

EYE MONEY

NOV/DEC 08

2008 End-of-Year Tax Planning

Tips to Help Minimize Your 2008 Taxes!



Plus:

Giving the Gift of Education

Understanding Your Social Security Options

Giving the Gift of Education

How you structure your gift can make a difference to you and the student.

One of the best gifts you can give your child, grandchild, or other young person this holiday season is money for their college education. But before you hand them cash or a savings bond, consider that there may be better ways to structure your gift.

For example, if the child is years away from college, consider funding a 529 college savings plan. These state-sponsored plans enable money invested for college to grow tax-free and to be withdrawn

tax-free if used for qualified higher education expenses, such as college tuition and room and board. And if you choose your state's 529 plan, you may also be eligible for state tax breaks.

529 plans also offer a unique federal gift tax advantage: you can give up to five times more than normal without your gift being subject to federal gift taxes. This special advantage makes 529 plans especially attractive to wealthy individuals who wish to reduce the size of their taxable estates. Normally, gifts above

\$12,000 (the amount of your annual gift tax exclusion for 2008) to an individual in a single year are subject to federal gift taxes. However, you can fund a 529 plan with up to \$60,000 (\$120,000 if you are married and your spouse agrees to split the gift) per beneficiary in a single year without your gift being subject to the gift tax, as long as you do not give any other gifts to that individual for five years. (If you do not outlive the five-year period, a prorated portion of your gift will be included in your estate for estate tax purposes.)

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. Please consider before investing whether your home state offers any state tax or other

benefits that are only available for investments in your state's qualified tuition program. Other benefits may include reduced or waived program fees, matching grants, and scholarships to state colleges. 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.

What if the child you wish to help with college costs is already in college? Again, it may not be to your advantage to simply slip them some cash. If the amount of your gift is over \$12,000, part of your gift will be subject to the federal gift tax. There is a way, though, to avoid it. Instead of giving the money to the child, pay the college directly. Tuition that you pay directly to an educational institution for another person's benefit is not subject to the federal gift tax, even if the tuition exceeds \$12,000.

If giving the gift of education appeals to you, talk to your financial advisor about it. Your advisor can help you identify the best ways to structure your gift—ways designed to benefit both you and the student! ■



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Discussing Finances with Aging Parents

It's smart to talk to your parents about their finances before a crisis strikes.

If your aging parents could no longer manage their financial affairs, would you know what to do? If your answer is no, it may be time to hold a discussion with your parents so that you, or whoever they choose, are familiar with their income and liabilities, know where their important papers are kept, and have the legal authority to manage their financial affairs if needed. Here are a few areas your family may wish to discuss.

► Do your parents need help managing their finances now?

Clearly, the goal is for your parents to remain independent for as long as possible. To that end, there may be several things that your parents can do to simplify their daily finances, such as consolidating their financial accounts, arranging for direct deposit of all income, and setting up automatic payment for recurring bills. Professional advisors can handle their investments and their tax returns. Not only will these moves make it easier for your parents to remain independent longer, they may also make it easier for whoever helps them in the future.

► **Will your parents' savings last their lifetimes?** Because people are living longer these days, it is not uncommon for finances to be stretched thin after many years in retirement.

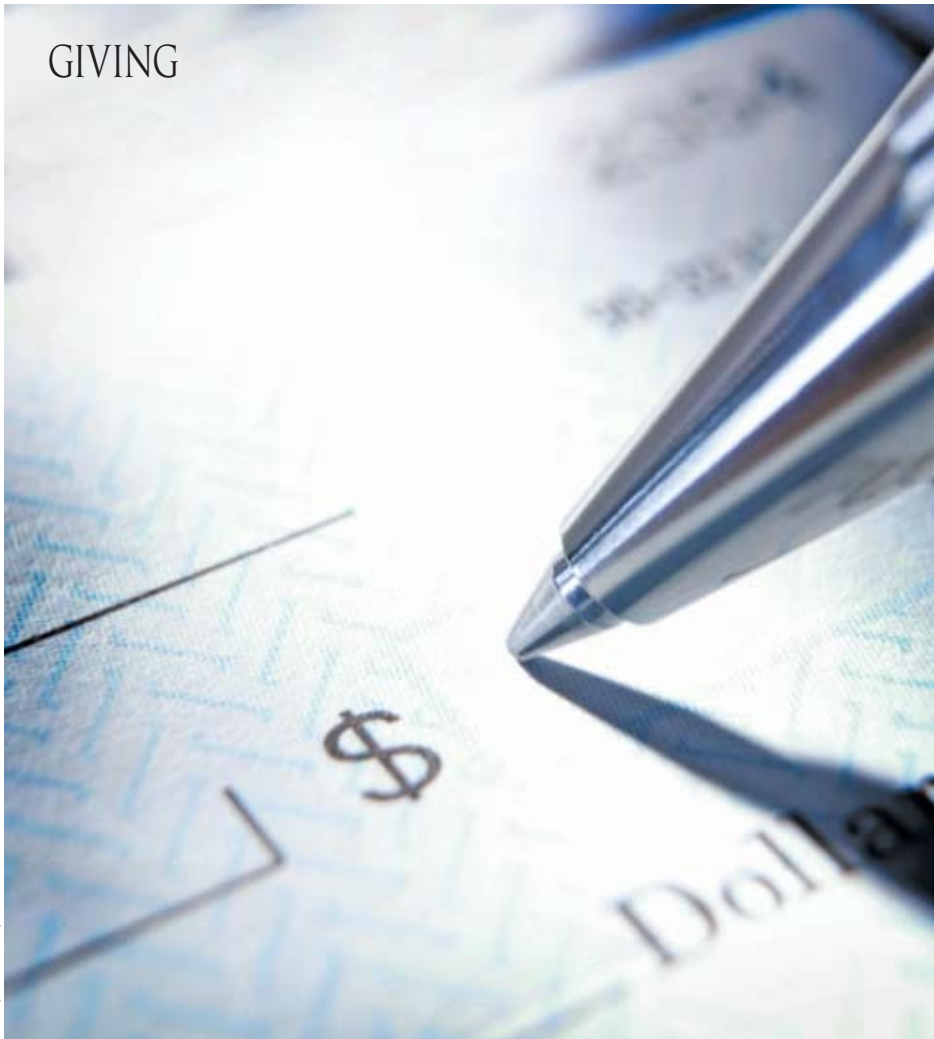
Some retirees are greatly concerned about the possibility of outliving their savings. Talk to your parents about it. If they are concerned, there are resources available that can help. Your parents may wish to consult a financial advisor about ways to help improve their financial situation. If they own their home, your parents might consider a reverse mortgage to increase their cash flow. And if they need help paying for healthcare, utilities, and other essential services, two websites—www.GovBenefits.gov and www.BenefitsCheckUp.org—can help pinpoint government and public programs for which your parents may be eligible.

