



EYE
MONEY

MAR/APR 09

**Guide to
Long Term Care Insurance**

Plus:

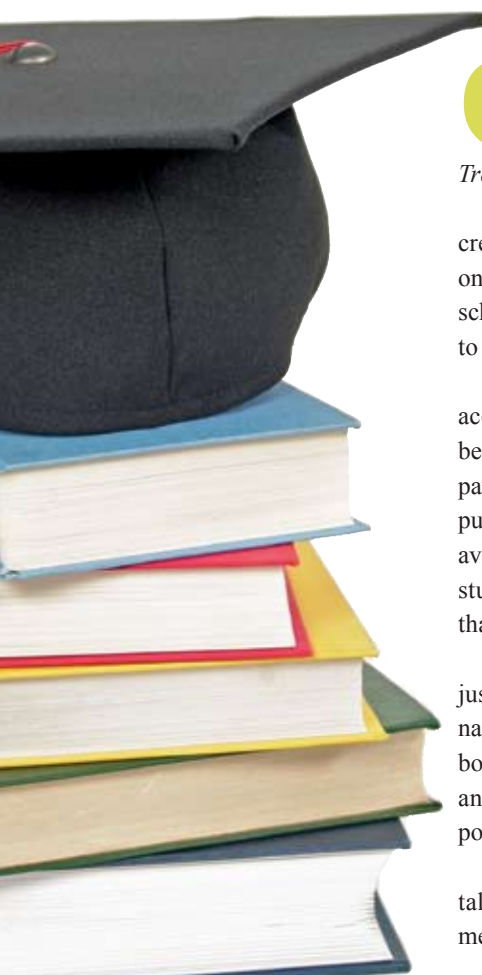
Tapping Your 401(k) at Retirement

Putting Your Financial Life in Order
after a Spouse Dies

SOURCES OF EDUCATION FUNDING

What Does It Cost to Attend College?

College tuition for 2008-2009 increased in step with inflation.



College tuition for 2008-2009 rose just slightly faster than the 5.6 percent increase in the Consumer Price Index, according to the College Board report *Trends in Student Pricing 2008*.

Public four-year in-state colleges and universities increased their published prices for tuitions and fees by \$400 on average to a total of \$6,600 per year. Private four-year schools increased their published prices by \$1,400 on average to a total of \$25,100 per year.

Keep in mind that students rarely pay the published price, according to the College Board, thanks to grants and tax benefits. The College Board estimates that students actually pay an average of \$2,900 per year for tuition and fees at a public four-year in-state college—that is \$3,700 less than the average published price. And at private four-year colleges, students pay an average of \$14,900 per year, \$10,200 less than the published price.

Of course, there are more costs to attending college than just tuition and fees. The College Board finds that students nationally pay an average of about \$8,000 for room and board (whether they live on campus or not), \$1,100 for books and supplies, and \$3,000 for other expenses, such as transportation and miscellaneous living expenses.

If you have a child who will be attending college, please talk with your financial advisor about developing a plan to meet college expenses. ■

SAVINGS

Ideally, your family has been setting money aside for college over the years. Except for free money from scholarships and grants (which you cannot count on), savings are the most cost-effective way to pay for college.

SCHOLARSHIPS

Thousands of scholarships are awarded to students each year by governments, businesses, and schools based on the student's academic performance, financial need, athletics, career aspirations, or other criteria.

GRANTS

Grants do not need to be repaid and are generally based on financial need.

EDUCATION LOANS

Education loans are available to students and parents. Loans subsidized by the federal government are available based on financial need and repayment does not begin until after college. Unsubsidized federal loans are not based on financial need. Private student loans are available from sources other than the federal government.

HOME EQUITY LOANS

You may be able to borrow against the equity in your home to pay college costs.

IRA WITHDRAWALS

Although IRA savings are intended for retirement, penalty-free withdrawals are allowed if used to pay for education. You may owe state and federal income tax on the withdrawal. And you may throw your retirement savings off track.

Please talk to your financial advisor about the best way to handle college expenses. ■

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10 REASONS TO CONSIDER A 529

529 COLLEGE SAVINGS PLANS

State-sponsored 529 plans have helped millions of American families save for college.

1 Tax-free growth. Earnings grow tax-free while in a 529 savings account.

2 Tax-free withdrawals. Withdrawals are exempt from federal taxes if used for qualified higher education expenses, such as tuition, fees, and generally room and board.

3 Possible perks from your state. Your state may offer state tax breaks and other benefits (for example, reduced or waived program fees, matching grants, and scholarships to state colleges) for choosing its 529 savings plan.

4 No income restrictions on who can contribute. Even high-income individuals can make use of 529 plans—and enjoy the full tax benefits.

5 You are in control. You maintain control of the account, not the student.

6 You can reclaim the funds. The account owner generally can reclaim the funds in the account for his or her own use. (You will owe income tax and a 10-percent penalty on the earnings.)

7 You can change beneficiaries. If Junior decides not to go to college, you can name a member of his family as the new beneficiary of the account.

8 Gift tax advantages. A special tax rule that applies only to 529 plans allows you to contribute five times more than normal in a single year—that's \$65,000

in 2009—to a 529 plan without your gift being subject to gift taxes. (You cannot make additional gifts to that individual for five years.)

9 Low impact on financial aid eligibility. When determining eligibility for financial aid, the savings in a 529 account are generally treated more favorably than savings in a regular account held in the student's name.

10 Assets are protected from bankruptcy. The assets in a 529 account are generally protected from your creditors, if the plan's beneficiary is your child, stepchild, grandchild, or step-grandchild.

Please ask your financial advisor if a 529 college savings plan is right for you. ■

For more complete information about a 529 college savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state's 529 college savings plan.



More Than Just a Bailout: Tax Relief in the Emergency Economic Stabilization Act

More than just a bailout for the financial markets, the *Emergency Economic Stabilization Act of 2008* includes several tax breaks for individuals and businesses, such as extensions of popular tax breaks that had expired, tax relief for people in federally-declared disaster areas, and AMT relief for people burned by incentive stock options. Here are just a few of the provisions affecting individuals. Your tax advisor can tell you more.

