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FINANCIAL GROUP

FINANCIAL PLANNING & INVESTMENTS

EYE ON MONEY

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TAX

2013 YEAR-END TAX PLANNING GUIDE

TIPS FOR MINIMIZING YOUR 2013 TAXES

Rebalancing Act

You can help manage risk by periodically resetting your portfolio back to its target investment mix.

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OVER TIME, IT IS EASY FOR YOUR MIX of stocks, bonds, and other types of investments to stray from your chosen percentages due to differences in performance. What started out as, let's say, 60% stocks and 40% bonds may now be 70% stocks and 30% bonds if stocks have recently outperformed bonds. A greater percentage of stocks means that your portfolio is now more volatile—prone to wider swings in value—and has more risk than you originally intended. On the other hand, if bonds had outperformed stocks, your portfolio may now be too conservatively invested to potentially reach your financial goals. Resetting your portfolio back to its target mix—a process known as rebalancing—can help you manage risk and keep your investment plan on track.

Rebalancing can be accomplished two ways. You can sell some investments in the overweighted group and invest the proceeds in the underweighted group until your target percentages are restored. Or you can direct new money into the underweighted group. If you decide on the first approach, please remember that selling investments in a taxable account will have tax repercussions.

Please consult your financial advisor about when and how to rebalance. ■

PLEASE NOTE: Asset allocation does not ensure a profit or protect against loss in declining markets.

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UP FRONT

FEATURES

FYI

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HEALTH INSURANCE MARKETPLACES ARE NOW OPEN

Individuals and families can now purchase health insurance through Health Insurance Marketplaces. Here are some of the details.

AS OF OCTOBER 1, 2013, individuals and families have a new way to find health coverage: Health Insurance Marketplaces.

A key component of Obamacare, the Marketplaces enable individuals to review and compare private health insurance plans and to learn whether they qualify for lower insurance costs.

Several states have opted to run their own Marketplaces, also known as Exchanges. If your state is one of them, you'll use your state's website when shopping for health insurance. If your state has not created its own Marketplace, you'll use the federal government's Marketplace website. You can find out which Marketplace to use at www.healthcare.gov.

Of course, if you already have health insurance through an employer, an insurance company, Medicare, or Medicaid, you do not need to use a Marketplace. But if you don't have health insurance, you may want to check out your Marketplace soon. Open enrollment ends March 31, 2014. And if you do not have health coverage for 2014, either through a Marketplace or some other source, you may have to pay a fee.

The fee for not having health coverage starts out relatively low. In 2014, the fee will be $95 per adult and $47.50 per child (up to a maximum of $285 per household) or 1% of your household income, whichever is higher. By 2016, the fee will be $695 per adult and $347.50 per child (up to a maximum of $2,085 per household) or 2.5% of your household income, whichever is higher. The total annual fee will not exceed the national average annual premium for bronze level plans offered through Marketplaces for your household size. Keep in mind, though, that the fee is simply a penalty for not having health insurance. You will still have to pay the full cost for any medical care you receive.

*

MARKETPLACE KEY DATES

October 1, 2013
Open enrollment starts

January 1, 2014
Health coverage can start

March 31, 2014
Open enrollment ends

Uninsured individuals won't have to pay the fee in certain situations, such as if they are uninsured for less than 3 months per year or have a very low income. The website www.healthcare.gov has a more complete list of exceptions to the fee.

Federal tax credits will make insurance purchased through a Marketplace more affordable for individuals and families with household incomes between 100% and 400% of the Federal Poverty Level. This group includes individuals with incomes up to about $46,000 and families of four with incomes up to about $94,000. The tax credit is applied directly to the monthly premiums, so that qualifying individuals and families get the lower costs immediately.