► **Do each of your parents have a durable power of attorney?** This legal document enables your parents to name someone to manage all of their

business and personal affairs if they become incapacitated. They should also each have a health care power of attorney (also known as a health care proxy) that names someone to make medical decisions for them if they become incapacitated.

► **Where are the important documents kept?** Whoever your parents choose to manage their affairs will need to know where they keep the documents relating to their financial and investment accounts, insurance policies, real estate, businesses, income sources, and debts. That person will also need to know where the wills, trust documents, burial instructions, and key to the safe deposit box are kept. And he or she will need the contact information for your parents' key advisors, such as their financial advisor, CPA, and attorney.

► **Do your parents have an estate plan?** Each of your parents needs a will. Without wills or some other legal means to transfer property, the state will decide who receives their assets after they pass on. Your parents may also want to consider a revocable living trust as a way to transfer assets. Revocable living trusts avoid probate, allowing assets to be transferred privately and relatively quickly. If their estate is valued at more than \$1 million, other estate planning strategies can help your parents ensure that more of their estate passes to their heirs and less to estate taxes. ■



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GIVE WISELY THIS HOLIDAY SEASON

This is the season for giving to those in need. But before you reach for your checkbook, make sure that your donations will benefit the people and organizations you want to support. These tips from the Federal Trade Commission, the nation's consumer protection agency, can help you make the most of your charitable giving.

Donate to recognized charities with a history. Charities that spring up overnight in connection with a recent natural disaster or news story may disappear just as quickly with your donation. Even if the charity is well-meaning, it may lack the infrastructure to provide much assistance.

Check out the charity before you

donate. You can look it up at charity-rating web sites, such as those listed to the right, but keep in mind that many small or local charities may not be included.

Don't give or send cash. For security and tax record purposes, contribute by check or credit card. Write the official name of the charity on your check.

Check with local recipients. If giving to local organizations is important to you, make sure they will benefit from your generosity. If a charity tells you that your dollars will support a local organization, such as a fire department, police department, or hospital, call the organization to verify the claim.

If you are solicited by phone, mail, or in person, be sure to:

Ask for written information about the charity, including its name, address, and telephone number. A legitimate charity or fund-raiser will give you information about the charity's mission, how your donation will be used, and proof that your contribution is tax deductible.

Ask for identification. Many states require paid fund-raisers to identify themselves as such and to name the charity for which they're soliciting. If the solicitor refuses to tell you, hang up and report it to law enforcement officials.

Call the charity. Find out if the organization is aware of the solicitation and has authorized the use of its name. If not, you may be dealing with a scam artist.

Watch out for similar sounding names. Some phony charities use names that closely resemble those of respected, legitimate organizations. If you notice a small difference from the name of the charity you intend to deal with, call the organization you know to check it out. ■

Charity Check-up

Before making a donation, you can check out the charities you are considering with these organizations:

American Institute of Philanthropy
P.O. Box 578460
Chicago, IL 60657-8460
(773) 529-2300
www.CharityWatch.org

BBB Wise Giving Alliance
4200 Wilson Boulevard, Suite 800
Arlington, VA 22203
(703) 276-0100
www.Give.org

GuideStar
4801 Courthouse Street, Suite 220
Williamsburg, VA 23188
(757) 229-4631
www.GuideStar.org

Charitable Giving Increased in 2007, Passing the \$300 Billion Mark for the First Time

Despite a slowing economy, charitable giving in the United States increased in 2007, according to a *Giving USA* report. Charitable giving in 2007 is estimated at \$306 billion, a 1-percent increase (after inflation was factored in) over 2006's \$295 billion, says the report which was researched and written by the Center on Philanthropy at Indiana University.

Where did the contributions go? Religious organizations received the largest share, accounting for \$102 billion, or 33.4 percent of all contributions. Educational organizations came in second receiving \$43 billion, or 14.1 percent of all contributions. Other types of recipients included human services organizations with 9.7 percent of all contributions; grantmaking foundations with 9.1 percent; health organizations with 7.6 percent; public-society benefits organizations with 7.4 percent; arts, culture, and humanities organizations with 4.5 percent; international affairs organizations with 4.3 percent; and environment/animals organizations with 2.3 percent.

And who made the contributions? As usual, individuals contributed the most—nearly 75 percent of all contributions. If you add bequests to that percentage, individuals made more than 82 percent of all contributions. Foundations and corporations account for the remaining 18 percent.

Whether 2008 can continue the trend of increases in charitable giving remains to be seen. "Charities we surveyed have concerns about 2008 for the economy and stock market and the impact they will have on giving," said the chair of the Giving USA Foundation, Del Martin, in June 2008. ■

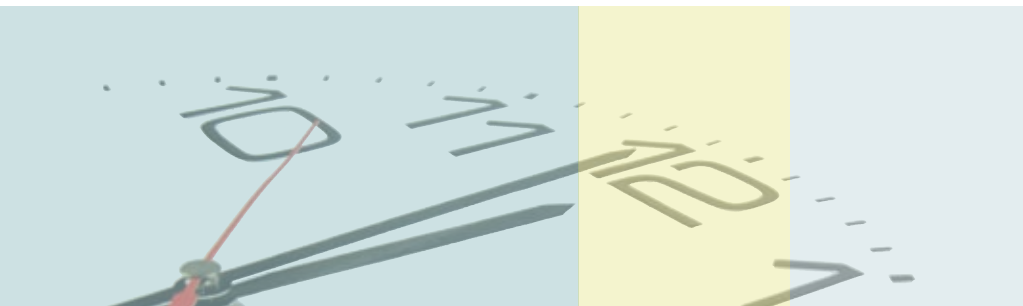
HOW TO BACK UP YOUR CHARITABLE DEDUCTIONS

It takes more than your say-so these days to back up a charitable deduction on your tax return. You generally must have written proof. Here are some general guidelines to help ensure that you have the documents needed to deduct your charitable gifts. See your tax advisor for more complete details before deducting your charitable gifts.