EARLIER TAX BREAKS EXTENDED THROUGH 2009

Tax-free distributions from IRAs for charitable purposes. If you are age 70½ or older, you can rollover up to \$100,000 tax-free from your traditional or Roth individual retirement account (IRA) to a qualified charity. In some circumstances, a tax-free distribution from an IRA may offer a greater tax break than making a donation in the regular manner.

Sales tax deduction. Taxpayers who itemize deductions can choose to deduct their state and local sales taxes instead of their state and local income taxes.

The deduction for higher education expenses. You may be able to deduct up to \$4,000 for higher education tuition and fees that you pay for yourself, your spouse, or your dependents. Income limits apply.

The deduction for teachers' classroom expenses. Elementary and secondary school teachers can deduct up to \$250 per year for

expenses they pay out of their own pockets for certain items used in the classroom.

The tax credit for energy-saving home improvements. You may be able to claim a tax credit for insulation, exterior windows and doors, skylights, and some high-efficiency furnaces, boilers, heat pumps, water heaters, central air conditioners, and biomass fuel stoves.

An additional standard deduction for real property taxes. Taxpayers who do not itemize can claim up to a \$500 (\$1,000 for joint filers) additional standard tax deduction for real property taxes they paid.

MORTGAGE FORGIVENESS DEBT RELIEF EXTENDED THROUGH 2012

Forgiven mortgage debt can be excluded from income. If your lender forgives part of your mortgage debt as a result of a foreclosure or renegotiation, you may be able to exclude up to \$2 million of the forgiven amount from your taxable income. Nor-

mally, the forgiven amount would be added to your taxable income, resulting in higher taxes for the year. This tax provision was originally in effect through 2009, but has been extended through the end of 2012.

DISASTER RELIEF

More of your loss may be tax deductible.

Generally, you must reduce the unreimbursed part of your casualty loss by \$100 per casualty event and 10 percent of your adjusted gross income (AGI) to determine how much you can deduct. However, you may be able to deduct more of your loss if it is incurred in a federally-declared disaster. Under the new law, if you incur a casualty loss in 2008 or 2009 in any federally-declared disaster, the 10-percent AGI limitation is waived and the \$100 floor is raised to \$500. If your loss was incurred in the Midwestern disaster area between May 20, 2008 and July 31, 2008, the \$500 floor is also waived.

Losses can be claimed as a standard deduction in a federally-declared disaster.

Normally, a casualty loss can only be claimed if you itemize deductions on your tax return. However, people who incur a casualty loss in a federally-declared disaster in 2008 or 2009 can claim the loss as a standard deduction if they do not itemize.

Forgiven debt can be excluded from income in the Midwestern disaster area.

Personal debt that is forgiven by your lender in response to damage suffered in the Midwestern disaster can be excluded from your income. In other words, you will not owe tax on the forgiven amount, as you normally would. The Midwestern disaster occurred between May 20, 2008 and

July 31, 2008 in Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, and Wisconsin.

AMT RELIEF FOR PEOPLE BURNED BY INCENTIVE STOCK OPTIONS

Modified AMT credit allowance. The new law provides additional tax relief to employees who exercised incentive stock options (ISOs) right before the tech bubble burst in 2000, but who did not sell the stock by the end of the year. These employees paid large amounts of tax under the alternative minimum tax (AMT) on “phantom” gains—gains that were never realized because the stock prices plummeted before the stocks were sold. Employees who paid tax on phantom gains were given AMT credits, but under the existing law it would take many employees several decades to fully claim the credits and recover their tax overpayments.

In 2006, Congress provided some relief by allowing some people burned by ISOs to claim 20 percent of their long-term unused credits each year for five years (through 2012). High-income taxpayers, however, could not take advantage of the accelerated schedule due to income limits.

The new law removes the income limits on claiming credits at an accelerated pace, and it speeds up the pace at which the long-term unused minimum tax credits can be refunded. Taxpayers can now get a refund for half of their long-term unused credits on their 2008 tax returns and the remaining half on next year’s returns. Plus, the new law abates any tax liability related to ISOs and the AMT that occurred before 2008.

Please talk to your tax advisor about how the new law may affect you. ■



Last day to...

March 15

Use the 2008 funds remaining in your flexible spending account at work, if your employer’s plan offers a 2½-month grace period.

April 1

Did you turn age 70½ in 2008? You have until April 1, 2009 to take your first required minimum distribution from your tax-deferred retirement plans, if you have not done so already.

