In this issue >>>

Issue 5

TRIUMPH
RETIREMENT SOLUTIONS
Benjamin S. Bryson, Founder and CEO
1463 Lancaster Road
Manheim, PA 17545
717-431-8131
info@retireinpa.com
www.retireinpa.com

Lighting Your Way to Financial Security

A Monthly Insight into Your Finances May 2013

Retirement Focus

Monthly Health Topic >>>
Air Purifying Houseplants

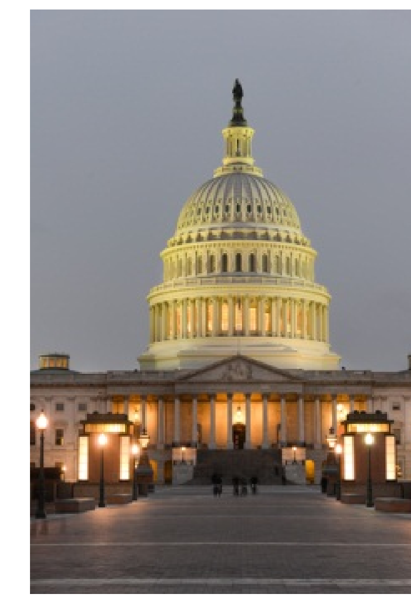
That pretty plant perched atop your windowsill may be doing more than just decorating your home. While they brighten up your living space, potted plants can also combat indoor pollution and boost your creativity. Read on to discover which plants will improve both your home and your wellbeing!

Cleanse with Chrysanthemums – a NASA study found that chrysanthemums were effective at removing benzene from the air. Benzene is one of the most common odorless pollutants found in inks, paints, plastic, dyes, detergents, gasoline, pharmaceuticals, and pesticides.

Purify with Peace Lily - Native to tropical regions, this beautiful perennial plant contains large leaves that vacuum formaldehyde, benzene, trichloroethylene, and other hard-to-pronounce pollutants. Peace-lilies thrive in low and bright light with a slightly moist soil. The next time you need an air freshener don't reach for the chemical spray, breath in the bloom and serenity of a peace—lily!

Estate Tax After the Fiscal Cliff

After threatening to go over the fiscal cliff, the gift tax, estate tax, and generation-skipping transfer (GST) tax have come in for a soft landing. The American Taxpayer Relief Act of 2012 (ATRA 2012), enacted on January 2, 2013, permanently extended the $5 million (as indexed) gift tax and estate tax applicable exclusion amount and GST tax exemption. It also permanently extended portability of the gift tax and estate tax applicable exclusion amount between spouses. However, it also increased the top gift, estate, and GST tax rate to 40% starting in 2013. A number of other provisions were also permanently extended.



Top gift, estate, and GST tax rate

In 2012, there was a 35% top tax rate for gift, estate, and GST taxes. It was scheduled to increase to 55% in 2013. ATRA 2012 provides a permanent 40% top rate, starting in 2013.

Applicable exclusion amount

You have an applicable exclusion amount that can protect a certain amount of property from the federal gift tax and estate tax. The basic exclusion amount was $5,120,000 in 2012 ($5 million as indexed for inflation), but was scheduled to drop to $1 million in 2013. ATRA 2012 permanently extends the basic exclusion amount at $5 million as indexed for inflation.

Portability of exclusion

The estate of a person who died in 2011 or 2012 could transfer the descendant's unused applicable exclusion amount to his or her

>>>continued on next page

food for thought...
Chemicals in Unfiltered Drinking Water

Science says: According to the EPA, roughly 74 percent of public water systems in the United States comply with the Safe Drinking Water Act, which ensures that the water coming out of your faucet contains only low levels of certain harmful chemicals and contaminants. But a three-year study from the Environmental Working Group found that specific chemicals not regulated by the EPA—yet considered potentially harmful, and in some cases carcinogenic—have been measured at above-recommended levels in tap water across the country. And chlorine-based disinfectants, often added to our water supply to protect us from disease-causing germs, have been linked to cancers of the bladder and colon.