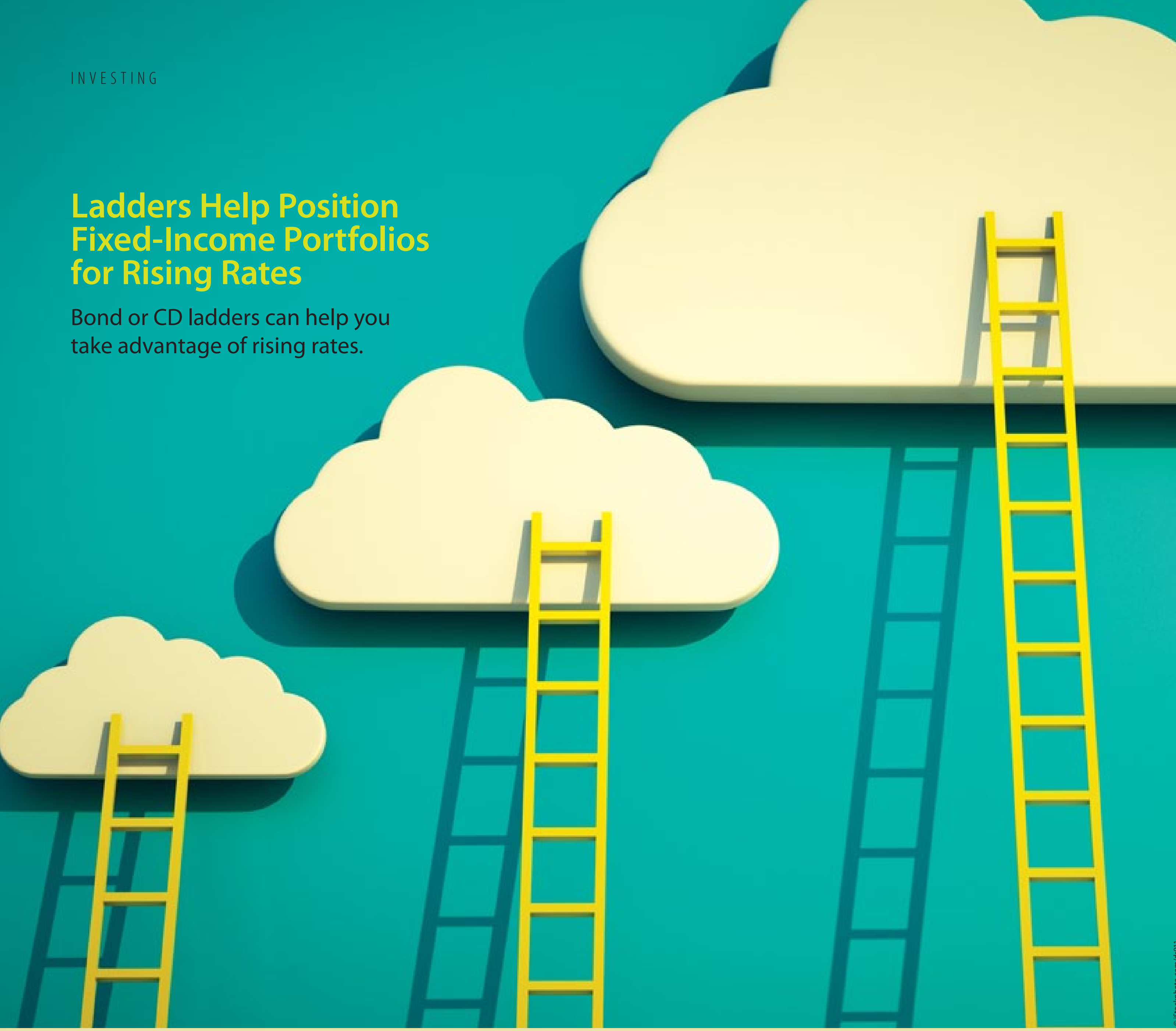
Small Business Health Options Program (SHOP) Marketplaces are also available to help small businesses with 50 or fewer full-time equivalent employees find affordable health insurance for their employees. And beginning in 2016, SHOP Marketplaces will be open to employers with up to 100 full-time equivalent employees.

To learn more about locating and purchasing health insurance through a Marketplace, please visit the federal government's website www.healthcare.gov.