April 15

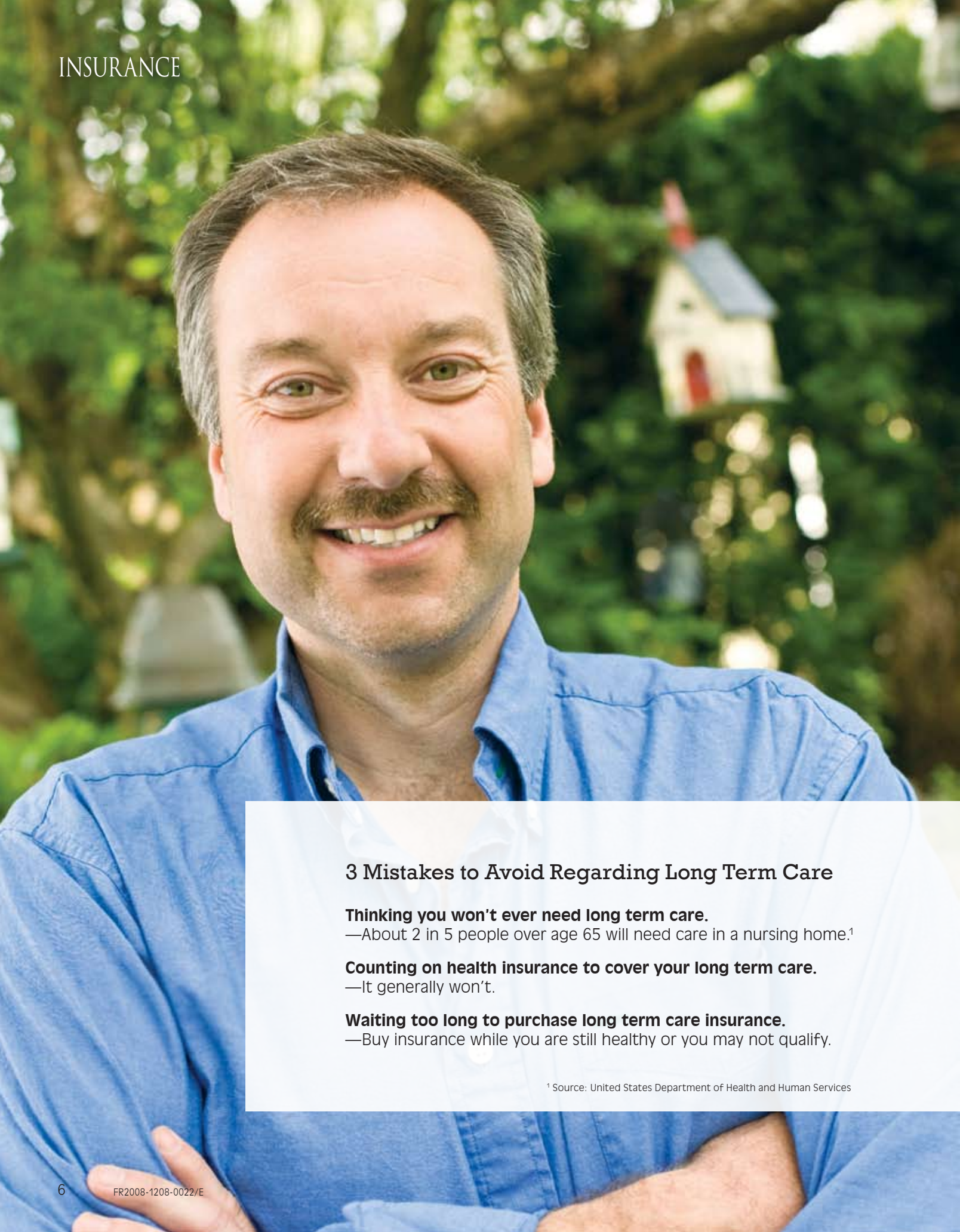
File your federal tax return or file for a six-month extension of time to file.

Contribute to a Coverdell education savings account for 2008.

Contribute to a personal IRA for 2008.

Want to open an IRA?

Please see your financial advisor.



3 Mistakes to Avoid Regarding Long Term Care

Thinking you won't ever need long term care.

—About 2 in 5 people over age 65 will need care in a nursing home.¹

Counting on health insurance to cover your long term care.

—It generally won't.

Waiting too long to purchase long term care insurance.

—Buy insurance while you are still healthy or you may not qualify.

¹ Source: United States Department of Health and Human Services

Guide to Long Term Care Insurance

Will you ever need long term care due to an illness, accident, or Alzheimer's disease? While we hope not, the chance remains that at some point in your life you may need such care—and it can be very expensive. Long term care insurance was developed to help you pay for long term care in your home, a nursing home, or other facility. This article will tell you a bit about long term care insurance in general; your financial advisor can tell you more.

What is long term care?

Long term care is the type of care you may need if you have a lengthy illness, a disability, or a cognitive impairment (such as Alzheimer's disease) that prevents you from living independently. Most long term care services involve providing assistance with the activities of daily living (ADLs), such as dressing, bathing, and eating.

While long term care and nursing homes may be synonymous in many people's minds, long term care is also provided in other settings, such as your own home or an assisted living facility.

How can I pay for long term care?

There are three main ways to pay for long term care.

Personal savings. You can pay out of your own pocket for long term care. This option is known as "self insuring" and depends on you having the personal resources—income, savings, investments, equity in your home, etc.—to cover a potentially large bill. There are a couple of pros to this option. By paying out of your own pocket, you have total control over where you receive care. (This is not the case with the next option, Medicaid.) And, if you never need long term care, your savings are still

yours. But there is a significant drawback to relying on personal savings to pay long term care costs: Unless your pockets are exceptionally deep, you run the risk of depleting your savings, perhaps leaving you and your spouse (if married) broke and your heirs empty handed.

Medicaid. This government program will pay for long term care, but it is really only an option if your income is very low and your resources are very limited. Most states require that you spend down your resources first before you can apply for Medicaid and its long term care benefits.

Long term care insurance. Long term care insurance can help you pay for the long term custodial care you may need if you are ever unable to care for yourself.

Won't my health insurance or Medicare cover the cost of long term care?

No, health insurance and Medicare generally do not cover long term custodial care. Although Medicare may cover a stay in a skilled nursing facility or in your own home, this type of care is covered only for a short time and only in limited circumstances. You may need custodial care for a much longer period than Medicare will cover.



Long term care insurance is particularly important for women.

Women are nearly twice as likely as men to need long term care in a nursing home after age 65.¹

Why is this? Part of the answer lies in the fact that women on average live longer than men. While men at age 65 have a life expectancy of 17.2 years, women at age 65 have a life expectancy of 20 years.² And as a person ages, the likelihood of needing long term care services increases.

Plus, women are frequently the caregivers for their husbands, which helps minimize men's need for long term care services outside of the home. After their husbands are gone, women may not have someone to provide care for them.

¹ Source: CDC, Health, United States, 2007, Table 104.
² Source: CDC, Health, United States, 2007, Table 27.

Should I consider buying long term care insurance?

Purchasing this type of insurance can be a smart move if you cannot afford to pay the high cost of long term care from your own pocket, but can afford the insurance premiums. With long term care insurance, you can help avoid burdening your family with caregiving responsibilities, protect your savings from being depleted, and control where you receive care. And if you are on the cusp of being able to self insure, long term care insurance may offer the freedom to spend your savings on pursuits you enjoy rather than hoarding them for potential long term care costs.

Are all long term care insurance policies the same?

Long term care insurance policies can vary greatly. This works to your advantage by

allowing you to customize your coverage with the care options and benefit amounts that suit your needs. Here are some of the ways that policies differ.