- ▶ **Cash donations require written proof.** For cash donations under \$250, a cancelled check, a bank statement, or a credit card statement showing the name of the charity and the amount and date of your donation is usually sufficient proof. A written communication from the charity acknowledging the date and amount of your gift is also acceptable.
- ▶ **Non-cash donations generally require written proof.** You generally need a receipt or letter from the charity that includes the name of the charity, the date and location of the contribution, and a reasonably detailed description of the property you donated. A receipt or letter from the charity is not required when it is impractical to get one, such as if you leave property at a drop-off box. You must, however, keep your own written records for each item you donate.
- ▶ **All donations of \$250 or more require a written acknowledgment from the charity.** The receipt should generally include the charity's name, the date of your donation, and whether you received any goods or services in return for your donation. (The value of any goods or services you received is not deductible.) If you donated cash, the receipt should indicate the amount. If you donated property, the receipt should include a detailed description of it and the location where you made the donation.
- ▶ **A donation of property over \$5,000 also generally requires a written appraisal from a qualified appraiser.** ■

2008 END-OF-YEAR TAX PLANNING





You may be able to reduce your 2008 income taxes if you act soon. There may be actions, such as deferring income, accelerating deductions, and harvesting investment losses, that you can take before the end of the year to help improve your tax situation. This article highlights some year-end strategies for reducing federal income taxes and looks at new federal tax laws and changes that may affect you. For advice on your specific situation, please contact your tax and financial advisors before the end of the year.

NEW FOR 2008:

■ **Standard deduction for property taxes.**

For 2008 and 2009 only, taxpayers who claim the standard deduction can claim up to an additional \$500 standard deduction (\$1,000 if married filing jointly) for real property taxes they paid. Normally, the only way you can deduct your property taxes is to itemize deductions on your tax return.

■ **\$7,500 tax credit for home buyers.** You may be able to subtract up to \$7,500 from your federal income taxes when you buy a home if you have not owned a principal residence in the past three years and your modified adjusted gross income is under the limits. This tax credit is more like an interest-free loan, though, than a typical tax credit. Home buyers will need to repay the credit in equal installments over 15 years, beginning two years after the credit is claimed.

If you are eligible for the credit, you can subtract from your taxes up to 10 percent of the home's purchase price or \$7,500 (\$3,750 for a married individual filing separately), whichever is less. The credit is refundable,

so if it exceeds your tax liability for the year, you will receive a refund of the excess amount, in addition to the credit wiping out your tax liability.

The credit applies to homes purchased after April 8, 2008 and before July 1, 2009. If you purchase a home in 2009's eligible period, you can choose to claim the credit on either your 2008 or 2009 tax return.

Income limits apply. The credit phases out (is gradually reduced until it is eventually eliminated) for individual taxpayers with modified adjusted gross incomes between \$75,000 and \$95,000 (\$150,000 and \$170,000 for joint filers). Other restrictions also apply.

■ **The 5-percent tax rate on long-term capital gains and qualified dividends is reduced to zero.** The tax rate is now zero percent for individuals in the two lowest income tax brackets. The 15-percent rate for individuals in the other income tax brackets has not changed. These low rates are scheduled to remain in effect through 2010.

If you are not eligible for the zero rate yourself, you may wish to consider giving appreciated securities rather than cash to

someone who may be eligible, such as your child or parent. But before you do, be sure to consider that some of your child's investment income may be taxed at your rate. Read on.

■ **The "kiddie" tax now impacts more children.** The age limit for determining whether some of your child's investment income will be taxed at your rate increased this year. In 2007, the kiddie tax rules applied only to children under age 18. Beginning with the 2008 tax year, the kiddie tax rules apply to children under age 19 or full-time students under age 24 who are not mainly self-supporting. If your child is in one of these groups and has investment income over \$1,800 (the 2008 limit), generally any investment income over that amount will be taxed at your tax rate.

■ **More of your itemized deductions may be allowed this year.** Higher-income taxpayers begin to lose the value of certain itemized deductions (taxes, home mortgage interest, gifts to charity, job expenses, and most miscellaneous deductions) once their adjusted gross incomes (AGIs) exceed



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\$159,950 (\$79,975 if married filing separately). That's the bad news. The good news is that they will generally be allowed to keep more of their itemized deductions this year as the limit on itemized deductions continues to phase out. If your AGI was above the limit in 2007, you were allowed to keep one-third of the deductions you otherwise would have lost due to the limit. In 2008 and 2009, you can keep two-thirds of the deductions you otherwise would have lost. And in 2010, limits on itemized deductions for higher-income taxpayers are scheduled to be eliminated.

■ **More of your personal exemptions may be allowed this year.** The limit on personal exemptions that prevent higher-income taxpayers from claiming the full value of their personal exemptions is also being phased out. In 2007, you may have lost as much as two-thirds of the value of your exemptions if your income exceeded the limits. In 2008, the most you can lose is one-third.

The limit on personal exemptions affects taxpayers with AGIs above \$159,950 if single, \$239,950 if married filing jointly, \$119,975 if married filing separately, and \$199,950 if a head of household.

■ **More generous home sale exclusion for widows and widowers.** Widows and widowers now have more time—up to two years after the death of a spouse—to sell a jointly-owned home and still be eligible to exclude up to \$500,000 of the gain from their income. If the home is sold after two years, the surviving spouse can only exclude up to \$250,000, the limit for single taxpayers. This new rule is effective for homes sold after 2007.

■ **Higher contribution limits for IRAs.** You may be able to contribute \$1,000 more

to your traditional or Roth IRA for 2008. The regular contribution limit increased from \$4,000 in 2007 to \$5,000 in 2008. The limit for catch-up contributions—contributions that people age 50 or older can make in addition to their regular contributions—remains at \$1,000 for 2008.

NEW FOR 2009:

■ **Planning to convert a second home into your principal residence? Your eventual home sale exclusion may be reduced.**

The rules governing the amount of gain (profit) you may exclude from income when you sell a home will tighten for homes sold after 2008. While you will still be able to exclude up to \$250,000 (\$500,000 if married filing a joint return) of gain from the sale of a home that you use as a principal residence for at least two of the five years before its sale, you will no longer be allowed to exclude gain allocable to periods of nonqualified use.

Nonqualified use is defined as any period after 2008 during which the property is not used as a principal residence by you, your spouse, or your former spouse. There are exceptions to determining nonqualified use. In many instances, periods of absence from the home after it has been used as your principal residence may count as qualified use.

The new rule regarding nonqualified use applies to home sales and home exchanges.

ALL TAXPAYERS:

■ **Determine whether you will be subject to the AMT.** In what has become an annual event, Congress has slapped a one-year patch on the alternative minimum tax (AMT) to prevent millions of additional



TAX BREAKS EXTENDED

taxpayers from becoming subject to the tax in 2008. As with prior patches, this patch increases the AMT exemption amounts and allows certain personal credits to be used against the AMT.