Other changes are also in store for 2014. Beginning on January 1, an insurance company cannot refuse to sell you coverage or renew your policy due to a pre-existing health condition. Plus, new health plans and existing group plans cannot impose dollar limits on the amount of coverage an individual may receive. ■

Ladders Help Position Fixed-Income Portfolios for Rising Rates

Bond or CD ladders can help you take advantage of rising rates.



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IF YOU INVEST IN INDIVIDUAL BONDS or CDs, staggering their maturity dates can help ensure that you have cash available on a frequent basis (barring a default) to be reinvested at prevailing interest rates. If rates rise, the proceeds from your expiring investments can be reinvested in bonds or CDs that pay a higher rate of interest. If rates fall, at least only part of your portfolio will be reinvested at a lower rate.

This strategy is known as a bond or CD ladder and generally works like this. Let's say you have $300,000 to invest in individual bonds. Instead of choosing bonds that all mature at the same time, you might begin your bond ladder by investing $100,000 in bonds that mature in one year, $100,000 in bonds that mature in two years, and $100,000 in bonds that mature in three years. This way, you have some bonds maturing every year. When the first bonds mature, you would typically reinvest the proceeds in bonds with the longest maturity, which in this example is three years. Continuing to reinvest like this as your bonds mature helps ensure that you'll have some cash available on a yearly basis to take advantage of potentially rising interest rates. ■

PLEASE NOTE:

- *When interest rates rise, bond prices generally fall, and vice versa. The effect is usually more pronounced for longer-term securities.*
- *You may have a gain or a loss if you sell a bond prior to its maturity date.*
- *Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties.*

Please consult your financial advisor for more information about how to prepare for rising interest rates.

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3 WAYS TO GIVE THE GIFT OF EDUCATION WITHOUT UNCLE SAM GETTING A CUT

One of the best gifts you can give your child, grandchild, or other young person is money for college. But before you hand them a check, consider that there may be a more tax-savvy way to make your gift.

1 **Contribute to a 529 college savings plan.** If you want to help someone save for college, contributing to a 529 plan may be the way to go. Why? The tax benefits cannot be beat.

Investment earnings in a 529 plan grow tax-free and can be withdrawn free from federal taxes if used for qualified higher education expenses, such as college tuition and fees. Because the earnings are not subject to tax, the student may end up with more savings by the time he or she enters college.

Plus, if you choose your state's 529 plan, you may receive a tax deduction or a tax credit for money that you contribute to the plan.

529 plans are also a great way for wealthy individuals to transfer wealth to younger generations for education purposes. Here's the deal. Normally, you can give up to $14,000—the annual federal gift tax exclusion amount for 2013—to as many people as you want each year without your gifts being subject to the federal gift tax or reducing the amount that can be excluded from federal estate taxes later on. With a 529 plan, you can give up to five times that amount in a single year by applying the annual gift tax exclusion to a portion of your 529 plan contribution in each of five years. In other words, you can contribute up to $70,000 per 529 plan beneficiary in a single year. And if you are married and file a joint tax return, you and your spouse can jointly contribute up to $140,000 per beneficiary in a single year. This gift tax advantage is unique to 529 college savings plans. (You must outlive a certain period or a prorated portion of your gift is added back into your estate for tax purposes.)

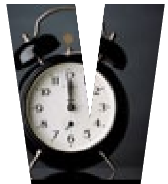
2 **Contribute to a Coverdell Education Savings Account.** Like a 529 plan, investment earnings in a Coverdell account grow free from taxes and can be withdrawn free from federal taxes if used for qualified education expenses. Unlike a 529 plan, though, qualified education expenses include expenses for grades K–12, in addition to higher education. Not everyone is eligible to contribute to a Coverdell account, however. Your modified adjusted gross income must be under $110,000 ($220,000 if you are married and file jointly) in order to contribute.

3 **Pay tuition directly to the school.** Tuition that you pay directly to an educational institution is not subject to the federal gift tax, even if the amount exceeds the $14,000 annual federal gift tax exclusion amount. ■

ABOUT 529 COLLEGE SAVINGS PLANS: For more complete information about a 529 college savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state's 529 college savings plan.