Daily benefit. This is the amount the policy will pay each day for services. The amount may differ based on the type of care being provided. You are responsible for any charges above the daily benefit amount.

Maximum policy benefit. While some long term care policies cover a lifetime of care, others limit the amount of benefits that will be paid. These limits are expressed as maximum number of years of coverage or a maximum dollar amount. Once the limit is reached, the policy will stop paying benefits.

Settings. The policy will spell out where you can receive services. Most policies cover care and services in a variety of set-

tings, including your home, an adult day care center, an assisted living facility, or a nursing home.

Elimination period or waiting period.

This is the number of days you must receive long term care services before your insurance benefits begin. For example, a policy may specify a 30-day waiting period, meaning that you are responsible for all long term care costs for the first 30 days before insurance kicks in.

Inflation protection. This option helps the benefit you have chosen keep pace with inflation. If a benefit is not adjusted for inflation, it will lose purchasing power over the years. In other words, while a \$150 daily benefit may cover your costs fully in 2009, it may only cover a fraction of the costs in 2029.

As you might expect, the choices you make regarding your coverage—such as the daily and maximum benefits—influence the amount you will pay for your policy.

What is the best age to purchase long term care insurance?

Consider two factors—your health and your age—when deciding when to purchase insurance.

You may not qualify for long term care insurance if you have certain pre-existing medical conditions. If you are turned down by one insurer, try another, since medical standards vary among insurers. But if you already have a major medical condition, such as AIDs or Alzheimer's disease, you may not be able to purchase a policy from any insurer, we are sorry to say. The key, therefore, is to buy long term care insurance while you are still healthy—and this usually means at a younger age.

Buying insurance at a younger age has another advantage: lower premiums. The premiums for someone who purchases a policy at age 50 may be hundreds of dollars less per month than the premiums for someone who waits until age 70. Of course,



What does long term care cost?

The cost of long term care varies based on where you live, as well as the type and amount of care you receive. The average costs¹ in 2008 were:

- \$209 per day for a private room in a nursing home
- \$3,008 per month for care in an assisted living facility
- \$29 per hour for a home health aide
- \$18 per hour for homemaker services
- \$59 per day for care in an adult day care center

Because the costs in your area may differ dramatically from the averages, it is smart to check your local costs before deciding how much long term care insurance you may need.

¹Source: U.S. Department of Health and Human Services

if you purchase a policy at age 50, you may pay premiums for decades longer, but you will be covered for those decades—and there is always the chance you may need long term care services long before you reach your seventies or eighties.

Once I buy a long term care policy, will the premiums ever change?

Ideally, your premium payments should stay the same for the life of your coverage, but things change and your insurer may increase the rate on a group basis. In most states, an increase in rates will need to be approved by the state's Department of Insurance before it can be enacted.

How do insurers decide when to pay benefits?

The decision to pay benefits is generally based on your inability to perform a certain number of activities of daily living or on a cognitive impairment.

What should I consider before deciding on long term care insurance?

You should ask yourself whether you will be able to afford the premiums, not just now, but throughout retirement when your resources may be more limited. Many policies will require you to pay premiums except when you are receiving benefits. If you stop making payments, your policy can be cancelled.

Also consider the soundness of the insurance company offering the policy. You can check this with a rating agency, such as Moody's Investor's Services (www.moody.com) or Standard & Poor's (www.standardandpoors.com).

What is the first step in deciding on long term care insurance?

Talk with your financial advisor about your long term care needs. Your advisor can help you determine whether long term care insurance is the best solution in your particular circumstances. ■



States' Partnership for Long Term Care

To encourage individuals to buy long term care insurance, about 20 states will protect a certain amount of assets from Medicaid if individuals buy a private long term care insurance policy approved by the state. Policy owners who use up all the benefits offered by the policy and who still require care can generally apply for Medicaid without having to spend down most of their personal assets first.

States that offer these programs, known as Partnerships for Long Term Care, generally allow individuals who purchase a partnership policy to keep an amount of assets equal to what the policy pays out and still be eligible to apply for Medicaid.

Here's how this dollar-for-dollar asset protection works. Let's say you purchase a partnership policy with a maximum benefit of \$150,000. Thanks to an inflation protection feature, the policy actually pays out \$175,000 in benefits before it is exhausted. If you still require long term care, you can shield \$175,000 worth of certain assets that would otherwise have to be spent down before you could apply for Medicaid.

While the asset protection offered by Partnership for Long Term Care programs makes it possible to *apply* for Medicaid without first impoverishing yourself, you will generally need to meet other Medicaid requirements regarding income and home equity before you actually qualify for Medicaid. Please talk to your financial advisor before deciding on a long term care insurance policy.

Putting Your Financial Life



in Order after a Spouse Dies

After the death of a spouse, the last thing you may want to deal with are your finances. Yet assessing your financial situation and planning for your financial future are important steps in rebuilding your life.

The following tips and considerations may help you deal with your immediate financial needs after the death of your spouse, as well as begin to address your long-term financial needs.

Experts often advise going slow where possible; dealing first with what is necessary to keep your income flowing, your bills paid, and the estate settlement process moving; then giving yourself time before making major financial decisions. It is sound advice.

Before making major decisions, such as whether to sell your home or how to invest an inheritance, look at your big financial picture. Your financial advisor can help you assess where you stand financially and create a long-term financial plan designed to help protect your financial security.





Wills

The executor or personal representative named in the will is responsible for guiding the will through probate, collecting the estate's assets, paying claims against the estate (including taxes), and distributing the remaining assets to the heirs.

If you are the executor, consider contacting an attorney experienced in estate and probate matters. This is especially important if the estate is complex.

Whether your spouse's estate will need to go through a formal probate process will depend on the value, nature, and titling of the assets. Some states have simplified processes that enable small estates to be quickly distributed without a formal court proceeding. And some types of assets can, by their very nature, be distributed without going through probate. These generally include assets held in a trust, assets that are jointly owned (for example, homes, vehicles, and financial accounts), assets in a pay-on-death financial account, the death benefits from insurance policies (unless the estate is the beneficiary), and financial accounts, such as IRAs and qualified retirement plans, where a beneficiary is named.