The AMT is an alternative method of calculating taxes that eliminates many deductions and credits, as well as other “tax preferences”. It was created about 40 years ago to prevent a few wealthy individuals from using excessive deductions and credits to completely avoid paying federal income tax. However, unlike the regular income tax system, the AMT was never indexed for inflation. So, each year, more and more taxpayers—including many middle-income taxpayers—are swept up into the AMT net and pay higher taxes as a result.

To determine whether you will be subject to the AMT, calculate your taxes both ways: the regular way and the AMT way. Whichever calculation returns the greater amount is the one you pay.

What may cause you to be subject to the AMT? The following are common triggers:

- Living in areas with high state, local, and real estate taxes
- Realizing a large amount of capital gains
- Exercising incentive stock options without selling the stock in the same year
- Using the proceeds from a mortgage or home equity line of credit for purposes other than buying, building, or improving your home
- Claiming a large number of exemptions

It is important to know which way you will be taxed before you make any year-end tax-planning moves. Strategies that may be effective under the regular tax code can backfire under the AMT. And many of the strategies discussed in this article are only appropriate for the regular tax system.

Congress has extended several popular tax breaks that had expired. The following tax provisions are now in effect through the end of 2009.

- The deduction for state and local sales taxes.
- The deduction for college tuition and fees.
- The deduction for teachers’ classroom expenses.
- The tax credit for energy-saving home improvements.
- Tax-free distributions from IRAs for charitable purposes.

The same legislation that extended the tax breaks also included a one-year patch for the alternative minimum tax (AMT), designed to prevent millions of additional Americans from becoming subject to the AMT in 2008.

If there is a chance that you may be subject to the AMT, talk to your tax advisor before the end of the year about how you may be able to avoid the AMT or reduce its bite.

■ **Time income and deductions.** Timing when you receive income and pay deductible expenses may help you lower your overall tax bill for this year and next.

One strategy is to shift income, where possible, between years if it improves your tax situation. Generally, it makes sense to shift income—and the resulting tax liability—into next year. However, if you expect to be in a higher tax bracket next year, you may want to shift income into this year so that it is taxed at lower rates.

Shifting income between years may also

help you qualify for deductions and credits that have income limits. For example, if you adopted a child this year, you may be able to claim a credit for up to \$11,650—but only if your AGI is under \$214,730. And as mentioned earlier, your overall deductions for taxes, home mortgage interest, charitable gifts, job expenses, and most miscellaneous deductions may be limited if your AGI exceeds \$159,950. If your AGI is just over the limit, shifting some income to next year may help you avoid having those itemized deductions reduced this year.

Shifting when you pay deductible expenses between years may also help you qualify for deductions with thresholds. For example, you may only deduct medical expenses that exceed 7.5 percent of your

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2008 FEDERAL TAX RATES

ORDINARY INCOME TAX

Rate Taxable Income

Single

10%	\$0–\$8,025
15%	\$8,026–\$32,550
25%	\$32,551–\$78,850
28%	\$78,851–\$164,550
33%	\$164,551–\$357,700
35%	\$357,701 and up

Married Filing Jointly

10%	\$0–\$16,050
15%	\$16,051–\$65,100
25%	\$65,101–\$131,450
28%	\$131,451–\$200,300
33%	\$200,301–\$357,700
35%	\$357,701 and up

Married Filing Separately

10%	\$0–\$8,025
15%	\$8,026–\$32,550
25%	\$32,551–\$65,725
28%	\$65,726–\$100,150
33%	\$100,151–\$178,850
35%	\$178,851 and up

Head of Household

10%	\$0–\$11,450
15%	\$11,451–\$43,650
25%	\$43,651–\$112,650
28%	\$112,651–\$182,400
33%	\$182,401–\$357,700
35%	\$357,701 and up

ALTERNATIVE MINIMUM TAX

26% on the first \$175,000 of AMT income (\$87,500 if married filing separately) and 28% on the excess.

AGI. If you are close to the threshold, paying some medical expenses this year that you had planned to pay early next year may push you over the threshold so that you can claim a deduction this year.

Shifting when you pay deductible expenses may also allow you to itemize deductions in years that you would otherwise claim the standard deduction. For example, if your itemized deductions add up to less than the standard deduction, paying some of next year's deductible expenses this year may increase the itemized amount over the standard deduction, making it worthwhile for you to itemize and deduct the larger amount. This technique is known as bunching deductions.

Because the tax rules are so complex, timing income and deductions can have unexpected consequences, such as pushing you into the AMT. Be sure to talk to your tax advisor first.

■ **Claim a tax credit for buying a new hybrid vehicle.** You may be able to claim a tax credit for as much as \$3,000 if you buy a new hybrid vehicle. The exact amount of the credit depends on the make and model of your hybrid vehicle, as well as when it was purchased. Although more than a dozen different hybrid models are eligible for the credit, Toyota and Lexus hybrids purchased after September 30, 2007 are not eligible and Honda hybrids purchased after the end of 2008 will not be eligible. That is because the credit begins to phase out soon after a manufacturer sells more than 60,000 hybrid vehicles.

■ **Deduct long-term care insurance premiums.** When adding up your deductible medical expenses for the year, you may include part of the premiums you paid for a qualified long-term care insurance con-

tract. For 2008, you may include up to:

- \$310 if you are age 40 or under
- \$580 if you are age 41 to 50
- \$1,150 if you are age 51 to 60
- \$3,080 if you are age 61 to 70
- \$3,850 if you are age 71 or over

HOMEOWNERS:

■ **New home? Deduct your mortgage insurance premiums.** New homeowners who enter into a mortgage insurance contract after 2006 and before 2011 may be able to deduct their premiums. This deduction phases out for taxpayers with adjusted gross incomes exceeding \$100,000 (\$50,000, if married filing separately).

■ **Was part of your mortgage debt forgiven? You may not have to claim it as income.** If your lender forgave part of the mortgage debt on your principal residence as a result of a foreclosure or a renegotiation, you may be able to exclude up to \$2 million of the forgiven amount from your taxable income. Normally, the forgiven amount would be added to your taxable income. This tax provision applies to debt forgiven in years 2007 through 2012.

EMPLOYEES:

■ **Defer tax on income when you save for retirement.** Income that you contribute to your tax-deferred retirement plan at work reduces your taxes for the year—and the higher your tax bracket, the greater your tax savings. For example, if you are in the 35-percent income tax bracket and you contribute \$20,000 to your 401(k) plan in 2008, you may be able to trim your 2008

income taxes by \$7,000. Sure, you will eventually owe income tax on your contributions and the earnings they generate, but not until you withdraw money from your account.

