

Couples Can Maximize Social Security Benefits By Understanding Spousal And Survivor Benefits

2



Right Choices With Retirement Accounts Can Make Huge Difference For Heirs

3



Spending: What You Need To Know About Charitable Giving

4



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DIGEST



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Spending: No-Haggle Car Deals

If just the thought of doing battle with a new-car dealer makes you want to take the bus, a buying service may be for you, says Jessica Anderson, a writer for Kiplinger's. She checked out a few services to see how good the deals are. Here are two:

The most popular is Zag (zag.com). Never heard of it? That's not surprising—it's the company behind the affinity buying services of American Express and AAA, among others. The service has a free membership perk and offers pre-negotiated prices on new cars with participating dealers.

To be certified by Zag, dealers must agree to pass on 100 percent of the cash incentives they get from

manufacturers—including dealer cash. Just choose the model, trim level and options. You'll be offered the lowest prices from three local dealers. You print a certificate with the price and take it to the dealer.

Authority Auto (authoritycbs.com) is considered the pinnacle of buying services. They charge \$595 to \$1,195, based on the price of the car. But in addition to finding the car, the service negotiates each part of the transaction, reviews the contract, and even delivers the vehicle to you. 



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The gifting of stock held in private companies provides a bigger tax break now, says business valuation expert Lance S. Hall. When you give nonpublic stock as a gift—say, to your children—the IRS typically allows you to discount the value of such stock by 30% to 35%. That's because the IRS recognizes that it is harder to find a buyer for private stock than publicly-traded stock. When public markets are especially volatile, as they have been lately, the discount is more likely to be in the 40%-50% range. That means that you can give away more shares without being subject to the federal gift tax. Consult your financial adviser.

Reduced student loan brings big tax bill. If a lender allows a graduate to pay less than the full amount of a loan, that entire discount is considered taxable income by the IRS. *Example:* A lender agreed to reduce a student's loan by \$28,000—so the IRS said that the student had \$28,000 in taxable income. A court agreed with the IRS position. *What to do:* Discuss any loan forgiveness or other changes in debt status with a knowledgeable financial adviser. Be aware that the discount is not considered taxable income if the graduate works in certain professions for set periods in specified areas (such as a teacher in an inner city).



Couples Can Maximize Social Security Benefits By Understanding Spousal And Survivor Benefits

By Mark Miller, Tribune Media Services

I get a huge number of questions from readers about Social Security's spousal and survivor benefits. Rightly so, because these very important features of Social Security can create powerful amplifying effects that boost lifetime benefits significantly.

I'll answer some of the most frequently-asked questions. However, Social Security's rules are complicated; a visit to your local Social Security office is in order if you're planning to file for spousal or survivor benefits.

Q: What is the spousal benefit, and when can I receive it?

A: As a spouse, you are entitled to receive the greater of your own benefit or half of your spouse's benefit. And many of the rules on spousal benefits revolve around the full retirement age (FRA)—the age at which you can receive retirement benefits that aren't reduced by early filing penalties.

If you have reached your FRA, you can choose to

receive only your spouse's benefits and continue accruing delayed retirement credits on your own Social Security record. You could then file for your own benefits at a later date and receive a higher monthly benefit based on the effect of delayed retirement credits. However, you cannot elect to receive spousal benefits below your FRA and later switch to your own benefits.

Spousal benefits are reduced if you file before your own FRA. For example, if your FRA is 66, you could receive 35 percent of your higher-earning spouse's unreduced benefit at age 62. The amount of the

benefit increases at later ages up to the maximum of 50 percent at your FRA.


Q: What is the survivor benefit?

A: When a spouse dies, the survivor is entitled to receive the greater of his or her own benefit, or 100 percent of the spouse's benefit, including any cost-of-living increases earned along the way. If the higher-earning spouse delays filing until the FRA or beyond, then the surviving spouse's lifetime benefits will be increased substantially.

Maximizing the survivor benefit is an especially important consideration for women. Men not only tend to be the higher wage earners but also tend to die at younger ages than women. In many cases, this means that a delayed filing by a man can be a critical way to boost lifetime retirement security for older women—a time of life when overall income can decline sharply.

Social Security provides 90 percent or more of income for 47 percent of all elderly unmarried women who receive benefits.

Q: At what age should I apply for survivor benefits?

A: You can receive full survivor benefits when you reach your own FRA (typically 66). You can receive survivor benefits as young as age 60, but the benefit will be reduced. According to the Center for Retirement Research at Boston College, widow(er)s are guaranteed at least 71.5 percent of their deceased spouse's FRA benefit if they claim the survivor benefit before their FRA, and at least 82.5 percent if they claim the survivor benefit after their FRA. 

"The safest way to double your money is to fold it over and put it in your pocket."