Life Insurance

If you are the beneficiary of your spouse's life insurance policy, you must file a claim before you can receive the insurance proceeds. Call your life insurance agent or company to request a claim form. Usually the beneficiary must complete the claim form and submit it along with a certified copy of the death certificate in order to receive the proceeds.

If your spouse was covered by a life insurance plan at work, call the employer's human resources department for instructions on how to file a claim.

Keep in mind that life insurance is avail-

able through many types of organizations and that you may be entitled to benefits from a policy of which you are unaware or have forgotten. Carefully look through your spouse's important papers for insurance policies. And if your spouse died in an accident while traveling, consider whether your spouse is entitled to travel accident insurance purchased either from a travel agent or offered as a credit card benefit. If your spouse was a member of a professional organization, consider whether life insurance was purchased from the organization.

Social Security

If your spouse was collecting Social Security benefits, notify Social Security of the death.

You may be eligible for survivor benefits from Social Security if your spouse worked for at least ten years. To claim survivor benefits for yourself, you must be age 60 or older (age 50 or older if you are disabled). You can claim benefits regardless of your age if you are caring for a child of your spouse who is under age 16 or disabled and receiving survivor benefits. Your spouse's younger children, disabled children, or dependent parents may also be eligible for survivor benefits.

Estate Taxes

Your spouse's estate may be subject to federal and state estate taxes, as well as income tax. Contact your CPA if you are the executor. Your CPA can help you determine whether tax returns are required and whether taxes are owed.

Most estates will not owe any federal estate tax nor will they have to file a federal estate tax return. The federal estate tax is imposed only on estates valued above a certain amount. If the death occurs in 2009, a federal estate tax return must be filed if

the gross estate, plus any adjusted taxable gifts and specific gift tax exemptions, is more than \$3.5 million. (This amount changes from year to year, so please check with your CPA.) The return generally must be filed within nine months after the death.

Thanks to the marital deduction, assets you inherit from your spouse are generally exempt from federal estate tax if you are a U.S. citizen.

Even if the estate is not large enough to owe federal estate tax, it may be subject to a state estate or inheritance tax. The rules vary from state to state; your CPA can fill you in on your state's requirements.

A federal income tax return may also need to be prepared for the estate if the estate receives more than \$600 in income in a year.

Income Taxes

Personal income tax returns will need to be prepared for your spouse's last year of life. They can be joint returns as long as you do not remarry by the end of the year. Your CPA can prepare the returns for you.

Your Home

While you may be tempted to downsize or your children may be urging you to relocate closer to them, give yourself some time before deciding whether to sell your home. Although the decision to sell your home should not be based on taxes, you may find it helpful to know that you have up to two years after the death of your spouse to sell a jointly owned home and still be eligible to exclude up to \$500,000 of the gain from your income. After two years, you can exclude up to \$250,000, the limit for single taxpayers.

Employee Benefits

If your spouse was employed at the time of death, contact the employer. Ask about

pension plan benefits; retirement accounts; health insurance benefits and COBRA; corporate life insurance benefits; deferred salary; stock options; unused vacation and sick time; unpaid salary, commissions, and bonuses.

Retirement Accounts

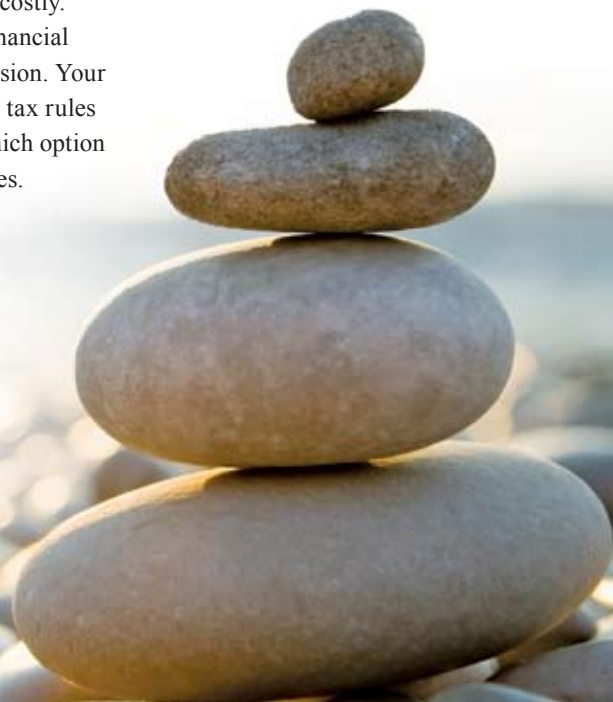
If you are the beneficiary of your spouse's IRA or qualified retirement plan account, you have some choices to make about how to handle the account. In general, there are four options for a spouse. You can transfer the assets from the account into a new or existing IRA in your own name. You can transfer the assets into an "inherited" IRA with both your spouse's name and your name on the account. You can cash out the account. Or you can disclaim the account and let it pass to the secondary beneficiary named on the account.

While the choices may appear straightforward, the tax rules surrounding them are complex and missteps can be costly. Seek advice from your tax and financial advisors before making your decision. Your advisors can help you sort out the tax rules for each option and determine which option suits your particular circumstances.

Plan for the Future

Much may have changed financially with the passing of your spouse. As a result, you may have questions ranging from whether you can afford to maintain your current lifestyle to how to handle your investments and insurance. Talk to your financial advisor. Your advisor can help you assess your current financial situation and create a plan for your continued financial security. ■

Putting your financial life in order after a spouse dies can be complex and, quite frankly, a lot of work. Your tax, financial, and legal advisors can help by providing advice and assistance with the tasks related to settling an estate and planning for your own financial future.



Tapping Your 401(k) at Retirement

Three Ways to Handle Your 401(k) Account When You Retire

What will you do with the savings in your 401(k) account when you retire? Will you take the money and run? Leave your savings in your employer's 401(k) plan? Or roll your savings over to an individual retirement account (IRA)? Your decision will have a lasting impact on your retirement security so it is important to carefully weigh your options before you decide.

