



Dwight P. Webster, CIC, LUTCF

Webster Insurance Agency, Inc.

200 South Bellevue Avenue

Langhorne, PA 19047

www.websterins.com

Phone: 215-757-0816

Fax: 215-757-3142

Financial Review

Keeping you informed on *Financial Services* issues



Volume 19, No. 3



What You Need to Know about Will Restrictions

You have undoubtedly heard that it's important to have a **will** in order to control the disposition of your assets after your death. While you're generally free to distribute your assets as you wish, you may be surprised to learn that there are some restrictions, which may vary from state to state. These include the following:

- **Spousal Rights:** If you're married, your spouse is typically entitled to receive a share of your estate. If your spouse does *not* receive the amount mandated by law, almost every state allows him or her to take an **election** against your will.
- **Children's Rights:** Unless you intentionally **disinherit** them, some states allow your children to receive *at least* the share they would have been legally entitled to if you had died **intestate** (without a will). Also, if you have or adopt a child *after* your will is executed—unless you have provided for that child in your will, or he or she has received a share of your estate through lifetime gifts—some states entitle the child to receive the share he or she

would have received if there had been no will.

- **Gifts to Friends:** Perhaps you're single and would like to leave your estate to a cherished friend. Your will may be contested by biological relatives who may have benefited if you had died intestate. To help guard against this situation, you may need to specifically disinherit family members.
- **Charitable Gifts:** If you plan to bequeath a portion of your wealth to charity, be sure you understand any limitations that may apply in your state, as some states limit the amount you may leave to charitable organizations at the expense of close family members.

Preparing a will is a step in the right direction. However, to help ensure that your assets are distributed according to your wishes, it's important to be aware of restrictions that could hinder such progress. Consult a qualified, legal professional to ensure that your will is properly prepared.

Transferring Credit Card Balances

If you have run up a large bill on a credit card that charges a high annual percentage rate, it may make sense to transfer the balance to another card that offers a lower rate. However, before you agree to move existing debt to another card that promises a very low APR on balance transfers, remember to read the fine print. Make sure you're aware of any annual, late, and over-the-limit fees, as well as high rates on new purchases you may be held accountable for.

Even if you're offered a great initial rate on a transfer, it may only last for a short time. If you have a debt you're unlikely to pay off within the brief introductory period, you may be better off shopping around for a card that offers you a slightly higher rate that doesn't expire.

It's Never Too Late to Save for Retirement

If you wonder how you'll ever save enough to fund your retirement, you're hardly alone. The finances of many Americans are stretched thin by mortgage payments, college tuition, or unemployment. The good news is that the Federal government has recognized that most people (especially those over the age of 50) could use some help in saving for retirement. Consequently, tax incentives for retirement saving were enhanced considerably under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and many of these provisions were made permanent by the Pension Protection Act of 2006 (PPA). In the years ahead, contribution limits for most retirement accounts will continue to rise according to inflation.

You may already know that there are various options for tax-efficient retirement saving, but you may not be aware of which account—or combination of accounts—is most appropriate for you, given your current income and your expected circumstances when you retire.

Employer-Sponsored Plans

Many employers offer a qualified retirement plan to help employees save for retirement. Begin by learning about your company's plan. Besides lowering your current taxable income, your contributions to an employer-sponsored retirement plan have the potential for tax-deferred growth. If your company offers matching contributions, it makes sense to contribute at least enough to get the full match.

If your plan and personal circumstances allow, you may wish to contribute up to the maximum to your account permitted by the Federal government. In 2011, the annual limit for 401(k), 403(b), and 457 contributions is \$16,500, or \$22,000 for those age 50 and over. If your employer offers a SIMPLE plan, you can contribute \$11,500 in 2011, and those age 50 and over may contribute an additional \$2,500.

If you participate in a 401(k) or 403(b), consider a Roth option, if available. Offered in addition to a traditional plan, this option allows you to contribute after-tax dollars to a Roth account. Earnings grow tax deferred, and distributions are tax free, provided you have reached the age of 59½ and have owned the account for five years.

Keep in mind that any matching contributions from your employer must be made to a traditional account, not a Roth.

The IRA Alternative

When it comes to retirement, personal savings are important, so you may want to incorporate Individual Retirement Accounts (IRAs) into your plan. Generally, the tax-advantaged contribution limit for all types of IRAs is \$5,000 in 2011. Those age 50 and over can contribute an extra \$1,000. Depending on your tax-filing status, your income, and your participation in a qualified employer-sponsored retirement plan, you may be able to take an income tax deduction for contributions to a traditional IRA. If you participate in an employer-sponsored plan, however, income limits may apply.

A Roth IRA may be an appropriate option if you participate in a qualified employer-sponsored retirement plan and exceed the income limits for a deductible IRA; however, you cannot exceed the income limits set for Roth IRAs. As with the Roth 401(k), contributions to Roth IRA accounts are made with after-tax dollars, but distributions are tax free after the age of 59½, provided the account is at least five years old. Tax-free withdrawals from a Roth IRA could come in handy if, for example, income from a job, combined with required minimum distributions (RMDs) from tax-deferred plans, were to push you into a higher tax bracket in retirement. There are no RMD rules associated with Roth IRAs, and penalty-free withdrawals are possible prior to retirement in certain situations.

If your high earnings render you ineligible for a traditional or a Roth IRA, you may consider contributing to a nondeductible IRA, which has no income restrictions. While it provides fewer tax advantages than other IRAs, your savings will still grow tax deferred.

Isn't it time to stop wondering about your retirement and start taking advantage of tax-efficient retirement savings options? Once you've exhausted your tax-advantaged options, you may want to consider other savings vehicles. Your advisors, including your qualified tax professional, can help you implement strategies that are most appropriate for your situation.

Did You Know?

Social Security Number Misuse

The misuse of Social Security numbers to obtain credit, loans, or other services should be reported to the Federal Trade Commission (FTC). The FTC provides information to help victims of identity theft resolve financial and other problems that can result from this crime. The FTC stores identity theft complaints in a secure consumer fraud database, which may be shared with other law enforcement agencies. To learn more, visit www.ftc.gov.

Gas Saving Tips

The Federal Citizen Information Center (FCIC) is a one-stop source for answers to questions about consumer problems and government services, including how to save money with rising gas prices. For example, the FCIC gives drivers tips on increasing fuel efficiency through regular car maintenance, combining trips, keeping the trunk empty, using cruise control on long distances, removing unused ski/bike racks, and avoiding rapid acceleration and braking. For more information, visit www.pueblo.gsa.gov.

Consumer Help from the "Fed"

Federal Reserve Consumer Help, a centralized operation of the Federal Reserve System, assists consumers with filing complaints involving a bank or other financial institution, and also responds to questions about Federal consumer protection laws and regulations. For valuable tips on credit financing for small businesses, and a range of information on consumer rights regarding home mortgages, electronic banking, overdraft fees, scams, and other financial concerns, go to www.federalreserveconsumerhelp.gov.