You may also be eligible to deduct contributions you make to a traditional IRA outside of work. To contribute to an IRA, you must be under age 70½ at the end of the tax year and have taxable compensation, such as wages. Your contributions are deductible if you and your spouse are not covered by retirement plans at work. If either of you is covered at work, your income must be under certain limits for your contributions to be deductible. You have until April 15, 2009 to contribute to a personal IRA for 2008.

■ **Consider the tax implications before exercising stock options.** Exercising stock options can greatly affect your tax bill for the year. For example, under the regular tax code, incentive stock options (ISOs) are not taxed when the options are exercised, but only when the stock is sold. Under the AMT, however, the difference between the stock's exercise price and its fair market value on the day that it is exercised is considered taxable income. As a result, if you exercise ISOs without selling the stock in the same year, you increase your chance of being taxed under the AMT.

■ **Use or lose the money in your flexible spending account.** Did you contribute pre-tax income to a flexible spending account at work to help pay your out-of-pocket health care expenses? These plans have a use-it-or-lose-it policy: any money that you do not use by the end of the year, or the end of the grace period if your plan offers one, disappears for good.



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BUSINESS OWNERS:

■ **Establish a business retirement plan.**

If you haven't set up a business retirement plan yet, there is still time to do so and claim a tax deduction for 2008. Why not just stick with a traditional or Roth IRA for an individual? Because a business retirement plan enables you to contribute much more each year in a tax-favored manner than an IRA for an individual. For example, while the 2008 contribution limit is \$5,000 for your personal IRA, you may be able to contribute as much as \$46,000 to a business retirement plan, such as a SEP-IRA.

To claim a deduction for 2008, you have until the end of the 2008 tax year to establish a 401(k) plan and until the due date of your business tax return, including extensions, to establish a SEP-IRA. Either plan can be funded up until the due date of your business tax return, including extensions.

You may be able to claim a tax credit for part of the cost to start a business

2008 Retirement Plan Contribution Limits

401(k), 403(b), or 457 Plan

- Regular limit: \$15,500
- Catch-up limit: \$5,000

SIMPLE IRA or SIMPLE 401(k)

- Regular limit: \$10,500
- Catch-up limit: \$2,500

Traditional or Roth IRA

- Regular limit: \$5,000
- Catch-up limit: \$1,000

People who are age 50 or older generally may make catch-up contributions in addition to regular contributions.



Are you eligible for the zero percent tax rate on long-term capital gains and qualified dividends?

You are if your tax filing status is...

- Single and your AGI is below \$32,551
- Married filing jointly and your AGI is below \$65,101
- Married filing separately and your AGI is below \$32,551
- Head of household and your AGI is below \$43,651

retirement plan. The credit equals 50 percent of the cost to set up and administer the plan and educate employees about the plan, up to a maximum of \$500 per year for each of the first 3 years of the plan.

INVESTORS:

The following tips apply only to investments held in taxable accounts. They do not apply to investments held in 401(k) plans, IRAs, and other tax-favored accounts.

■ **Use losses to offset gains.** Investment losses can be used to offset gains on your tax return. And, if your losses are more than your gains, up to \$3,000 of the excess can be deducted from your ordinary income each year until the losses are fully deducted. A word of caution: Selling an investment just to harvest a loss and then buying it right back again, gets you nowhere tax-wise. The IRS will not allow you to claim the loss if you or your spouse purchases a substantially identical security within 30 days before or after the sale.

■ **Hold out for long-term gains.** The tax rates on long-term capital gains from securities are relatively low—zero percent for taxpayers in the lowest two income brackets, 15 percent for everyone else—and are scheduled to remain that way through 2010. To qualify for the long-term capital gains rates, you must hold your appreciated investments for longer than one year before selling them. Sell any sooner, and your gains will be considered short-term and will be taxed at your income tax rate, which may be as high as 35 percent.

■ **Hold out for qualified dividends whenever possible.** Dividends from U.S. stocks

and some foreign stocks may also be eligible for the same low tax rates—zero percent or 15 percent—that apply to long-term capital gains. To be considered a qualified dividend and therefore eligible for the low tax rates, you generally must have owned the qualifying stock for at least a 61-day period that includes the stock's ex-dividend date. (A different holding period applies to preferred stock dividends.)

■ **Avoid buying mutual funds right before their record date.** To avoid paying taxes on the capital gains they realized selling assets throughout the year, mutual funds distribute those gains—and the tax liability—to the investors who owned their shares on the fund's record date. If you are considering buying a mutual fund before the end of the year, check the fund's record date first. If you hold off purchasing the mutual fund until after the record date (many of which are in November and December), you will avoid the capital gains distribution and the resulting tax liability.

PEOPLE PAST AGE 70½:

■ **Take required minimum distributions from your tax-deferred accounts.** Generally, once you reach age 70½, you are required to withdraw at least the minimum amount each year from your tax-deferred retirement accounts. It is Uncle Sam's way of ensuring that you begin to pay tax on the retirement savings that have been accumulating for years without being taxed. Most people over age 70½ have until December 31, 2008 to take their 2008 minimum distribution. People who turned age 70½ in 2008, though, have until April 1, 2009 to take their first minimum distribution. (Some workplace retirement plans may



allow you to defer distributions until you retire, even if you are older than age 70½.)

PEOPLE WITH TAXABLE ESTATES:

■ **Make use of your annual gift tax exclusion.** If you expect that your estate will be subject to estate taxes, you may wish to reduce the size of your taxable estate by giving some of it away now. Each year, you are permitted to give up to a certain amount—\$12,000 in 2008—to as many individuals as you wish without your gifts being subject to gift tax or reducing the amount that can be excluded from your estate taxes later on. After December 31st, however, your opportunity to make use of the annual gift tax exclusion for 2008 is gone for good.

If you are married, both you and your

spouse can separately give each person up to \$12,000 without the gift being taxable. Also, you or your spouse can give up to \$24,000 to the same person without it being taxable, as long as you and your spouse agree to “split” the gift.

■ **Estate tax exclusion to increase in 2009.** The amount of your estate that can be excluded from federal estate taxes will increase to \$3.5 million in 2009, up from \$2 million in 2008.

The federal estate tax is scheduled to be repealed for one year in 2010 and then return in 2011 with a \$1 million exclusion. Of course, Congress may act between now and 2011 to change the exclusion amounts and the tax rates. In the meantime, it is important for wealthy individuals to keep their estate documents (wills, trusts, etc.) up-to-date and flexible enough to deal with the changing estate tax landscape.