Please consult your financial advisor regarding the best way to help someone save or pay for college.

2013 YEAR-END TAX PLANNING GUIDE



THERE IS STILL TIME TO REDUCE WHAT may be your largest expense of the year: your 2013 federal taxes. Actions you take before the end of the year, such as deferring income until next year, accelerating deductible expenses into this year, and harvesting investment losses, can help minimize your 2013 taxes. This article explores several strategies for minimizing federal taxes and looks at new laws that may affect your personal taxes. For advice on your specific situation, please contact your tax and financial advisors before the end of the year.

Where federal taxes stand now. For low- and middle-income individuals, the 2013 federal tax rates and provisions are nearly the same as last year, thanks to the passage of the American Taxpayer Relief Act of 2012. The Act permanently extends the Bush-era tax rates on ordinary income, capital gains, and dividends and extends popular provisions, such as marriage penalty relief, the state sales tax deduction, and the American Opportunity Tax Credit for higher education expenses.

For high-income individuals, however, there are many changes for 2013, including higher tax rates, a new tax on investment income, and a reduction in the value of personal exemptions and some itemized deductions. Here's the deal.

Although the American Taxpayer Relief Act extends the existing tax rates, individuals with taxable incomes over $400,000 (single filers) or $450,000 (joint filers) face a new 39.6% tax rate on ordinary income over those amounts and a 20% tax rate on long-term capital gains and qualified dividends. Last year's top tax rates were 35% on ordinary income and 15% on capital gains and dividends.

Two new Medicare taxes have also kicked in for high-income individuals this year as part of health care reform. The first is a 3.8% surtax on net investment income for individuals with incomes over $200,000 (single filers) or $250,000 (joint filers). And the second is a 0.9% increase in Medicare tax on wages and self-employment income above $200,000 (single filers) or $250,000 (joint filers).

There is a major change this year for legally married same-sex couples. The IRS recently ruled that legally married same-sex couples will be treated as married for all federal tax purposes, including income, gift, and estate taxes. The couples will file their 2013 federal income tax returns as married and can amend some earlier tax returns to reflect their married status, which may result in a tax refund.

And more changes are possible in the near future as Washington works to overhaul the tax code. One change that has been proposed would further limit the value of itemized deductions by either imposing a dollar limit on them or capping their value at, say, 28%.

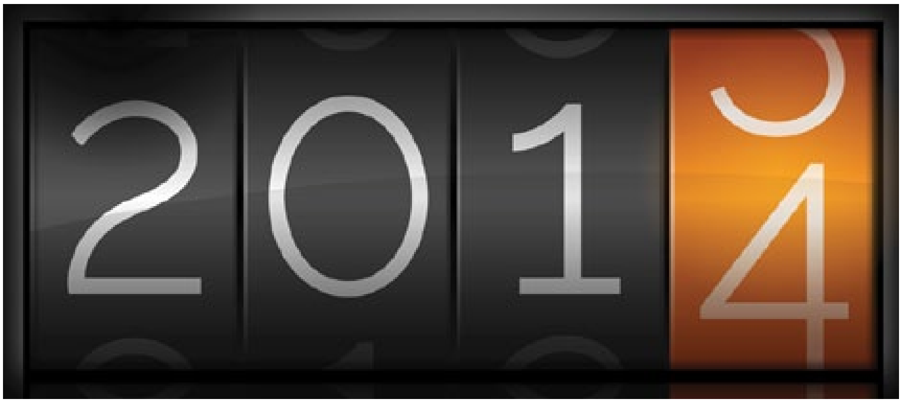
As a result of the tax changes and proposals, tax planning is more important than ever this year to help minimize the impact of the 2013 tax increases and to help reduce the impact of potential tax changes in the future.

Determine if you will be subject to the AMT. Although Washington applied a permanent patch to the alternative minimum tax (AMT) with the American Taxpayer Relief Act, millions of middle- and high-income taxpayers will still be subject to the AMT in 2013. At greatest risk are individuals who pay high state and local taxes, realize a large amount of capital gains, claim a large number of exemptions, exercise incentive stock options without selling the stock in the same year, and use a mortgage or home equity line of credit for purposes unrelated to their homes.