For safety's sake: Make sure all the water you drink and cook with is purified by choosing a filter that attaches to your faucet or water line below the sink. If you cook with tap water, boiling it will get rid of bacteria, but only filtering removes contaminants like heavy metals and chlorine by-products.

Source: http://www.oprah.com/health/Health-Risks-to-Avoid-Dr-Oz-on-Health-Hazards/6#ixzz2Nvf20JxF

Upcoming Events

May 4, 2013 at 10:00 a.m.

Keys to Optimizing Your Social Security Benefits
New Office Location
1463 Lancaster Road
Manheim PA 17545
Call 717-431-8131 To Register

TRIUMPH
RETIREMENT SOLUTIONS
Benjamin S. Bryson, Founder and CEO
1463 Lancaster Road
Manheim, PA 17545
717-431-8131

Estate Tax After the Fiscal Cliff continued>>>

basic exclusion amount, to shelter property from gift and estate tax (referred to as portability). The provision was scheduled to sunset in 2013. ATRA 2012 has permanently extended the portability provision.

GST tax exemption

You have a GST tax exemption that can protect a certain amount of property from the GST tax. The GST tax exemption was $5,120,000 in 2012 ($5 million as indexed for inflation), but was scheduled to drop to $1 million (as indexed for inflation) in 2013. ATRA 2012 permanently extends the GST tax exemption at $5 million as indexed for inflation (it is $5,250,000 in 2013).

State death taxes

In 2012, your estate could take an estate tax deduction for death taxes (estate tax or inheritance tax) paid to a state. In 2013, it was scheduled to change back into a credit for state death taxes, as available back in 2001. However, ATRA 2012 permanently extends the deduction for state death taxes.

Conservation easement exclusion

An estate tax exclusion is available for qualified conservation easements. In 2012, the exclusion was generally available if the property was located anywhere in the United States. In 2013, the exclusion was scheduled to be available, as in 2001, only if the property was located within a limited number of miles from a National Wilderness Preservation System or an Urban National Forest. ATRA 2012 permanently extends the provision that the property can generally be located anywhere in the United States and the mileage requirements do not apply.

Estate tax deferral for closely held business

Where the value of a closely held business exceeds 35% of the value of the adjusted gross estate, payment of estate tax attributable to the business can be deferred for up to 5 years and then paid in installments over 10 years, all at favorable interest rates. In 2012, a closely held business could have 45 partners or shareholders. In 2013, the permissible number of partners or shareholders was scheduled to drop to 15, as in 2001. ATRA 2012 permanently extends the provision allowing up to 45 partners or shareholders.

What is Pet Insurance?

For many, a pet is a full-fledged member of the family. And just as health-care costs for human family members have risen over the years, so has the cost of veterinary care. It's probably not surprising, then, that pet insurance has gone in a fairly short period of time from relative obscurity to something that more and more people are considering.

With pet insurance, you pay premiums to a pet insurance provider; in return, the provider agrees to pay for some of your pet's medical costs, according to the specific terms and limits detailed in the policy agreement. How much you pay in premiums and the coverage you receive vary widely by provider, and depend on factors that include breed and age.

If you are considering pet insurance, it's important to request quotes from several providers (a list of 12 pet insurance providers, along with some helpful information, is available at www.avma.org, the website of the American Veterinary Medical Association). After obtaining quotes from multiple providers, look carefully at the coverage details offered by each company.

With pet insurance, costs associated with "wellness" care (e.g., regular office visits and vaccinations) generally aren't covered. Pre-existing conditions are also generally excluded. Some providers also exclude certain hereditary or common conditions--for example, many pet insurance providers exclude coverage for hip dysplasia, a disease often associated with larger dog breeds.

In addition to comparing coverages, make sure that you understand your out-of-pocket responsibilities. You may be responsible for a co-payment. You're probably also responsible for a specified deductible amount before a policy will make any payment. And once you've satisfied any deductible, a policy is likely to pay only a certain percentage of covered costs. So, for example, you might have a policy that pays 80% of covered costs after you satisfy the policy deductible. Some providers also cap benefits on a per-illness, annual, or lifetime basis.