We'll look at some of the pros and cons of each option here. Your financial advisor can help you determine which option is best for you.

1 Take the cash as a lump-sum distribution.

Withdrawing all of the savings from your 401(k) account may be appealing if you have an immediate need for a large amount of cash, but this option has two significant drawbacks. First, you are passing up the potential for decades more of tax-deferred or tax-free growth that could be yours if you simply left your savings in the 401(k) account or rolled them over to an IRA. Second, you may immediately lose a large chunk of your savings to taxes. How

large a chunk—if any—depends on your type of 401(k) account: tax-deferred or Roth.

With a tax-deferred 401(k), also known as a traditional 401(k), any money that was not previously taxed—which may be every cent of it—will be subject to income tax when withdrawn from the account. If you cash out your entire account, as much as 35 percent of your retirement savings may go to federal taxes that year, to say nothing of the share your state may claim in taxes. Even if you are not normally in the 35-percent federal income tax bracket, taking a large cash distribution in one year may increase your income sufficiently to push you into a higher tax bracket, resulting in your savings being taxed at a higher rate than if you had withdrawn your money in smaller amounts spread over several years.

With a Roth 401(k), the income you contributed to the account was taxed before it entered the account. As a result, your contributions can be withdrawn tax-free after you retire (or leave the company for any reason). The earnings portion of your withdrawal is a different matter. You must wait until

you reach age 59½ and your Roth 401(k) account has been open for five years before your earnings can be withdrawn tax-free. Earnings withdrawn before that time generally will be subject to income taxes. Because the first Roth 401(k) plans weren't introduced until three years ago (in 2006), no one's account has been active for five years yet, so be prepared for federal and state income taxes if you withdraw cash from your Roth 401(k) anytime soon.

In addition to income taxes, you may face a 10-percent early distribution penalty when you withdraw cash from your 401(k) account. Generally, any pre-tax contributions and earnings distributed before age 59½ are subject to a 10-percent penalty. There are exceptions to the penalty, though, that may help you avoid it. They are listed on the next page. (FYI: The penalty does not apply when you roll your savings directly from your 401(k) to an IRA.)

2 Leave your savings in your employer's plan.

To preserve the tax-advantaged status of your savings, you can either leave your savings in your employer's plan, if the

plan permits this, or roll your savings over to an IRA. By choosing one of these options, your savings can continue to compound tax-deferred or tax-free for as long as they remain in the account.

When deciding what to do with your savings, consider the investment options offered by your 401(k) plan. IRAs typically offer a much wider range of investment options than the average 401(k) plan. If investment choice is important to you, an IRA may be the option for you.

Also, consider your age. You can withdraw money without penalty from your 401(k) after you leave your job if you retire or leave service in or after the year you reach age 55. Not so with an IRA. You will need to reach age 59½ or meet one of the exceptions listed below before your withdrawals from an IRA will escape the 10-percent early distribution penalty. If you retire between the ages of 55 and 59½, waiting until age 59½ to roll over your 401(k) savings to an IRA is one way you can tap your savings without penalty in the early years of your retirement.

3 Roll your savings into an IRA. Your savings can continue to grow tax-deferred or tax-free. Check. You may have access to a wider range of investment choices. Check. You can roll over your 401(k) savings to an IRA without incurring taxes or an early distribution penalty. Check.

IRAs offer many advantages. But before you decide how to handle the savings in your 401(k), be sure to consult your financial advisor. The rules for 401(k)s and IRAs, although similar, are not identical. For example, Roth 401(k) accounts require minimum distributions beginning at age 70½; Roth IRAs do not. You can avoid having to take distributions simply by rolling your savings into a Roth IRA. Your advisor can help you identify differences such as this one and determine which type of account fits your needs and circumstances better.

What is the best way to transfer savings to an IRA?

If you decide to move your retirement savings to an IRA, arrange for a direct rollover. Do not

have the funds paid directly to you. If you do, your employer is required to withhold 20 percent of the amount for taxes, leaving you short by 20 percent. Any taxable part of your 401(k) distribution that does not make it into an IRA within 60 days—and this includes the 20 percent that was withheld—will generally be subject to tax and perhaps an early distribution penalty. You can avoid all of this by simply having your 401(k) plan administrator transfer the funds directly from your 401(k) account to your IRA.

Is there a special deal for company stock?

If you own appreciated company stock in a tax-deferred 401(k) account, transferring it to a taxable account rather than an IRA may allow you to liquidate the stock at reduced tax rates.

Here’s how this works. When actual shares of company stock, are distributed from a 401(k) account to a taxable account, the cost basis of those shares (the price originally paid for them) will immediately be taxed as ordinary income. Any apprecia-

tion (known as net unrealized appreciation or NUA) that occurred while the stock was in the employer’s retirement plan will be taxed as a long-term capital gain when the stock is sold. If the stock is rolled over to an IRA, the NUA tax advantage is lost. Distributions from a tax-deferred IRA are taxed at ordinary income tax rates, which are usually higher than long-term capital gains tax rates.

In order to use the NUA strategy, your 401(k) plan must allow the transfer of actual shares of employer securities (not all plans do) and you must transfer the shares directly from your 401(k) to the taxable account. The balance of your 401(k) assets can be rolled over into an IRA. ■

The rules for tax-advantaged retirement plans, such as 401(k)s and IRAs, are complex. Please seek advice from your financial advisor. Your advisor can help you determine how to handle your 401(k) savings, as well as help you address many of the other decisions you will need to make as you transition to retirement.

How to avoid the 10-percent penalty on distributions before age 59½

Generally, any distributions of pre-tax contributions and earnings from a 401(k) or an IRA before age 59½ are subject to a 10-percent penalty for early distributions. The following exceptions to the penalty will allow you to take penalty-free distributions before age 59½.

