



From the Desk of . . . .

## Chuck Testino

**S**triving to achieve the best results for my clients always has me looking for new opportunities. Sometimes those opportunities come in the form of a better rate offered by a strong company and other times opportunities come in the form of strategies. This year's tax law changes have opened the door to a number of opportunities in the way of strategies to help our client's achieve their goals.



Last month I highlighted the advantages of converting to Roth IRAs. This month I'll give a brief rundown of those benefits, highlight the interesting element of "re-characterization" of those Roth IRAs in an article called "Re-Do for You!" and then let you know about thresholds of Medicare.



### Re-Do for You!

Have you ever bought something only to have it go on sale shortly after your purchased it? Wouldn't you like to Re-Do your purchase to get the lower price? The change in the Roth IRA Conversion tax laws allow you to do just that Re-Do your purchase to lower your cost basis, which in turn lowers your tax!

A conversion from a Traditional IRA to a Roth IRA creates a taxable event but this taxable event may have retirement planning advantages that outweigh the payment of tax now. In our last newsletter, the advantages of conversion were highlighted.

Here's how the Re-Do works. If the value of your IRA goes down after your conversion, you have until October 15 of the year after the conversion to re-characterize or re-do your transaction.

For example, if you converted a \$100,000 IRA into a Roth in early 2010 but the value declined to \$75,000 later that year, you could re-do the transaction by October 15, 2011 so that your cost basis is now \$75,000, instead of the original \$100,000. To do a Re-characterization you would move the money back to a traditional IRA and then convert it to another Roth IRA. The only stipulation is that you must wait 30 days to complete the conversion but now with your lower cost basis you won't be paying tax on the lost value.



### Take Advantage of a Non-Deductible IRA

The new rules give you a creative way to take advantage of your Roth IRA. Here's how to do it. Contribute to a non-deductible IRA and then convert it to a Roth IRA. There are no income restrictions to qualify to contribute to a non-deductible IRA. The rules let you do it and you can enjoy tax-free income when you retire.\*

\*There are limitations if you have a traditional IRA and you convert non-deductible IRAs to Roth IRAs.

## Benefits of a ROTH IRA

There are some real benefits to a Roth IRA even though you don't get a tax deduction when you contribute.

- Withdrawal can be taken without paying taxes up to the amount that you contributed.
- Contributions may continue past age 70½ if investor has earned income
- No mandatory distributions (RMD) at age 70½
- Beneficiaries may receive Roth IRA funds tax-free
- Beneficiaries can "stretch" a Roth IRA
- If taxes go up in the future, your Roth IRA actually becomes even more valuable



**2010**

### Contribution Limits

Plan	IRA/ROTH	403(b)	457/401(k)
<b>2010 Limit</b>	5,000.00	16,500.00	16,500.00
	+	+	+
<b>Over Age 50</b>	1,000.00	5,500.00	5,500.00
	+	+	+
<b>"Catch-Up"</b>	N/A	3,000.00	N/A
	=	=	=
<b>Total</b>	\$ 6,000.00	\$25,000.00	\$22,000.00

\*Note that individuals aged 50 and over are eligible for so-called "catchup" contributions, which result in a higher contribution limit. After 2008, contribution limits will be indexed for inflation in \$500 increments.



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# Quarterly Rapport



## Medicare Thresholds

Just like diet and exercise affect your physical health; there are many factors that must be taken into consideration when considering your financial health and they don't all revolve around the accumulation of assets on your balance sheet. Managing your expenses, like managing your weight, is an important part of maintaining a healthy outlook, whether that health is physical or financial.

One factor that needs to be considered when withdrawing income from investments during retirement is the thresholds associated with Medicare Part B Premium payments. Medicare Part B helps pay for doctor's services and outpatient care that Medicare Part A does not cover and it comes with a cost to the individual. While a complete look at Medicare is beyond the scope of this newsletter, a brief outline will give insight into the need for planning your income stream.

By and large Medicare Part B premiums in 2010 have remained unchanged. For those who are currently enrolled, having income of \$85,000 or less and have their premiums deducted from SSI, the premium payment of \$96.40 has not increase.

\*Newly enrolled participants will pay premiums of \$110.50 and those with higher income levels pay higher payments based on their income. But while the premium for Medicare Part B has remained stable, there has been an increase in 2010 deductibles and co-pays.

- Part A 2010 deductible is \$1,100 per illness, an increase of \$32
- Part B 2010 deductible is \$155, an increase of \$20
- Part A co-pay: Medicare Part A co-pay for day 61 through 90 is \$275/day. After the 90th day, the co-pay for your lifetime reserve is \$550/day.

*Individual Income	Joint Income	2010 Part B Premium
\$85,000 or less	\$170,000 or less	\$110.50
\$85,001 - \$107,000	\$170,001 - \$214,000	\$154.70
\$107,001 - \$160,000	\$214,001 - \$320,000	\$221.00
\$160,001 - \$214,000	\$320,001 - \$428,000	\$287.30
\$214,001 and above	\$428,001 and above	\$353.60

Managing both your income stream and your expenses in retirement is vital to your financial health and the longevity of your income stream. Planning for necessary expenses require consultation and the utilization of professionals to help you navigate through the changes that occur that will affect your financial health. As your advisor, I am here to help you plan with strategies that will help you maintain a quality lifestyle throughout retirement.



## THE "CLIENT'S" CORNER

### You and Your Number



Our social security number identifies us! We are asked frequently to provide it - we give it to the pharmacy when picking up a prescription, to the schools when filling out forms for our children and to the airlines when making reservations. But do these people really need our personal identifier for their record keeping?

Because our social security numbers are so widely used to identify us, we have become de-sensitized to giving out this information that at one time was highly protected. Becoming aware that you are being asked a very personal question is the first step in knowing how to say "No" gracefully. Simply overlooking the question on the form is enough, other times saying that you need to "request an alternative record keeping method because giving out your Social Security number puts you at risk" is sufficient.

However, should you need to provide something to a doctor's office, pharmacy, airlines or a child's school, consider replacing the middle two numbers with 00. There are no Social Security numbers that have double zeros in that section.

Knowing when to give your Social Security number is just as important as to knowing when not to give it out. Below are times when it is mandatory that you give your Social Security number:

- Financial Applications including investment, banking and credit
- Cash transactions over \$10,000
- Applying for federal benefits
- Military paperwork
- The Department of Motor Vehicles