The AMT, an alternate method of calculating taxes, does not allow many of the tax preferences allowed when calculating taxes the normal way. For this reason, it is important to know how you will be taxed before you begin tax planning because some strategies mentioned in this article may not be appropriate for use with the AMT. If it looks like you will be subject to the AMT this year, your tax advisor can recommend strategies for minimizing its impact or perhaps avoiding it altogether.

New Federal Tax Provisions for Individuals

New in 2013	Who is affected?
39.6% tax on ordinary income	The tax rate is increased to 39.6% (up from 35%) for ordinary income over: • $400,000 if unmarried • $450,000 if married filing jointly • $225,000 if married filing separately • $425,000 if head of household
20% tax on capital gains and dividends	The tax rate on long-term capital gains and qualified dividends is increased to 20% (up from 15%) for taxpayers in the 39.6% ordinary income tax bracket (shown above.)
3.8% net investment income tax	This new surtax applies if you have net investment income and a modified adjusted gross income above: • $200,000 if unmarried • $250,000 if married filing jointly • $125,000 if married filing separately • $200,000 if head of household
0.9% additional Medicare tax	An additional 0.9% Medicare tax applies to wages and self-employment income above: • $200,000 if unmarried • $250,000 if married filing jointly • $125,000 if married filing separately • $200,000 if head of household
The personal exemption phase-out and the overall limitation on itemized deductions are in effect once again	The value of your personal exemptions and some itemized deductions (taxes you paid, interest you paid, gifts to charity, job expenses and most miscellaneous deductions) may be reduced if your adjusted gross income exceeds: • $250,000 if unmarried • $300,000 if married filing jointly • $150,000 if married filing separately • $275,000 if head of household
40% tax on taxable gifts and estates	The maximum tax rate on estate, gift, and generation-skipping transfer taxes is increased to 40% (up from 35%). The exemption amount is $5.25 million (up from $5.12 million).



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Shift income and deductions to the more advantageous year. Shifting income and deductions between this year and next year may help reduce your taxes over the two-year period.

If you think you will be in the same or a lower income tax bracket next year, it is generally a good idea to defer income until next year so that the tax on the income is also deferred. If you expect to be in a higher tax bracket next year, accelerating some income into this year so that it can be taxed at lower rates is generally a good idea. (The tax brackets for 2013 are shown on page 9.)

Certain types of income, such as income from self-employment, retirement accounts, property sales, and the exercise of stock options, are easier to time than others.

When it comes to deductions, it is generally a good idea to pay deductible expenses in the year when you expect your ordinary income tax rates to be higher so that you receive a greater tax benefit from the deduction. If you expect to be in the same or a lower tax bracket next year, accelerating some of your deductions into this year is generally the way to go.

Before deciding whether to pay deductible expenses this year or next year, be sure to consider the possibility that Washington may limit the value of your itemized deductions next year as part of a tax overhaul. If this comes to pass, your best bet may be to accelerate deductible expenses into this year. For example, you may gain a greater tax benefit from making a charitable contribution this year rather than next year if itemized deductions end up being capped next year.

Defer income. Accelerate deductions. On the surface, strategies like these may sound easy and straightforward. However, there is nothing easy and straightforward about the federal tax code. Shifting income and deductions between years can have unintended consequences, such as making you ineligible for certain tax deductions and credits that have income limits, or making you liable for the AMT. Before making a move, please consult your tax advisor, who can evaluate the impact of shifting income and deductions on your overall tax situation.

Bunch deductions when advantageous. Timing when you pay deductible expenses so that you amass higher deductible amounts either this year or next may benefit your tax situation in a few ways.

First, bunching itemized deductions may help you claim an itemized deduction that has an adjusted gross income (AGI) threshold, such as the deduction for medical and dental expenses (10% AGI threshold) and the deduction for miscellaneous expenses (2% AGI threshold).