Exceptions for 401(k) Plans	Exceptions for BOTH 401(k)s and IRAs	Exceptions for IRAs
<ul style="list-style-type: none"> • Distributions made after you leave your job, if you retire or leave service in or after the year you reach age 55. • Distributions made to an alternate payee under a qualified domestic relations order. 	<ul style="list-style-type: none"> • Distributions made as a series of substantially equal periodic payments. • Distributions made because you are totally and permanently disabled. • Distributions made to your beneficiary or estate after your death. • Distributions that are equal to or less than your deductible medical expenses. • Distributions made due to an IRS levy. 	<ul style="list-style-type: none"> • Distributions that are equal to or less than your qualified higher education expenses. • Distributions made to pay for a first-time home purchase. • Distributions made to pay health insurance premiums if you are unemployed



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Japan: Flower Power

BY BRIAN JOHNSTON

There's something about a hanami party that's a bit overwhelming.

For a start there's the sheer spectacle of a profusion of pink and white cherry blossoms wherever you look, trembling against the blue sky, fluttering down like confetti, blanketing the ground like a carpet from a fairytale. Then there's the heavy perfume of the flowers and the scent of crushed grass being trampled by a thousand feet. And the color: beautiful turquoise kimonos, rich pink trees, and even the amazing sushi that seems to be part of everyone's picnic. Neon green wasabi, yellow slivers of sliced ginger, the murky darkness of soy sauce, the red of raw tuna. To be honest, there's also a great deal of mess that includes everything from discarded paper cups to Asahi beer cans and old bits of newspaper. And a lot of noise: singing, music from ghetto blasters, conversation, lyrical laments. Most

amazing of all is the startling experience of seeing a whole lot of Japanese letting their hair down—just about the only time in the whole year you'll come across such relaxed merrymaking.

It's the climax of spring, the most celebrated time on the Japanese calendar, when the whole nation explodes with cherry blossom fever and—in the words of a tourist brochure—people's spirits are lifted and cheerfulness is the rule of the day. On television the arrival of the blossoms is forecast breathlessly every day as the wave of flowers creeps up from the south until it hits central Japan like a pink-and-white blizzard. Hanami, or parties for the viewing of cherry blossoms, start at the appearance of the earliest buds and continue until the last few petals drop off the trees. Portable karaoke machines get pressed into service; drunken singers belt out *Sakura, Sakura*, a lament to the short life of the cherry blossoms, as

grown men dissolve in tears. Children run about flinging fistfuls of fallen blossoms over everyone like wedding confetti. Even unfortunate hay-fever sufferers bravely get in on the action, sniffing and snuffling under the branches behind the haphazard protection of white masks. And everywhere blue tarpaulins are laid out under the cherry branches to be quickly covered with family picnics, and soon everyone is tucking into little salads, tempura, and delicacies such as chicken balls with white sesame seeds.

According to a Japanese proverb, 'Better than the flowers is the food', and the participants at a hanami party certainly seem determined to prove it right. Visitors can easily join the picnicking by stocking up in the open-air markets found in most cities, where you can buy all kinds of take-out pickles, such as Chinese cabbage, turnips, ginger root, and bamboo, as well as sushi rolls. An easier alternative is the take-out

bento, a plastic box divided into segments and already containing rice, pickles, sushi, and other treats. (There's said to be 1500 varieties of bento in Japan, so you ought to be able to find something that pleases you.) The really disorganized can always settle for a pizza ordered from the delivery boys who wander through the crowds in public parks at cherry blossom time—not that I'd recommend it.

Sake, the Japanese rice wine, also forms an important part of the picnic festivities, and many locals become maudlin as the night progresses. They quote sad Japanese poems, particularly the famous line: 'The Samurai of Japan is like the cherry, which blossoms and dies so suddenly and so beautifully.' Even foreigners are swept up in the romance of the occasion; Greek-born journalist Lafcadio Hearn wrote in the 1890s: 'When, in spring, the trees flower, it is as though fleeciest masses of cloud faintly tinged by sunset had floated down from the sky to fold themselves about the branches.' There's something about the cherry blossoms that brings out the poet and artist in everyone. It only takes a few stunning pink twigs artfully arranged to make it seem that you're a lifelong expert in ikebana, the genteel art of Japanese flower arranging. Watercolorists experience their finest moment, feverishly painting great swatches of pink in every park. Tripods sprout like an alien invasion as photographers try to get that one perfect shot of flowers reflected in a pond. Elderly ladies in dazzling kimonos trip along on wooden sandals, posing artfully in a clash of colors under the cherry trees.

After a while—and a few cups of sake—the only thing to do is to lie down on your back and look up at the night sky through a riot of cherry blossoms, and abandon poetry completely. You might abandon the riotous hanami parties too for something a little more cultured; across the country, especially at famous temples and castles, there are special festivals, tea ceremonies, traditional music recitals, and costumed processions in honor of the cherry flowers. On the less serious side, outrageously

expensive afternoon teas in fancy hotels become de rigueur. Cocktail lounges come up with ever more extravagant drinks—as long as they're pink, naturally—such as the strawberry liqueur and lemonade concoction known as (what else!) Pink Petal.

The blossoms' moment of glory is surprisingly short—the cherries bloom for not much longer than a week and are seen in their full glory for only a couple of days. No wonder the hanami is both a time of intense celebration but also slight melancholia, for the Japanese have realized that there's a nostalgia to all beauty and a transience in the best moments of life. Within a week the cherry blossoms have faded. Nature packs up her paint box, and the pink retreats like a mirage, leaving only unforgettable impressions.

Blossom Fever: Where And When?

Timing your visit to Japan to coincide with the cherry blossoms can be difficult if you're on a tight, short schedule. Depending on the weather, the cherry blossoms make their appearance any time from early to late April in central Japan. The first blooms appear in Okinawa, Japan's southern islands, in March and the last flowers don't fade in Hokkaido in the far north until well into May. Nevertheless, if you're traveling in Japan in April you're sure to come across some blossoms somewhere. At the very least, head to the nearest Buddhist temple, all of which are host to floral festivals in honor of Buddha's birthday (April 8) and many of which are planted with cherry trees.

KYOTO is the ideal place to experience the cherry blossom tradition, providing the best flower displays in the whole country. Walk the famous cherry-lined Philosopher's Path along Biwako Canal, then head to a hanami party in Murayama Park, a local favorite where some of the trees are illuminated at night. At Heian Shrine you can see beautiful weeping cherries; its teahouse is host to the Kan-ou Cha-kai or Cherry Viewing Tea Ceremony, which takes place daily throughout April.

