



**GELMAN, ROSENBERG
& FREEDMAN** 
CERTIFIED PUBLIC ACCOUNTANTS

2011 Year-End Tax Planning Seminar

Walter H. Deyhle, CPA, CFP

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Gelman, Rosenberg & Freedman CPAs

GRF's Tax Team





Ruth's Chris Gift Card

The lucky winner is ...





Tonight's Agenda

- GRF Process
- 2011 Year-End Tax Planning
- Looking Ahead to 2012
- 2013 Rates
- Estate & Gift Tax
- Roth IRA
- Social Security
- Super Committee
- Questions



GRF's Process

- E-filing
- CD copies
- Portal

Secure File Exchange



[Secure File Exchange
Instructions](#)



2011 and 2012





2011 and 2012

- 2010 tax rates stay in effect for 2011 and 2012
 - 35% top tax rate
 - Capital gains and qualified dividends taxed at maximum of 15%



2011 and 2012 (cont'd)

- Reduced SS tax rate from 6.2% to 4.2% for 2011
 - Maybe 2012?
- Full expensing of capital investments for 2011
- AMT Patch for 2011 and 2012



2011 Tax Planning

- Expected tax rate higher in 2012
 - Accelerate income in 2011
 - Defer reductions into 2012
- Same or lower tax rate
 - Defer income to 2012
 - Accelerate deductions into 2011



Credit Cards

- Using a credit card for tax-deductible expenditures (charitable contributions) secures deduction
 - Even if statement isn't paid until following year



Tax Credits for Home Improvements

- Complete purchase before Dec. 31
 - 10% new energy efficiency tax credit
 - Insulation, exterior windows, heating and air conditioning systems
 - Lifetime maximum of \$500
 - Prior cap had been \$1,500





Retirement Plans

- Must be in place before the end of the year
- Exceptions: IRA and SEP
 - Must be funded by April 15, 2012

401 (K)	IRA	Simple IRA	Self-employed
\$16,500 (\$22,000 if age 50+)	\$5,000 (\$6,000 if age 50+)	\$11,000 (\$14,000 if age 50+)	20 percent of income up to \$49,000

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2013 Rates If Nothing Is Done

- 35% to 39.5%
- 33% to 36%
- Capital gains – 20%
- Qualified dividend taxed like ordinary income



2013 – Health Care

- 0.9% increase in Medicare tax after 12/31/12
 - \$200,000/\$250,000
- 3.8% increase in tax on investment income after 12/31/12
 - \$200,000/\$250,000



Estate & Gift Tax





Estate Tax Basics

- Unified gift & tax system
- No estate tax for taxpayers who died in 2010
- Annual gifting of \$13,000
- Exclusion for education and medical payments



Estate Tax Basics (cont'd)

- 2011 & 2012 – Estate tax for estates $>$ \$5M
 - Top tax rate of 35%
 - Portability



Roth IRA





Convert to a ROTH IRA?

<u>TRADITIONAL</u>	<u>ROTH</u>
Tax deductible	No tax deduction
Qualified distributions taxable	Qualified distributions tax free
Tax deferred growth	Tax free growth
Required minimum distribution	No required minimum distribution
Most effective when tax rate <i>lower</i> at retirement	Most effective when tax rate <i>higher</i> at retirement



When To Convert

- Do not need IRA to pay tax
- Expect to be in a higher tax bracket in retirement
- Do not need IRA in retirement
- Expect to pay estate taxes





When To Convert (cont'd)

- No required minimum distributions
- Pass to heirs
- Heirs have required RMD



Social Security



Age	% of PIA
62	75
64	86.67
66	100
67	108
68	116
69	124
70	132

Difference in Monthly Benefit – No Time Value or COLA



Taking Social Security Benefits

- Factors to consider:
 - Health
 - Family history
 - Need
 - Earning potential from age 62 to FRA to age 70
 - Marital status
 - Other retirement savings



