MONEY TALK

Editor: Dixie Butler, CFP®, CDFA™, EA **Winter/Spring 2012**

Ten Tax Tips

Are taxes on your mind? If so, maybe these tax tips will be helpful.

1. Keep all receipts and supporting documents on all tax deductions for at least three years. (I keep mine for 10 years.)

2. Keep records of all improvements on your home or rental properties until three years "**after the property is sold.**" Remember, improvement costs "reduce taxable profits."

3. If you are in the Social Security system, check your record of earnings at least every three years. Go online to The Social Security Administration to find out how to search for this information. If your annual earnings are incorrectly reported, make sure you get the error corrected. Social Security has a three year correction policy — if any error is not caught by the taxpayer within a three year period, Social Security does not have to go back and correct the error.

4. Long Term Health Care Insurance premiums are generally treated the same as accident and health insurance. Unreimbursed expenses and insurance premiums paid for long-term care (within limits) are deductible on Schedule A as medical expenses.

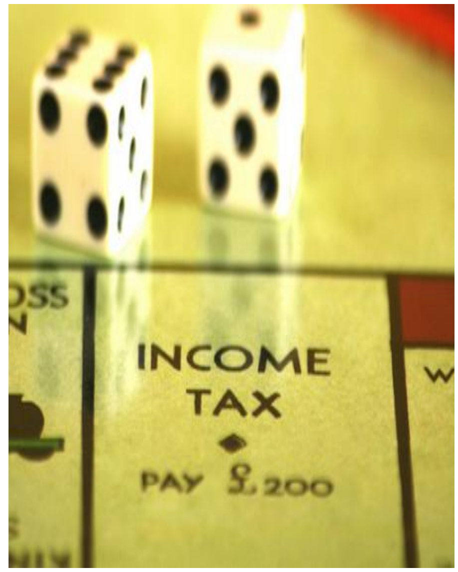
5. If you "actively participate" in a rental activity, you can apply up to $25,000 in rental losses against other sources of income (subject to income phase-out rules).

6. Consider investing in a tax deferred variable annuity — they were left untouched by tax reform. Both fixed and variable annuities have become popular investments because of their tax-deferred treatment.

7. Thinking about giving away a cash gift, or hoping to receive one? Under 2011 rules, a taxpayer can gift up to $13,000 per person each calendar year without paying or filing a federal estate and gift tax form. A married couple can give a combined total of $26,000 to any single recipient each year.

8. Remember, you must have written substantiation for all charitable contributions of $250 or more. The rule applies to contributions given in any one day to any one organization. A cancelled check is "not written substantiation." For those who live abroad, only charities created in the U.S. qualify for deduction.

9. When purchasing a primary residence, "loan points" are fully deductible in the year of purchase.



It's getting close to that time again!

And, it does not matter who paid the points — you or the seller. Points paid to refinance a loan on an existing residence are amortized over the life of the mortgage.

10. Special assessments paid on real estate can be added to the cost basis when you sell. Condominium owners often have "special assessments." When selling, these costs will reduce your gain, by increasing your cost basis, thus reduce your taxes.

The U.S. Tax Code is very complex. Consult your tax advisor on these and other tax laws.

IRS Code Section 1031 Tax Deferred Exchange

If you own investment real estate and are thinking about selling, a "1031 tax deferred exchange" may be a financial planning tool to consider.

In general, Section 1031 of the Internal Revenue Code allows an owner to exchange one property for another and defer payment of federal and state capital gains tax, as long as both properties are of "like kind." If you would like to exchange your single family rental property in Virginia for raw land in California and a condo in Nebraska — no problem. The "like kind" transaction can involve more than one property and more than one

To meet the rules of the Internal Revenue Code, the properties must be: (1) held for productive use in trade or business, or (2) held for investment.

Contrary to what many property owners envision, a 1031 Exchange is rarely a simultaneous two-party swap — typically, a third party is involved. A qualified intermediary to hold the funds must also be involved. There are strict rules on the number of days in which the exchanger must "indentify" another property and "close" on the newly acquired property. Failure to abide by the rules will subject the sale to

Retirement in the "Good Old Days"

In the "good old days" many employees who worked for the government, the military or a large corporation could pretty much depend on a generous pension and medical benefits to see them through their retirement years. Back then, you didn't think about "retirement planning" (as we know it today) — life went on and you eventually just simply retired.

The worker who stayed with his employer for many years was generally set for life. The majority of the "other people" somehow managed with social security and with help from family members. But what about the "other-other people" — the ones who had no pension, not enough social security to get by on and family members in worse financial shape then they were in? We didn't hear much about them. However, plenty financially strapped Americans existed back then. For that matter, they exist now and most certainly will exist in the future.

Over the years, "change" has forced us to take responsibility for our retirement destiny. With constantly changing government regulations, increasing health care costs, changing age demographics, and changing employee tenure, American's have been forced to look at retirement through a different pair of glasses.

Have you had your glasses checked lately?

U.S. ADVISORS, INC.
FINANCIAL ADVISORS & PLANNERS

Money Talk is a free publication, published and distributed semi-annually by U.S. Advisors, Inc.

Editor......Dixie Butler, CFP, EA, CDP

U.S. Advisors, Inc.

515 King Street, Suite 310
Alexandria, VA 22314

Phone: (703) 706-0885
Fax : (703) 703-9556

www.USAdvisors.net

Join us on Face Book
(Search for U.S. Advisors)

Join us on LinkedIn
(Search for Dixie Butler)

Check out our Blog:
www.usadvisors.blogspot.com

About Dixie Butler — she is a Certified Financial Planner, a Certified Divorce Financial Analyst, and is an Enrolled Agent, entitling her to practice before the IRS. She has been in the investment and financial industry for over 25 years.