A deduction with an AGI threshold limits you to deducting only the portion of your expenses that exceed the threshold. Take the deduction for medical and dental expenses, for example. You may only deduct the unreimbursed medical and dental expenses you pay that exceed 10% of your AGI. For example, if your AGI for 2013 is \$100,000, you may only deduct the portion of your unreimbursed expenses that exceed \$10,000 (10% of \$100,000). If your expenses are just under the threshold, paying some of next year's expenses this year may help you claim the deduction for 2013. Perhaps you might purchase those eye glasses or stock up on prescription drugs in December rather than January in order to get your total unreimbursed expenses over the threshold for 2013.

The 10% AGI threshold for medical and dental expenses is new this year. It was 7.5% in prior years, but the health care reform act changed it for most individuals. Older taxpayers—those 65 or older or who have a spouse in that age group—can continue to use the 7.5% AGI threshold through 2016 before it increases to 10% for them as well.

Bunching deductions may also help you if you normally claim the standard deduction. Let's say you are unmarried and your itemized deductions add up to just under the $6,100 standard deduction for your tax filing status. Although you could just claim the standard deduction, you may be better off paying some 2014 deductible expenses this year so that your itemized deductions for 2013 exceed $6,100. This allows you to deduct more than $6,100 this year by itemizing your deductions, and although your deductible expenses may be less next year as a result, you can always claim the standard deduction next year!

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Deductible Medical and Dental Expenses

If you itemize deductions, you may deduct unreimbursed medical and dental expenses that you pay that exceed 10% of your adjusted gross income (7.5% if you or your spouse is age 65 or older). Some deductible expenses are shown here; see IRS publication 502 for a more complete list.

- Acupuncture
- Ambulances
- Artificial Limbs
- Artificial Teeth
- Chiropractors
- Contact Lenses
- Dental Treatments
- Eye Exams
- Eyeglasses
- Eye Surgery
- Guide Dogs
- Hearing Aids
- Hospital Services
- Insurance Premiums
- Lab Fees
- Medical Doctors
- Nursing Care
- Oxygen
- Pregnancy Tests
- Prescription Meds
- Prosthesis
- Psychiatric Care
- Psychologists
- Special Education
- Wheelchairs
- Certain programs for:
  - Alcoholism
  - Drug Addiction
  - Stop Smoking
  - Weight Loss

2013 Standard Deduction

Unmarried	$6,100
Married Filing Jointly	$12,200
Married Filing Separately	$6,100
Head of Household	$8,950

2013 Federal Tax Rates on Ordinary Income

Tax Rates on Ordinary Income	**Unmarried** Taxable Income[1]	**Married Filing Jointly or Surviving Spouse** Taxable Income[1]	**Married Filing Separately** Taxable Income[1]	**Head of Household** Taxable Income[1]
10%	Not over $8,925	Not over $17,850	Not over $8,925	Not over $12,750
15%	$8,926–$36,250	$17,851–$72,500	$8,926–$36,250	$12,751–$48,600
25%	$36,251–$87,850	$72,501–$146,400	$36,251–$73,200	$48,601–$125,450
28%	$87,851–$183,250	$146,401–$223,050	$73,201–$111,525	$125,451–$203,150
33%	$183,251–$398,350	$223,051–$398,350	$111,526–$199,175	$203,151–$398,350
35%	$398,351–$400,000	$398,351–$450,000	$199,176–$225,000	$398,351–$425,000
39.6%	Over $400,000	Over $450,000	Over $225,000	Over $425,000

[1] *Your taxable income is your total income for the year, reduced by your deductions and exemptions.*

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Minimize the bite that taxes take out of your investment income. Although the tax rates on investment income have not changed for most taxpayers, due to the extension of the 0% and 15% tax rates on capital gains and the 10%–35% tax rates on ordinary income, high-income taxpayers were not so fortunate. They will pay higher tax rates on their investment income this year as a result of three changes to the federal tax laws.

First, the addition of the 39.6% income tax bracket means a higher tax rate on short-term capital gains and interest income, both of which are taxed as ordinary income, for individuals with taxable income over $400,000 (single filers) or $450,000 (joint filers).