One final note--with your health insurance, your provider probably bills your insurance directly. That's generally not the case with pet insurance. Typically, you pay all costs up front, and then you submit claims to the pet insurance provider for reimbursement.

The "SEPP" Exception to the IRA Premature Distribution Tax

In these challenging economic times, you may be considering taking a withdrawal from your traditional IRA. While you're allowed to withdraw funds from your IRAs at any time, for any reason, the question is, should you?

Why you should think twice

Taxable distributions you receive from your IRA before age 59½ are generally referred to as premature distributions, or early withdrawals. To discourage early withdrawals, they're subject to a 10% federal penalty tax (and possibly a state penalty tax) *in addition to* any federal and state income taxes. This 10% penalty tax is commonly referred to as the premature distribution tax.

However, not all distributions before age 59½ are subject to the federal penalty tax. For example, the penalty tax doesn't apply if you have a qualifying disability, or if you use the money to pay certain medical, college, or first-time homebuyer expenses.

The SEPP exception to the penalty tax

But one of the most important (and often overlooked) exceptions, from a retirement income perspective, involves taking a series of "substantially equal periodic payments" (SEPPs) from your IRA. This exception from the federal penalty tax is important because it's available to anyone, regardless of age, and the funds can be used for any purpose.

SEPPs are amounts that are calculated to exhaust the funds in your IRA over your lifetime (or life expectancy) or the joint lives (or joint life expectancy) of you and your beneficiary. To avoid the 10% penalty, you must calculate your lifetime payments using one of three IRS-approved distribution methods, and take at least one distribution annually.

Calculating your payment

If you have more than one IRA, you can take SEPPs from just one of your IRAs or you can aggregate two or more of your IRAs and calculate the SEPPs from the total balance. It's up to you. But you can't use only a portion of an IRA to calculate your SEPPs.

You can also use tax-free trustee-to-trustee transfers (or rollovers) to ensure that the IRA(s) that will be the source of your periodic payments contain the exact amount necessary to generate the payment amount you want based on the IRS formulas. This makes the SEPP exception a very important and flexible retirement income planning tool.

Modifying your payments

Even though your payments must be calculated as though they'll be paid over your lifetime (or over you and your beneficiary's lifetimes), you don't actually have to take distributions for that long. You can change, or stop, your SEPPs after payments from your IRA have been made for at least five years, or after you reach age 59½, whichever is later.

But be careful--if you "modify" the payments before the required waiting period ends, the IRS will apply the 10% penalty tax (plus interest) to all taxable payments you received before age 59½ (unless the modification was due to your death or disability).

For example, assume Mary began taking SEPPs from her traditional IRA account three years ago, when she was 43 years old (using one of the three IRS-approved methods). Mary does not take a distribution this year. Because Mary's payment stream has been modified before she turned 59½, the 10% penalty (plus interest) will now apply retroactively to the taxable portion of all her previous distributions.

The five-year period begins on the date of your first withdrawal, so you can't make any changes before the fifth anniversary of that withdrawal. This is true even if you turn age 59½ in the meantime.

For example, assume John began taking SEPPs from his traditional IRA (using an IRS-approved method) on December 1, 2009, and that he also took payments on December 1 of 2010, 2011, and 2012. John turned 59½ on December 2, 2012. Even though John is over age 59½, he must take one more payment by December 1, 2013. Otherwise, he'll be subject to the 10% penalty on the taxable portion of the distributions he took before he turned age 59½.

Caution: *To ensure that your distributions will qualify for the SEPP exception to the premature distribution tax, be sure to get professional advice. The calculation of SEPPs can be complicated, and the tax penalties involved in the event of an error can be significant.*

Also, if your state imposes a penalty tax on early withdrawals, be sure to determine whether any similar exemption from the state tax is available to you.

Useful Links

AARP's online website – Useful information from health to travel to health information

www.aarp.com

On this site you will find resources for caregivers, consumer protection information, education, jobs and volunteer information.

www.USA.gov

There's An App For That!

Lumosity Brain Trainer – brain training for everyone.