Volume 5, Issue 3
August 2010

Presented by Roberson & Company

The RoCo Times

Special Dates of Interest

- Sept. 6th—Labor Day, Office closed.
- Sept. 15th—Third quarter installment of 2010 individual estimated income tax is due.
- October 1st—Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2010.
- October 15th—Deadline for filing 2009 individual tax returns on extension.

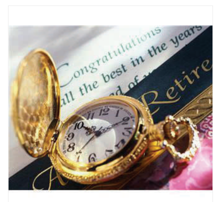
INSIDE THIS ISSUE:

Opportunity dances with those who are already on the dance floor.

Author
H. Jackson Brown Jr.

Working after retirement affects your benefits and taxes

People often work beyond the "normal" retirement age. Here's how extending your work life can affect your taxes and retirement benefits.

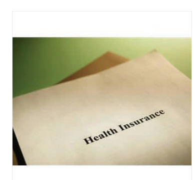


"Normal" retirement age is not a fixed number. For social security purposes, the "full" retirement age threshold ranges from 65 to 67, depending on your birth date. However, you can elect to start receiving lower payments as early as age 62, or you can maximize your benefits by forgoing them until you're 70. Once you reach age 70, there's no incentive to postpone your benefits further, since you'll already have reached your maximum.

- **Earnings limit.** If you're working, you probably should forgo the early payment option. Benefits received before full retirement age will be reduced by $1 for every $2 earned over an annual limit (currently $14,160). However, you will receive a compensating increase when you do reach full retirement age, and your payments will not be reduced thereafter no matter how much you earn

- **Taxable benefits.** Whether or not you draw benefits, you'll continue to pay social security and Medicare taxes on any income you earn from wages or self-employment. Up to 85% of your benefits may become subject to income tax, depending on the amount of your other income.

- **Medicare**. Medicare eligibility begins the year you reach age 65. The program encompasses four types of coverage: hospital insurance, general medical insurance, Medicare Advantage, and prescription drug coverage.



Working beyond retirement age can require several complex decisions. Call us at 586-5236 for help with planning the outcome that's best for you.

Put year-end tax planning on your schedule

At the end of 2010, most of the provisions in the *Economic Growth and Tax Relief Reconciliation Act of 2001* will "sunset" or expire. Only those provisions extended or made permanent by later tax legislation will remain effective in 2011. That fact makes year-end tax planning crucial for 2010. At the point of major tax change, there are always opportunities and pitfalls that should be analyzed if you want to keep your taxes as low as possible. With all the tax changes that have already occurred and the many more sure to come this year and next, you must review your tax situation now.

One of our services we offer is helping to identify actions you can take before year-end to minimize your income tax bill. If you'd like to discuss tax-cutting options that fit your particular situation, please contact us soon for a year-end tax planning review.

1099 Time!

The following is an example of a quick letter to help make the year end a little easier. You can send this letter to your vendors now to collect the information needed to complete the necessary forms.

Date

Re: Request for Taxpayer Identification Number

Dear Vendor:

We are currently updating our accounting records for 2010. The IRS requires that we have a current W-9 form on file for all of our vendors.

We are required to prepare 1099 forms for all vendors who we have paid $600 or more in 2010. These payments are for labor and materials, as well as rents. Please note that if you check the box marked individual/Sole proprietor then you must provide a social security number.

In order to accurately complete this requirement we need you to fill out the enclosed W-9 form and fax it to us or mail back ASAP.

Your prompt response is most appreciated.

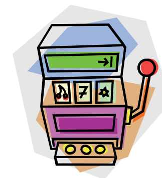
As usual, it is a pleasure doing business with you.

Sincerely,

Your Company

Gambling winnings and losses can affect your tax bill

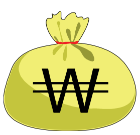
From time to time, some of you are lucky enough to win a shilling or two at your local casino, the track, or your state lottery. How will that gambling income impact your taxes?



All gambling winnings are taxable. This is true for cash winnings and for the fair market value of any non-cash prizes you might win (e.g., a car, vacation, etc.). Depending on your other income and the amount of your winnings, your federal tax on such winnings can go as high as 35%. You don't receive any capital gains rate break for gambling winnings, nor is there any income averaging to help lower your tax bill.

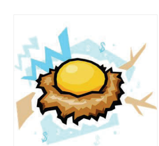
However, you are entitled to a tax deduction for gambling losses. These are taken as an itemized deduction and your losses *can't exceed your winnings*. In other words, if you report no gambling income, you can't report gambling losses. When you gamble and lose, you must keep documentary evidence of your losses (canceled checks, credit card charges, losing tickets, ATM receipts, etc.). Many casinos keep track of your wins and losses for electronic games if you belong to their player clubs.

But gambling deductions might not be all that beneficial. You can't simply "net out" your winnings and losses. Instead you must report your entire winnings as income, and use your losses as itemized deductions. In many cases (especially for older taxpayers with little income other than social security benefits, and with very few itemized deductions), the losses might not be tax beneficial. If you take the standard deduction rather than itemizing deductions, you will receive no tax benefit whatsoever. However, the winnings could have a significant impact on your income and may cause you to pay additional taxes (such as making some of your social security benefits taxable when they otherwise wouldn't be).



Everyone needs a cash reserve

Many of us are living close to our financial limit these days. We pay our bills on time, but there's not a lot left over. That could be a dangerous situation. If things go wrong, your financial situation can change very quickly from adequate to critical. Without a cash reserve, you could find yourself in serious trouble.



It's important to have a cash reserve of at least three months' living expenses. Invest your reserve in a safe, liquid account. Consider investments such as a bank CD, a money market fund, or a very short-term bond fund. Make sure you have easy access to the funds without losing too much interest. And once you've built your fund, avoid temptations to raid it for non-essentials.