

THE
Anselm Keefe society
of ST. NORBERT COLLEGE

A society honoring the life of Rev. Anselm M. Keefe, O. Praem. 1895-1974

“IT TAKES A NOBLE MAN TO PLANT A SEED FOR A TREE THAT WILL SOMEDAY GIVE SHADE TO PEOPLE HE MAY NEVER MEET.” – David Trueblood

The Earlier the Better

The calendar may say “fall,” but it’s really year-end for tax-planning purposes. Many suggestions made by financial planners for reducing income taxes take time to complete, and procrastinators may find that December 31 is here before they know it. Here are some ideas that may fit into your plans as 2011 draws to a close:

- If you turned 70½ this year, consider taking a mandatory withdrawal from qualified retirement plans by December 31. You technically have until April 1 of next year to take the first required distribution, but waiting until next year means you will have two taxable distributions in 2012. Now is also a good time to review your beneficiary designations. Discuss with your adviser the idea of naming St. Norbert College as a beneficiary of your IRA, to avoid the income tax that family members would owe if they received the proceeds.

- Contribute the maximum to your retirement account that’s deductible – certainly any amount that is matched by your employer. The 2011 limit on 401(k) plans is \$16,500, plus another \$5,500 for employees over age 50.

The IRA maximum is \$5,000, and workers age 50 and older may make additional “catch-up” contributions of \$1,000.

- Reduce income tax on investments in future years by making tax-free gifts of up to \$13,000 to family members in low tax brackets. Interest and dividends won’t be so highly taxed. Married couples can double the tax-free gifts. If you give assets that are likely to appreciate, you’ll also remove the value from your estate, possibly saving federal or state estate taxes.

- Review your portfolio. If you have capital gains from the sale of stock or from mutual fund distributions, consider selling assets that have declined in value. You can use capital losses to offset capital gains, plus up to \$3,000 of other income. Excess losses can be carried over to future years. On the other hand, if you have significant capital losses, look for gains that you can harvest this year. If you like the companies, you can buy the gains shares back for a higher basis.

Please contact our office for ideas on combining tax-wise planning with a year-end gift to St. Norbert College.



Year-End Options to Help Your Bottom Line

For most taxpayers, itemized deductions are “out of their hands.” The amount deductible for mortgage interest is governed by home prices and interest rates. State and local taxes are determined by state legislatures and local taxing bodies. And few people check into hospitals just to boost their medical expense deduction.

The charitable deduction is different. It’s the only deduction over which most people have total control. Americans contribute billions of dollars every year to support charitable causes and institutions. These

donors want to provide important support for worthy organizations, such as St. Norbert College – not just secure a charitable deduction. But there are ways to make your giving more “tax-smart.”

■ *Give appreciated property.* A gift of stock or other assets held more than a year entitles you to a charitable deduction for the full fair market value of the gift. You’ll also avoid the capital gains tax that you would have paid had you sold the property and then made a gift.

■ *Get income from your gift.* You can make a gift and keep lifetime income for yourself or any other beneficiaries you name. You can choose an arrangement that makes fixed payments or one that provides a fluctuating income based on the changing value of the assets.

■ *Make life insurance pay now.* A life insurance policy that you no longer need for family security would make a wonderful gift to St. Norbert College. You’ll get a deduction this year, plus additional deductions in future years for any premiums you pay.

■ *Make your gift on time.* A check mailed as late as December 31, 2011, entitles you to a charitable deduction this year.



Don't Let the Clock Run Out on Opportunity

Through December 31, those age 70½ and older have the opportunity to make gifts to St. Norbert College directly from their IRAs. Although no charitable deduction is available, distributions up to \$100,000 will pass free of the income tax that would ordinarily be owed on withdrawals. The distributions also can satisfy required minimum

distributions for 2011, but must be made directly by the IRA custodian, not by the account owner. Please call us if you'd like to know more about the advantages of gifts from IRAs or to inform us of any gifts from your account, so we may express our appreciation and provide the proper gift substantiation.

Have Paperwork Ready for Disasters

Hurricanes, floods, earthquakes, tornadoes and fires have been much in the news this year, and you may be at risk for one or more of these disasters. Most homeowners have insurance to cover property damage, but you may need a special policy to cover certain natural disasters. Here are some steps to take if the worst happens, including some that affect your taxes.

Preparing

- Ask your insurance agent for a household inventory booklet. Preserve receipts for major purchases, showing prices paid and dates of purchase. Software programs can help record this information. Be sure to store a copy at another location.

- Keep important papers – birth or marriage certificates, insurance policies, stock certificates, prior tax returns, negatives of valued photos – in a safe deposit box.

- Take photos of your possessions, or better yet, take a video tour of your home to show clothes, furniture, tools and other items that could be lost. Update the photos or video regularly and keep them in your safe deposit box.



Cleaning up afterward

- Review your insurance policy. Contact your agent for the forms necessary to make a claim.

- Hire an appraiser to establish the value of lost property. Take photos of the damages. The assessor's office can help determine the value of homes in the area prior to the disaster.

- See your tax adviser. You can deduct uninsured losses that exceed 10% of adjusted gross income (less a \$100 floor). If your home is in a disaster area designated by the president as eligible for federal relief, you can claim the loss that year or amend the prior year's return and take an immediate deduction. You have four years to reinvest insurance proceeds in a new home or to rebuild your old home.

Never Too Old to Save

Many retirees continue to work part-time, either to supplement Social Security or to keep active. Workers who have reached age 66 – full retirement age – are not subject to the cutbacks in Social Security benefits that affect recipients younger than age 66 (\$1 of Social Security benefits for every \$2 of earnings above \$14,160 in 2011). Older workers also have an opportunity to keep saving.

Although contributions to deductible IRAs can't be made after age 70½, employees may contribute to

nondeductible Roth IRAs. Earnings grow tax free and there is no income tax on qualified withdrawals. Anyone with earned income below \$95,000 (singles) or \$150,000 (married couples) is eligible to make a contribution of up to \$5,000, with an additional \$1,000 catch-up contribution for those age 50 and older. Contribution limits are phased out at higher income levels.

Older workers – particularly those who can no longer contribute to regular IRAs – should consider the advantages of a Roth IRA.