— Kim Hubbard

Right Choices With Retirement Accounts Can Make Huge Difference For Heirs

By Elliott Raphaelson, Tribune Media Services

Many working people spend most of their lives saving for retirement in individual retirement accounts, 401(k) plans and other retirement arrangements. It is very important to



consider all implications, including taxes, when you make decisions regarding withdrawals and beneficiary designations. Here are a few recommendations from Ed Slott, author of “Stay Rick For Life”:

- Make sure you fill out the beneficiary form for all your retirement accounts, and keep it up to date. This designation will override any provision in your will.

- Choose your beneficiaries with care. Slott emphasizes the value of stretching out the required distribution as long as possible, consistent with your choice of beneficiaries. For example, suppose a person died leaving a \$2 million dollar retirement account to a son, aged 40, with a life expectancy of 43.6 years. If the son made the minimum withdrawal of 2.3 percent a year, and the account earned 8 percent a year, the account would be worth almost \$16 million in 44 years.

- Determine whether it pays to convert some of your retirement assets into a Roth IRA. There are

many reasons why you might want to consider doing this: eligible withdrawals are tax-free to you and your beneficiaries; there are no required minimum distributions after you reach 70 1/2; and you can continue to make Roth IRA contributions after 70 1/2 if you have earned income.

There are some disadvantages to converting: You have to pay income tax on the amount withdrawn from your traditional retirement accounts at your tax rate that year. A large conversion can push you into a higher tax bracket. If you don't have the funds to pay with assets outside of your retirement accounts, you will be forced to diminish your retirement accounts to pay the taxes. Finally, the increased income may have a negative effect on the taxability of your Social Security benefits and on tax deductions.

Nonetheless, converting traditional retirement assets to a Roth IRA could be a real boon to your beneficiaries, especially children and grandchildren, who would

be able to stretch tax-free distributions over their life expectancies. Also, paying taxes now on traditional IRA or 401(k) funds eliminates any uncertainty related to future tax rates. You can do a partial conversion; you do not have to convert everything at once.

Slott also points out the importance of selecting an attorney with expertise in estate planning and retirement accounts.

You should not wait until 70 1/2 to make these choices. Do your financial and estate planning well in advance. The tax laws and estate planning options are complex.

Proper planning will save you and your beneficiaries a great deal of money. ↗



A new Morningstar ratings program is forward-looking. These ratings will supplement Morningstar's star ratings, which measure past performance. The new system gives a rating of AAA, AA, A, neutral or negative, based on various factors not included in the star ratings—such as the record and tenure asset managers, and the culture and resources of a parent company.

Apparently mobile banking worries smartphone users.



Apparently mobile banking worries smartphone users. Smartphone use grew by 42% from 2010 to March 2011, but the number of people using the phones for banking has remained virtually unchanged according to the publication, *Bottom Line Journal*. To stay secure when using mobile banking consider using antivirus software. Get apps from the app store, not through e-mail links. Don't send banking user names and passwords by text or e-mail. Avoid transactions when you are on a public WiFi network.

Did you know that the IRS has raised standard mileage rates for the second half of 2011—to 55.5 cents a mile for business-related driving? It also raised the rate for driving for medical purposes or a job-required move—to 23.5 cents a mile.

“A good plan today is better than a great plan tomorrow.”

— George S. Patton

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Spending: What You Need To Know About Charitable Giving

By Michael Stratford, *Kiplinger's*

Watch out for scams. The high-profile nature of some disasters makes them prime opportunities for con artists. Be especially alert for sound-alike names, newly formed sites, and forwarded emails claiming to be from disaster victims. Think twice before donating money over the phone, and be wary of outlandish claims. It's disingenuous for a charity to say that 100 percent of your donation will go to the victims, because even a credit card transaction carries some administrative cost, says Bennett Weiner, chief operating officer of the BBB Wise Giving Alliance.

Do a little sleuthing. If you feel strongly about where your donation should go, earmark the money and ask the charity what happens once the specific need is met. Alternatively, consider making an unrestricted gift and let the professionals prioritize the projects that need funding. To see how well the charity is allocating its money, check its IRS Form 990 filings—GuideStar (guidestar.org) has a

searchable database of those documents.

Let the pros do it. There are also several organizations that will do the background checking for you, among them the Better Business Bureau (bbb.org/charity) and Charity Navigator (charitynavigator.org). GiveWell (givewell.org) has evaluated fewer charities, but it provides an extensive analysis of each one. Donating to international charities can get tricky (and you won't reap any tax benefits), so stick with U.S.-based charities with an international scope.

Claim a tax break. To deduct your donation, you must itemize your deductions. Then confirm that you are giving to a qualified organization (you can search for the charity at irs.gov/app/pub-78).

Once you make the donation, keep a record. For contributions of \$250 or more, you'll need written acknowledgment. You must actually pay your pledge before the end of the year for the donation to count in that tax year; checks and charges to a credit card count even if they don't clear until after December 31. 