The Cherry Blossom Festival or Sakura-e held at Daigo-ji Temple is another must. The highlight is a procession of people in gorgeous traditional costumes, followed by a sumptuous hanami celebration.

OSAKA has its own fair share of flowers. The parks of Osaka Castle have over four thousand cherry trees and a carpet of fallen petals. For your hanami, head to Kemasakuranomiya Park, where two and a half miles of riverbank are lined by cherries. The grounds of the Mint Bureau here are also open to the public during the season and burst with double-flowering and late-blooming varieties. Other fine blossoming parks are Expo '90 Commemorative Park and Sumiyoshi Park, but experts claim the best cherry trees in all Osaka are to be found around the Ministry of Finance building.

YOSHINO near Nara is also celebrated for its profusion of cherry blossoms. Kofukuji Temple and Nara Park in Nara itself also have plenty of blooms. In **YOKOHAMA**, visit Sankei-en, a purely Japanese-style landscape garden with over two thousand cherry trees, some of which have nighttime illuminations. Performances of the koto (Japanese harp) are also featured in the evenings in early April. The castle at **ODAWARA** has a Cherry Blossom Festival in early April that features an open-air tea ceremony and a parade of children in festival attire. There's also night viewing of the blossoms by lantern light. **SENDAI** and **NAGOYA** castles also have fine displays.

Even **TOKYO** looks quite beautiful during the cherry season. Ueno-koen Park is the most famous and popular site for hanami. It has over a thousand trees and many are hung with lanterns at night. Other favored spots include Yasukuni Shrine, Koishikawa Koraku-en Garden near the Tokyo Dome, and Chidorigafuchi Park, where the trees are particularly impressive illuminated at night. Shinjuku Gyo-en Garden is where the Prime Minister of Japan hosts his hanami party. There are thousands of trees and plenty of ponds and grassy areas, but thousands of people too. ■

The new California Academy of Sciences in San Francisco



The California Academy of Sciences, a natural history museum, aquarium, planetarium, and research complex located in San Francisco’s Golden Gate Park, has new digs—literally. “With the new Academy, we are creating a museum that is visually and functionally linked to its natural surroundings, metaphorically lifting up a piece of the park and putting a building underneath,” said the building’s architect, Renzo Piano.

Topped with a living roof planted with native California plants and using a wide range of energy-saving materials and technologies, the innovative new “green” building embodies the Academy’s mission to explore, explain, and protect the natural world.



Inside the four-story rainforest dome, visitors can meet live rainforest residents. The 2.5-acre living roof is planted with nine species of native California plants that provide habitat for local wildlife.

Photos © Tim Griffith

It also unifies for the first time under one roof, the Academy’s Kimball Natural History Museum, Steinhart Aquarium, Morrison Planetarium, and research institution.

One exciting part of the new building is a four-story, spherical rainforest exhibit, featuring living trees and plants and brimming with over 1,600 live animals, including more than 600 free-flying birds and butterflies. Visitors can visit all four levels of the rainforest, from the fish-filled, flooded forest floor to the tree-top canopy.

The new planetarium features a 75-foot diameter domed screen—matched only in size in this country by the Griffith observatory in Los Angeles—enabling 300 people at a time to embark on a space adventure. Unlike most planetarium domes, this dome is tilted at a 30-degree angle, so that visitors are not just looking up at stars, but sitting among them.

The aquarium is located on the building’s lower level and features the world’s deepest coral reef display—25 feet—with living coral, sharks, rays, and more than 2,000 fish; a swamp exhibit with living alligators, turtles, and fish typically found in a southern U.S. swamp; and 100,000-gallon tanks teeming with sharks and other sea creatures usually found along the California Coast.

A colony of South African penguins can be found in the Tusher African Center on the building’s ground floor. Also on the ground floor is the California and Climate Change exhibit, designed to help visitors understand climate change and the need for action.

The California Academy of Sciences’ new building is located across from the de Young Museum in San Francisco’s Golden Gate Park. For more information about the Academy, please visit www.calacademy.org or call (415) 379-8000. ■

CHARLESTON, SC
FESTIVAL OF HOUSES
AND GARDENS

MARCH 19 – APRIL 18, 2009



Some of Charleston's finest private residences will throw open their doors and garden gates to visitors this spring at the 62nd Annual Festival of Houses and Gardens.

Visitors can choose among several tours that explore the interiors and gardens of Charleston's historic homes. For example, guests on the Meeting Street Tour will visit private homes that date from the earliest English settlement, as well as grander homes constructed later in the Greek Revival and Italianate styles. Guests on the Glorious Gardens Tour can stroll through eight to ten of Charleston's private gardens, while guides introduce the gardens' designs, plants, and histories.

For a full schedule of the tours, visit the Historic Charleston Foundation's web site at www.HistoricCharleston.org. ■

Sports Awards

1. This trophy is awarded each year to the most outstanding college football player in the United States:
 - A. Heisman Trophy
 - B. Wimbledon Trophy
2. A team of U.S. golfers and a team of European golfers compete every two years for this award:
 - A. The Ryder Cup
 - B. The green jacket
3. In Beijing in 2008, American swimmer Michael Phelps won eight:
 - A. Blue ribbons
 - B. Olympic gold medals
4. Awarded to the winner of the Daytona 500, this trophy is one of the most coveted awards in motorsports:
 - A. The Borg-Warner Trophy
 - B. The Harley J. Earl Trophy
5. Each year, the team who wins the National Hockey League's playoffs is awarded:
 - A. The Stanley Cup
 - B. The Calder Cup
6. The team that wins football's Super Bowl receives:
 - A. The World Cup
 - B. The Vince Lombardi Trophy
7. The winner of the world's most prestigious sailing match receives:
 - A. The America's Cup
 - B. The Larry O'Brien Championship Trophy

ANSWERS: 1-A, 2-A, 3-B, 4-B, 5-A, 6-B, 7-A.