Second, the addition of a 20% capital gains tax rate means a higher tax rate on long-term capital gains and qualified dividends for individuals with taxable income over $400,000 (single filers) or $450,000 (joint filers).

Third, the introduction of a 3.8% net investment income tax means higher tax rates on capital gains, dividends, interest, and other types of investment income for individuals with modified adjusted gross income over $200,000 (single filers) or $250,000 (joint filers).

The third change—the 3.8% net investment income tax—is a surtax and applies in addition to other taxes. As a result, some high-income taxpayers may pay as much as 23.8% (20% capital gains tax + 3.8% surtax) on their net long-term gains and qualified dividends and as much as 43.4% (39.6% ordinary income tax + 3.8% surtax) on their net short-term capital gains and interest income—big increases from last year's top rates of 15% and 35%!

Thresholds for the Net Investment Income Tax

Tax Filing Status	Modified Adjusted Gross Income
Unmarried	$200,000
Married Filing Jointly	$250,000
Married Filing Separately	$125,000
Head of Household	$200,000

2013 Federal Tax Rates on Capital Gains and Dividends

These tax rates apply to your net long-term capital gains and qualified dividends realized in taxable accounts.

An additional 3.8% net investment income tax may also apply.

Tax Rate	
0%	If you are in the 10% or 15% ordinary income tax bracket
15%	If you are in the 25%, 28%, 33% or 35% ordinary income tax bracket
20%	If you are in the 39.6% ordinary income tax bracket

What's the new surtax all about? The surtax is intended to help fund Medicare and applies to the lesser of your net investment income or the amount by which your modified adjusted gross income (MAGI) exceeds the applicable threshold for your tax filing status. (The thresholds are shown on page 10.) To give you an example, if your net investment income is $10,000 and your MAGI exceeds the threshold by $200,000, the 3.8% surtax applies to your $10,000 of net investment income. If your MAGI does not exceed the threshold for your tax filing status, no worries; the surtax does not apply to you.

For purposes of the surtax, net investment income includes net income from interest, dividends, capital gains, rents, royalties, nonqualified annuities, passive activities, and businesses involved in trading financial instruments or commodities. It does not include income from wages, self-employment, an active trade or business, interest on tax-exempt bonds, and distributions from IRAs and qualified retirement plans.

What can you do to minimize the impact of the new surtax? Plenty.

Maximizing contributions to your IRAs, 401(k)s, and other qualified retirement plans can be a good move because investment earnings and distributions from these types of plans are not considered net investment income.

Investing in tax-exempt municipal bonds within a taxable investment account may also be a good move because the interest from municipal bonds is generally exempt from federal taxes, including the net investment income tax.

Harvesting some capital losses and using them to offset your capital gains can help minimize the amount of your investment income that is subject to tax.

But the best move you can make is to consult your tax advisor for advice on your specific situation.

FR2013-0807-0170/E

How to Minimize Taxes on Your Investments

These strategies apply only to investments held in taxable accounts; they do not apply to IRAs and 401(k)s.

Strategy	Details
Hold out for long-term capital gains	Holding appreciated investments for longer than one year before selling allows you to use the long-term capital gains tax rates (0%, 15%, or 20%) on your profit. Sell any sooner and your profit will be taxed as ordinary income, at rates up to 39.6%.
Hold out for qualified dividends	Holding stocks and stock funds for at least 61 days around a stock's ex-dividend date allows you to use your capital gains tax rate (0%, 15%, or 20%) on qualified dividends. The holding period for preferred stocks may be different.
Keep high-tax investments in tax-favored accounts	You can help minimize your taxes by holding high-tax investments, such as taxable bonds, in tax-favored accounts and low-tax investments, such as stocks and passively managed stock funds, in taxable accounts.
Use losses to offset your gains	Capital losses that you realize in a taxable account can be used to reduce or eliminate capital gains for tax purposes. And if your losses exceed your gains, up to $3,000 of the excess can be deducted from ordinary income.
Invest in tax-exempt municipal bonds	The interest from tax-exempt municipal bonds is generally exempt from federal taxes, and may be exempt from state and local taxes if the bonds were issued in your state. Please note that the interest from some municipal bonds may be subject to the alternative minimum tax.
Give appreciated securities to someone eligible for a lower tax rate	As long as the securities were purchased more than a year ago, the gift recipient can sell them at his or her long-term capital gains tax rate. Take care if you give them to your young children; investment income in excess of $2,000 will be taxed at your rate.

