly 50% of Baby Boomers are 'at risk' of not having sufficient retirement resources to pay for basic retirement expenditures and uninsured health care costs."

So, how can you get real with your retirement planning in 2011?

- Run the numbers. Studies indicate that retirees will need to replace 70%-90% of pre-retirement income to maintain their current standard of living. That's a good general rule of thumb to start with. However, if you are closer to retirement (if you're 55 or older) you want to consider more detailed projections of your retirement income sources, expenses and your portfolio risk and returns.

- Track your current cash flow. Review your budget for any black holes where you may be overspending.

- Maintain a cash cushion. Liquidity (easy access to cash) can provide a greater sense of stability during volatile financial times. Maintain cash savings to cover living expenses for both short term emergencies (4+ months) and longer economic downturns (12 months or more.)

- Invest more in your employer sponsored retirement plan. Take advantage of the pre-tax benefit of your 401(k) or other employer plan. The maximum contribution you can make in your 401(k) in 2011 is $16,500, with a catch-up provision of an additional $5,500 if you're age 50 and older.

- Utilize additional investment and insurance vehicles. Investment growth and income, guaranteed income sources and asset protection are important financial strategies in retirement planning. Where suitable for your situation, consider using Roth IRAs, tax-efficient managed accounts, annuities, alternative investments, and insurance products.

Getting real with your retirement planning is not a once-and-done activity, but rather an evolving process. You should consider getting help - using online calculators, employer resources and/or working with a professional financial advisor.

Failing to plan means planning to fail. Let's plan, save, and invest more now, for a more financially secure retirement future.

If you have any questions or need help with your retirement planning strategies, contact Coleman Financial Group.

Retirement Plan Contribution Limits

Retirement plan and IRA contribution limits for 2011

401(k), 403(b), 457(b) plans:

Elective Deferrals - $16,500

Catch-up contributions - $5,500 (individuals age 50+)

SIMPLE Plans

Elective Deferrals - $11,500

Catch-up contributions - $2,500 (individuals age 50+)

Individual Retirement Accounts
(Traditional and Roth)

Maximum Contribution - $5,000 (subject to income limits)

Catch-up contributions - $1,000 (individuals age 50+)

Taking Care of Business Today

Taking Care of Business Today is an educational conference call series for business owners.

On the calls we cover management, protection and succession issues that can help you maximize the long term value of your business.

Our guest speakers are business owners, industry specialists and professionals who share their knowledge and offer valuable resources that you can use in your business today.

Please join us on Tuesday February 8th, 2-3pm for our next call with guest speaker Wendy Merrill. Our topic is Business Insurance - the 5 red flags to lookout for with your policies.

To access the call:

Dial: 1-218-632-9762
Access Code: 236747#

Visit the **TCBT call archive** for all of our previous calls - you can listen from any computer or download to an mp3.

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