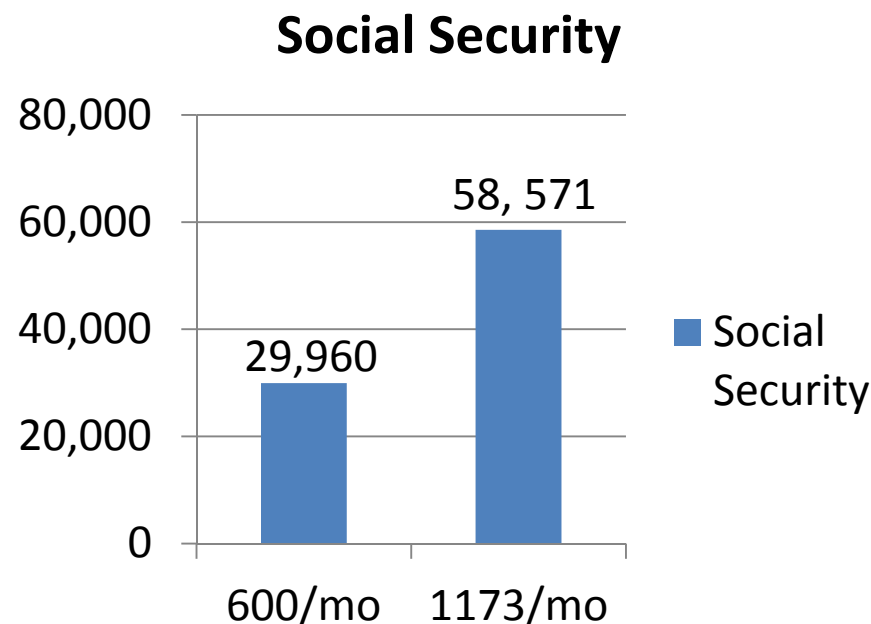
File and Suspend

- Assume higher earning spouse at maximum PIA of \$2,346
- Assume lower earning spouse at PIA of \$600
- Lower earning spouse can collect on his/her own benefit at age 62 but not collect spousal benefit until spouse files for his/her benefit
- Higher earning spouse files for benefits at age 66 and then immediately suspends which allows lower earning spouse to begin spousal benefits at age 66



File and Suspend (cont'd)

- Instead of collecting \$600 per month, lower earning spouse collects $\frac{1}{2}$ of \$2,346 or \$1,173 per month
- Four year differential





File and Suspend (cont'd)

- What if lower earning spouse's PIA was greater than $\frac{1}{2}$ of higher earning spouse's PIA
- Using the maximum PIA before of \$2,346 for the higher earning spouse, let's assume lower earning spouse's PIA is \$1,500



File and Suspend (cont'd)

- Have lower earning spouse collect his/her full benefit of \$1,500, not suspend, have higher earning spouse collect spousal benefit of \$750 from age 66 to 70 and then apply for his/her own enhanced benefit 32% greater at age 70 with no penalty



Repay and Reapply

- Withdraw your Social Security application and repay all of the benefits received in one lump sum, no interest!
- Why?
 - Maybe start Social Security at age 62 and then found your dream job
 - Maybe started at age 66 then came into money and want to go back and get 8% per year increase for waiting
 - Survivor can do this for a worker who died



Failure to Reach a Compromise

- Sequestration will go into effect Jan. 1, 2013
 - 18% of automatic savings (from interest) will cover \$216 billion of \$1.2 trillion gap
- Remaining \$984 billion
 - Might come from cuts in defense spending and domestic programs (evenly)
 - Estimated 10% reduction in Pentagon budget



Failure to Reach a Compromise (cont'd)

- Domestic programs exempt from the cuts
 - Social Security
 - Medicaid
 - Veterans' benefits
 - Low-income programs
- 2% reduction max for Medicare
 - 8% for education, agriculture and environmental programs



Failure to Reach a Compromise (cont'd)

- 2012 Election
- President Obama's veto threat





Questions



GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



4550 Montgomery Avenue, Suite 650N • Bethesda, MD 20814



Connect with Us



Walter H. Deyhle, CPA

wdehyle@grfcpa.com

Telephone: (301) 951 – 9090

Website: www.grfcpa.com