GET PROFESSIONAL ADVICE:

You may be able to reduce your 2008 taxes if you act soon. The first step is to contact your tax and financial advisors before the end of the year. Your advisors can review your financial situation in light of the latest tax laws and suggest financial moves that may help minimize your federal and state taxes. ■

Understanding Your Social Security Options

As you prepare to retire, a big question on your mind may be “Have I saved enough to retire?” Part of the answer will depend on how much income you might expect from Social Security. And that amount will depend on many factors, including your lifetime earnings, your age when you begin Social Security benefits, and whether you continue to work while receiving benefits. Some of the factors influencing the amount of your Social Security benefit are touched on here; the Social Security Administration’s web site, www.ssa.gov, provides greater detail.

But before you apply for Social Security benefits or begin to tap your other retirement resources, talk to your financial advisor. Your advisor can help you estimate whether you have saved enough to retire. Plus, your advisor can help you create a financial plan for your transition into retirement.

Am I eligible for Social Security?

If you worked and paid Social Security taxes for at least 10 years, you generally become eligible for Social Security retirement benefits at age 62.

You may also be eligible for benefits on someone else’s Social Security record, such as the record of your spouse or your late spouse. You may even be eligible on your ex-spouse’s record, if you were married for at least 10 years, are unmarried now, and are at least age 62. Your ex-spouse must also be at least age 62.

How much will I receive?

The calculation used to determine the monthly retirement benefit is complex. Suffice it to say that it considers the average of your earnings over the 35-year period in which you earned the most and applies a formula to that average. The result is the amount you would receive if you begin your benefits at your full retirement age.

Generally, the higher your lifetime earnings, the higher your monthly benefit—but only up to a point, due to benefit limits. For 2008, the maximum monthly benefit for an individual who begins receiving retirement benefits at his or her full retirement age is \$2,185. Even if you receive the maximum benefit, it may only replace a small percentage of the income you received when employed, which

is why pensions and personal savings are essential parts of any retirement.

Although you will not know the exact amount of your benefits until you apply, your Social Security Statement provides an estimate. Perhaps you already receive an annual copy of it from Social Security. If not, you can request it on their web site at www.ssa.gov/mystatement/.

Will my monthly benefit increase if I wait?

Yes, the later you start receiving benefits, the larger your monthly benefit. Once you reach age 70, though, your monthly benefit will not increase any further even if you continue to delay receiving benefits.

The graphic on the opposite page illustrates how your age when you begin receiving benefits affects the amount of your monthly retirement benefit.

Hmmm, you can start receiving benefits at age 62, or you can start at a later time and permanently increase the amount you receive each month. The folks at Social Security suggest that many people will end up with about the same total benefit over

their lifetimes regardless of when they start. After all, receiving a smaller amount for a longer period can add up to or even exceed receiving a larger amount for a shorter period. The unknown in all of this is how long you will be receiving the benefits.

Here are a few things to consider when deciding when to start receiving benefits. People who are in good health and who do not need the benefits right away may want to delay receiving benefits so that they get a higher monthly benefit when they do start. People in poor health may be able to maximize

their total benefits by starting as early as possible. But understand that when you start also affects the size of your spouse's survivor benefit—the later you start (up until age 70), the larger the survivor's benefit.

And then there is work to consider. Between age 62 and your full retirement age, your wages may reduce or eliminate your monthly benefits. If you earn more than the \$13,560 (the 2008 limit), \$1 is deducted from your benefit payments for every \$2 you earn above the limit in the years before your full retirement age. In the year you

reach full retirement age, \$1 is deducted from your benefit payments for every \$3 you earn above \$36,120 (the 2008 limit). Once you reach full retirement age, your wages will no longer affect your benefits. If you missed any months of benefits prior to your full retirement age due to your wages, your benefit amount is recalculated to give you credit for those months.

How do I apply for benefits?

The Social Security Administration suggests that you apply for benefits three months before you want your benefits to be-

gin—this means no sooner than age 61 years and nine months if you want to begin at age 62.

You can apply online at www.ssa.gov, or you can apply in person (by appointment) or by phone at your local Social Security office. ■

Talk to your financial advisor as your retirement approaches. Your advisor can help you create a financial plan that addresses many of the decisions you will need to make as you transition to retirement.

Your monthly benefit increases if you start receiving benefits later.

You'll Receive This Percentage of Your Monthly Retirement Benefit¹ if...

Year of Birth	Full Retirement Age	You Begin at Age 62	You Begin at Full Retirement Age	You Begin at Age 70
1937	65	80.00%	100%	132.50%
1938	65 and 2 months	79.17%	100%	131.40%
1939	65 and 4 months	78.33%	100%	132.70%
1940	65 and 6 months	77.50%	100%	131.50%
1941	65 and 8 months	76.67%	100%	132.50%
1942	65 and 10 months	75.83%	100%	131.30%
1943-54	66	75.00%	100%	132.00%
1955	66 and 2 months	74.17%	100%	130.70%
1956	66 and 4 months	73.33%	100%	129.30%
1957	66 and 6 months	72.50%	100%	128.00%
1958	66 and 8 months	71.67%	100%	126.7%
1959	66 and 10 months	70.83%	100%	125.30%
1960 or later	67	70.00%	100%	124.00%

When you begin can make a big difference in the amount of your monthly benefits.

Let's say you were born in 1946 and your monthly retirement benefit at your full retirement age of 66 is \$1,000. If you begin receiving benefits at age 62, your monthly benefit will only be \$750; if you wait until age 70 to begin, your monthly benefit will be \$1,320.

Source: Social Security Administration
¹ The percentages apply only to the retirement benefit; different percentages apply to the spouse's benefit.



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Buenos Aires: Art and Soul

BY BRIAN JOHNSTON

Ah, the tango! They say the dance reflects the soul of Argentina: melancholy, wistful, erotic. In the old neighborhoods of Buenos Aires, dancers twirl and pout in the shadows of evening, accompanied by the haunting notes of the accordion and the raspy voices of elderly men, singing of love and sensuality. On park benches old ladies sit with their transistor radios emitting the tinny strains of Argentina's greatest dance, low and haunting. In the great bars and clubs of the city, on the other hand, the music swells in crescendos, and the shoes of the dancers make floorboards and emotions quiver.

