SMITH FINANCIAL GROUP

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December 2009 Newsletter

End of Year things to do!
If you are wondering what "end of year" things you could, and maybe should, do for yourself financially here is a brief, though not exhaustive, list.

- **Maximize your contributions for the year to your ROTH IRA.** While you can make regular IRA contributions as late as April 15th of 2010 and count it in the 2009 tax year that is not the case with ROTH IRA's. Those contributions must be made in the year that you want them to apply. December 31st is the deadline for 2009 contributions. Remember contribution limits are $5,000.00 per year if you are younger than 50 years old and $6,000.00 per year if you are 50 or older.

- **Gifts of money to family members need to be taken care of by December 31st.** If you are gifting money to family members i.e. distributing your estate through gifts, remember that you need to give that gift by December 31st in order to count it against this years limit. These gifts can be given to children, grandchildren, both child & their spouse and grandchildren and their spouse. These gifts may come from either or both spouses and may be as much as $13,000 per giver per year. Give a call and I can sort this out for you as this is a very smart move to avoid taxes or to bless the lives of your children and grandchildren.

- **Evaluate whether to take gains / losses this year or next.** 2009 was a year that saw losses early and gains later in the year for many investments. You should consider two very important issues with your current investments.

  - **Will taxes be higher in the future?** If you believe yes, then you may want to consider paying your capital gains taxes now at the historically low rates we are currently at. This would reset your tax basis and allow you to pay the tax at a lower level. If capital gains taxes go up then this would be a very good move!

  - **Would an investment loss be to my advantage this year?** The IRS allows you to take investment losses off of your taxable income (limited to $3,000 per year but can be carried forward until depleted). If you would benefit from lower taxable income then this may be a good strategy for you. Give me a call and we can figure out your best approach here

  - **Is it time to change my investment strategy?** If the answer is yes then this may be the year to do so. For many people they are still looking at a loss but not nearly as large as before. If you can change strategies (aggressive to conservative, mutual funds to annuities, etc.) then now may be the time to change with minimal losses (and maybe even some gains through bonuses!).

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<u>First of year things to do</u>

During the holidays and as the year begins is a wonderful time to get started on those plans that have long been ignored. Here are some ways to start off the year on a financial high.

- **<u>Start</u> making automatic monthly payments to your retirement plan** (401(k), 403(b), 457, ROTH IRA, SEP IRA, etc.). Regular payments that you don't have to think about each month are a proven path to retirement success. After all, it just happens automatically! You don't have to re-decide each month whether saving for retirement is a good idea or not and you build value right away. The greatest levels of success financially come through this "set it and forget it" approach.

- **Make a financial plan for the year.** Often we feel overwhelmed with trying to solve all of life's financial problems. So, how about a financial plan that only covers the next 12 months. Put a little money aside, plan how to pay off a few bills, how will your financial life be better a year from now? The smartest thing you can do is call me and I can do most of the heavy lifting analysis for you. Why not? After all, it's free!

- **Make sure you are withholding the right amount for taxes.** Most people have no idea if they are withholding the right amount for taxes. Which is easier - Paying $600 in taxes all at once when you file, or paying $50 extra each month through withholding? What if you get a large tax return? Is it worth it to give Uncle Sam a free loan during the year or would that money do better things if it was in your hands? Wouldn't it be better to know all of that ahead of time? I can help you answer these questions and more. Just call. I have the software and expertise to help you work out where you are on paying just the right level of taxes.

These are just a few of the things that we all need to be thinking about when it comes to our money. While money isn't everything it is a powerful tool for doing good in the world. You deserve to have more of it. Let me show you how to live the life you want financially and plan for a great retirement. Feel free to call or email and set up a time to talk. Make 2010 the year that everything changes for the good in your financial world!

I look forward to talking with you soon!

Sincerely,

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