

2009 - The Year Ahead ▶▶▶

Nancy D. McKee, CFP® •  Allegheny Financial Group • January 2009



As we exit 2008, my colleagues and I utter “Good Riddance.” What a year it’s been. I would love to tell you where the bottom is in this market, but human behavior is unpredictable to say the least. With that being said, the people who are exiting the market will eventually enter back into the market. In other words, the same people that are pushing the market down will eventually push the market back up when they start investing again. I often remind myself that IBM is still a good company and can still make money for its investors. The same goes for the thousands of other companies in America. The real crisis is with our banking institutions. Since they control the flow of money, it is imperative that the markets sort out the balance sheets of these institutions. We will continue to see the effects of this through 2009. The bright side is that people are going back to the main cores of saving and paying off debt. Consumerism is shifting. Deals abound and the strong companies will survive. Having a cushion is more important than it has ever been as lending institutions tighten their belts -- cash is king. I look forward to 2009 with the anticipation that we will see brighter days. I appreciate the inquiries as to my own personal sanity this year. I assure you it is intact!

Retirement Limits

2009 Limits for Retirement Contributions

401(k), 403(b), 457(b) and SAR-SEPS	Lesser of \$16,500 or 100% of participant’s compensation
401(k), 403(b), 457(b) and SAR-SEPS - “Catch up” for individuals over age 50	\$5,500
SIMPLE 401(k) plan and SIMPLE IRA plans	Lesser of \$11,500 or 100% of participant’s compensation
SIMPLE 401(k) plan and SIMPLE IRA plans - “Catch up” for individuals over age 50	\$2,500
Traditional IRAs	Lesser of \$5,000 or 100% of earned income
Roth IRAs	Lesser of \$5,000 or 100% of earned income
IRAs (traditional and Roth) - “Catch up” for individuals over age 50	\$1,000

Deductibility of Traditional IRAs

Income phase out range for determining deductibility covered by employer-sponsored plan and filing as:

Single	\$55,000 - \$65,000
Married filing jointly	\$89,000 - \$109,000
Married filing separately	\$0 - \$10,000
Not covered by an employer-sponsored plan, but filing joint with a spouse who is covered by an employer-sponsored retirement plan	\$166,000 - \$176,000

Roth IRA Compensation Limits

Income phase out range for determining ability to fund Roth IRA

Single	\$105,000 - \$120,000
Married filing jointly	\$166,000 - \$176,000
Married filing separately	\$0 - \$10,000
Annual income limit for determining ability to convert traditional IRA to Roth IRA	\$100,000

Annual gift exclusion for 2009: \$13,000

Having trouble getting your kids to save? A phrase often uttered. Some parents mandate the child to put aside a portion of gifts and/or earnings and others have a hands-off approach. No one way is right or works for everyone. What we do know is that if children start saving by the age of 18 they will then have Time working for them. The longer you wait to start saving, the more money you need to put aside to reach the same future value if you had started saving even a year earlier.

I think the bigger obstacle is knowing how to start. If you begin by doing automatic monthly investing, you don't need a large sum of money to get started. By dollar-cost averaging, the money comes right out of a bank account and into the investment, buying fewer shares when the price is up and more shares when the price is down. I know of some parents and relatives who prefer to make a gift into the child's investment rather than a material gift for holidays or graduation.

I have had success in meeting with young adults in my office without their parents. I think the formal arrangement provokes the seriousness of investing and creates maturity with money. The meeting is complimentary. If you know of a young adult who would benefit, please don't hesitate to give me a call. It's all about making a difference!

Pennsylvania Inheritance Tax Rates

4.5% for lineal descendants (child, grandchild, great-grandchild)

12% for siblings

15% for other heirs except charitable organizations, exempt institutions and government entities

Property owned jointly between husband and wife is exempt from Inheritance Tax, and so is property inherited from a child twenty-one or younger by a parent.

Inheritance tax is imposed on the value of the descendant's estate transferred to beneficiaries by will or intestacy (without a will). Taxes are due within nine months of the descendant's death. If the tax is paid within three months of death, a 5% discount is allowed.

Collecting Yarn, Knitting Needles & Crochet Needles

My oldest sister, Kim, teaches at an inner city high school in Memphis. Last year, she took over the after school craft club and started to teach the kids how to knit a scarf. Like a wave it spread through the school. Kids were teaching other kids. Girls and boys were knitting scarves during lunch. This year, Kim continues her quest to keep the kids off the street and engaged in something fun. I will continue to collect new or used yarn and needles. If you'd like to donate your old knitting supplies, call me and I can arrange to pick it up. Thanks!

What should you be doing?

- Don't stop investing.
- Not all debt is bad. Focus on paying off the highest interest rate debt.
- Does refinancing make sense?
- Get an understanding of your credit worthiness.
- Create an emergency fund and use it only for emergencies.
- Save in your retirement plan to the maximum allowable.
- Tighten up your expenses to create more cash flow.
- Become a savvy shopper.
- Understand what you're invested in. Are your investments doing what they are supposed to be doing?
- Retirement doesn't necessarily mean a reduced lifestyle. Have realistic expectations and do a thorough analysis before you decide to stop working.
- Don't panic but don't ignore your finances. Seek professional help.

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