Visit Buenos Aires and you can easily lose yourself in the passion and nostalgia of its famous dance. You can experience the tango just about everywhere in the city, from a show at a world-famous club to a spontaneous outburst on the sidewalk of Calle Florida. The Pompeya neighborhood is associated with dancers and musicians; music floats in the air, and onlookers cheer

the displays of dancing in the streets. In the evenings in San Telmo locals sit at cafés under the trees, playing chess and cards as tango dancers twirl, their high heels clicking on the cobblestones. While there are plenty of tourist spots in Buenos Aires where you can have dinner and see a tango show—and where the technical dance displays are often dazzling—it's the rough passion of street dancing in such neighborhoods that will truly delight you.

San Telmo has more than tango: this run-down quarter has seen its colonial architecture and ornate detail carefully restored. Street performers, artists, and antique dealers have moved in, and in the square outside the blue-and-white church conversation and cigarette smoke swirls. The streets have a raffish energy: come here and watch the sword-swallowers and buskers as you browse in the weekend market for a handsome piece of silver jewelry or a household curiosity from days gone by. Buenos Aires is full of such bohemian

neighborhoods, best appreciated by aimless wandering on foot. In Caballito you can rummage around for old maps and stamps at stalls set up in the local park. Even in the city center's Plaza General Lavalle, dominated by the Supreme Court, lawyers hitch up their robes and stretch out under the jacaranda trees, or squabble over second-hand books at impromptu stalls.

The most famous neighborhood of all: La Boca down by the river, where rusting ships lie askew in the docks, and tenements crumble. As if in protest over the years of decline, residents here have painted their houses in slashing cubist colors: red, blue, yellow, orange. Even the corrugated iron roofs come in zigzag patterns, embellished with the colors of the local football teams that are followed here with passionate allegiance. Even more passionate than soccer is the tango. Many of the houses are decorated with frescoes showing tango scenes and episodes from the lives of the (mostly Italian) immigrants who arrived here after the

Second World War, bringing their love of music with them. Stroll around La Boca on a weekend, when local men are out in force, playing Italian card games in the bars over glasses of Chianti. Out in the streets, artists fiddle with their paintbrushes as tourists stop by to admire the works in progress set up on their easels. The most famous La Boca character, perhaps, is Guillermo Alio, both painter and tango artist combined. He strolls the Caminito, the neighborhood's main street, in natty cravat and jaunty black hat, chatting to anyone who's interested in the great dance. Although he paints interesting canvases depicting the immigrant experience in Argentina, he's best known for paintings in which he has dancers perform the tango on huge sheets of paper laid out in the street. The man's shoes are dipped in black paint, the woman's high heels in red, and as they whirl and twirl across the paper, abstract designs of paint and passion are formed in front of the onlooker's eyes.

This is Buenos Aires, a place with a passionate Latin heart best seen in its working-class neighborhoods. Yet it's also a city of startling contrast, and you only have to head to the city center to find an all together different atmosphere, one that seems resolutely European and surprisingly staid. Here you could be forgiven for thinking you're in Madrid or Paris; indeed the city's main boulevard, Avenida 9 de Julio, is said to be modeled on the Champs Elysées. Here well-heeled women walk their pampered pouches, businessmen blather into mobile phones, and elderly gentlemen sip at coffee under dusty chandeliers. The parks look like a little corner of France except for the violent purple of the jacaranda trees; the ornate churches are distinctively Spanish; the snobbish clubs so resolutely British. In between, palatial buildings and ornate architecture are a reminder that Buenos Aires was once the wealthiest city in the world.

In the hundred years since then the people of Buenos Aires have become a little serious and melancholy, full of worries

about the future. They knock around their grand apartment blocks like old people lost in a haunted house, overlooked by gargoyles and baroque curlicues. They still visit their brilliant opera house, the truly spectacular Teatro Colón, embellished with stained glass, Greek columns and endless frescoes, but ragged at the edges. In the intermission you can mingle with men in vicuna coats and society ladies in diamonds that might just, these days, be paste. During the day time, you can wander through the elegant suburbs of Belgrano, Flores, and Retiro, where ambitious houses sit along tree-lined boulevards, the museums showcase fine art, and the boutiques are full of international designer labels. And amid all the dilapidated elegance some brilliant surprises, such as the effortlessly tranquil Japanese Gardens in the suburb of Barrio Norte, with their trickling streams and smug carp.

When it comes to smug, don't forget to drop into Recoleta, one of the city's most exclusive suburbs. It's a good place to stroll around but an alarming place to stop for a coffee, perhaps, which will likely cost you an arm and a leg. If you can afford it, the hotels of Recoleta are the best in the city: like the Alvear Palace, with its spindly Louis XIV furnishings, Hermès toiletries, and personal butler service. This is just the place to take afternoon tea surrounded by the flowers of the Winter Garden: a strangely British ritual here at the far ends of the earth, and quite the Buenos Aires experience.

Strangely enough, Recoleta's greatest attraction is its cemetery, which since 1822 has been the resting place of many a prominent Argentine: wealthy landowners, literary figures, dictators and presidents, independence heroes and of course Eva Perón, whose plain black granite family vault is permanently piled with flowers and messages. A little ghoulish, perhaps? Not at all: this is one of the world's more unusual tourist attractions, and will reveal plenty of Argentine history and society. Cats prowl among the tombstones in astonishment, bask-

ing on the sunny marble under the peaceful eye of stone angels. Saints and winged Victories wave from the roofs of mausoleums, witty inscriptions enliven plinths, and every corner oozes bronze plaques, Greek pillars, Art Deco curves, and hideous pseudo-Egyptian monstrosities. With six thousand tombs to choose from—some seventy of which have actually been declared national monuments—you could spend quite a pleasant hour reflecting on history, politics, life, death, and the vanity of Recoleta's inhabitants.

For more on these themes, head back to the city center and make a final stop at the Plaza de Mayo, which might be considered the heart of Argentina. For a start, it was the Buenos Aires' original town square, laid out in 1580 by the Spanish; the Cabildo or town hall is one of the few colonial buildings to have survived in the city. Over in the cathedral you'll find the tomb of the famous liberator General José de San Martín, who brought independence to Argentina, as well as to Peru and Chile. But what really catches the eye is the hideously pink presidential palace, not surprisingly nicknamed the Pink House. Many Argentine presidents and dictators have addressed the crowds from its balcony, but it was Eva Perón—or Evita—who most famously put her mark on the Argentine psyche with her speeches to the faithful. Today, old men sit around the fountains of the plaza smoking cigarillos and watching little boys splashing in the fountains, while mothers whose children disappeared under the dark days of the dictatorship still stand vigil under the palm trees.

This is Buenos Aires, a place of politics and struggle and a city that has seen better days. And so its residents are a little wistful and melancholy, perhaps, yet in spite of it all still determined to enjoy the good life. They giggle in the parks, dine out on great shanks of beef, follow the passion of soccer, and dance the haunting tango far into the night. Contradictions and curiosities are everywhere, but one thing's for sure: visit Buenos Aires and you'll not be bored. ■

America's "City of Murals" BY BARBARA RIZZA MELLIN

Recently, I discovered a city that would rival the art centers of Renaissance Italy. That city is American's own Philadelphia. Like the frescos that covered churches and civic buildings in 16th Century Europe, magnificent murals

decorate the sides of buildings throughout the City of Brotherly Love. If you visit, you'll find more than 2,700 murals painted on interior and exterior walls of schools, community centers, and public buildings. The murals range in size from one to eight stories, but the average is about 35 feet high by 30 feet wide.

What is most surprising and satisfying about this phenomenon is the quality of the murals, which are really remarkable in their creation and composition. The images are realistic or imaginative, beautifully painted and totally engaging, not an easy task for artists working on much larger-than-life surfaces. The enormous scale of these artworks presents unique problems. Scaffolding must be constructed and special acrylic paint and sealers used, contrib-

uting to a total cost per mural of between \$10,000 and \$15,000.

One of my favorites is the window-reflect-ed church on the "brick" building on Walnut St. (near the cross street of 22nd St.) The fact that no church actually exists, nor are there any real bricks or windows, makes this mural all the more magical. When you first see it, you'll automatically turn around to view the

church, only to find a gas station. In 1995, Sunoco commissioned artist Michael Webb and Susan Maxman Architects to design and execute the mural, which shows the St James Episcopal Church that had filled that corner from 1870 to 1946.

Stylistically, all the murals are quite varied, since they have been crafted by different artists for different purposes. Some depict everyday people living everyday lives, as in *Neighborhood Heroes*, *The Steppers*, picturing a local drill team. Others pay homage to famous sons such as Mario Lanza, Dr. J, and Maxfield Parrish. Many, like *Immigration* and *the Dignity of Labor and the Peace Wall* were designed around special themes. And still others reflect tranquil or vibrant images of distant places, as in *Tuscan Landscape*, *Brazilian Rainforest*, and *Mountain Vista*. In a sense, the murals provide grand-scale history and social studies lessons for spectators. In the planning and preparation process, the murals also serve to unify the neighborhood communities, and in their final product, to bring art to the public through a very accessible venue. The city has literally become a giant al fresco art exhibit.

In fact, Philadelphia's outdoor mural gallery is the largest of its kind anywhere and a model for urban revitalization. Originally conceived to eliminate the graffiti problem in the city, the Mural Arts Program (MAP) began in 1984 under the direction of Jane Golden and the title Philadelphia Anti-Graffiti Network. Graffiti writers were among the first to participate. Now, professional and emerging artists, graduate art students and youthful artists, along with would-be building taggers, work on the designs and completion of the actual paintings.

The murals are so popular, the city offers 2-hour guided trolley tours and suggests self-guided walking and driving tours. For information about MAP and the tours call 215-389-8687 or visit www.muralarts.org. ■



Peace Wall, by Jane Golden, is one of more than 2,700 murals adorning Philadelphia's buildings. This mural is located in the Gray's Ferry neighborhood at 29th and Wharton.

Photo: Jack Ramsdale for Mural Arts Program
© City of Philadelphia Mural Arts Program

WHAT'S ON AT THE ART MUSEUMS

VAN GOGH AND THE COLORS OF THE NIGHT

THE MUSEUM OF MODERN ART • NYC
THROUGH JANUARY 5, 2009

VAN GOGH MUSEUM • AMSTERDAM
FEBRUARY 13–JUNE 7, 2009

Over two dozen of Van Gogh's nocturnal and twilight paintings, including *The Starry Night*, will be exhibited at MoMA before traveling to the Van Gogh Museum in the Netherlands.

HENRI CARTIER-BRESSON AND THE ART AND PHOTOGRAPHY OF PARIS

THE ART INSTITUTE OF CHICAGO
THROUGH JANUARY 4, 2009

The works of legendary photojournalist Henri Cartier-Bresson will be exhibited, along with works by his contemporaries in Paris, such as Picasso, Matisse, and Mondrian.

IN CONTEMPORARY RHYTHM: THE ART OF ERNEST L. BLUMENSCHNEIN

DENVER ART MUSEUM
NOVEMBER 8, 2008–FEBRUARY 8, 2009

PHOENIX ART MUSEUM
MARCH 15–JUNE 14, 2009

In Contemporary Rhythm celebrates the life and art of New Mexico's most accomplished historic painter, Ernest L. Blumenschein (1874–1960). Approximately 60 of his paintings are featured. ■



QUIZ

Life in the '70s

1. John Travolta donned a white suit and took to the dance floor in this 1977 film that helped popularize disco music:
A. Saturday Night Fever
B. Grease
2. We were glued to our TV sets in the summer of 1972 as this American swimmer brought home seven gold medals from the Olympics:
A. Michael Phelps
B. Mark Spitz
3. This group led the music charts in the 1970s with hits like *Make Me Smile* and *25 or 6 to 4*:
A. Chicago
B. The Doobie Brothers
4. Many of us laced on these oddly shaped shoes with their thin heels and thick soles that were supposed to mimic walking on sand:
A. Clogs
B. Earth shoes
5. Archie Bunker was the main character on this ground-breaking television sitcom that ran from 1971 to 1979:
A. All in the Family
B. The Cosby Show
6. People went in droves to see this 1970 tear-jerking film starring Ali MacGraw and Ryan O'Neal:
A. Love Story
B. Paper Moon
7. The jingle "Plop, plop, fizz, fizz, oh, what a relief it is!" was introduced in 1979 promoting:
A. Fizzies
B. Alka-Seltzer
8. Before there was "Fugetaboutit", there was "'I'm gonna make him an offer he can't refuse" from this Best Picture of 1972:
A. The Godfather
B. Goodfellas

◀ *Star Road and White Sun* (1920) by Ernest L. Blumenschein is part of the *In Contemporary Rhythm* exhibition at the Denver Art Museum and later at the Phoenix Art Museum.

Courtesy of The Albuquerque Museum, Museum purchase, 1985 General Obligation Bonds, Albuquerque High School Collection, Gift of classes 1943, 1944, 1945.

ANSWERS: 1-A, 2-B, 3-A, 4-B, 5-A, 6-A, 7-B, 8-A.