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Consider your taxes before making sizable gifts to charities, family, and friends. Gifts you make can benefit your tax situation in a few ways. Let's look at charitable contributions first.

You can deduct contributions you make to qualified organizations, such as charities, religious organizations, and nonprofit schools, as long as you itemize deductions on your tax return. In some situations, limits may affect how much you can deduct. A charitable deduction cannot be greater than 50% of your adjusted gross income (AGI), and in some cases a charitable deduction cannot exceed 20% or 30% of your AGI, although the excess can be deducted over the next five years.

The overall limitation on itemized deductions is once again a factor this year if your AGI is over $250,000 (single filers) or $300,000 (joint filers). The limitation, which had been repealed for the past few years, is back and will reduce the value of the otherwise allowable charitable deductions of high-income individuals. Even with this limitation, there is still a tax benefit to be gained from charitable contributions.

When deciding when to contribute to charity, remember that Washington is considering imposing additional limits on the deductibility of charitable contributions. You may receive a larger deduction by making contributions this year rather than next.

Making a gift to charity can be as easy as pulling out your checkbook or credit card. But before you do, consider that you may realize a greater tax benefit if you donate appreciated securities instead of cash. When you donate appreciated securities, such as stock, that you have owned for longer than one year, you do not have to pay tax on the capital

How to Back Up Your Charitable Deductions

For cash donations under $250, a cancelled check, bank statement, or credit card statement showing the name of the charity, the amount, and the date is generally all you will need to document your donations.

For non-cash donations, a receipt or letter from the charity that includes the charity's name, the date and location of the donation, and a reasonably detailed description of the donated property is needed. If a receipt or letter is not an option (for example, goods left at a drop-off box), you must keep a written record of your donations.

For all donations of $250 or more, you will need a written acknowledgement or receipt from the charity .

For property donations over $5,000, you will also generally need a written appraisal from a qualified appraiser.

gains and you can deduct the fair market value of the securities. For example, if you donate stock that you paid $3,000 for originally and that is now valued at $10,000, you do not have to pay tax on the $7,000 of appreciation and you can deduct the full $10,000 (the deduction may be less if the limits mentioned earlier apply). Considering that federal tax rates on long-term capital gains now range as high as 23.8%, you can save a bundle in taxes by donating appreciated securities rather than selling them first and donating the proceeds.

If you plan to make charitable bequests from your estate, but need to liquidate highly appreciated assets now, consider creating a charitable remainder trust. Assets that you irrevocably transfer to the trust can be sold by the trustee without the appreciation being taxed. The trustee can then reinvest the proceeds and pay you an income from the trust. Any assets remaining in the trust after your death are distributed to your chosen charities. Because the remaining trust assets will eventually go to charity, you may take a charitable deduction for a portion of the assets in the year that they are transferred to the trust.

If you want to make a charitable contribution this year so that you can claim a deduction, but have not decided on the charity yet, you may want to consider contributing to a donor-advised fund. With a donor-advised fund, you can make an irrevocable donation now, claim a charitable deduction for it on this year's tax return, and recommend grants to qualified charities later. The organization sponsoring the donor-advised fund has the ultimate say over your recommendations, but generally follows them as long as the grant recipients fall within the organization's guidelines.

If you are an IRA owner over age 70½ who wants to make a gift to charity, you can have up to $100,000 distributed tax-free from your IRA to qualified charities in 2013. Although you cannot claim a charitable deduction for your gift, the distribution is not added to your income, therefore escaping taxation, and it counts toward your required minimum distribution for the year. This strategy works best for IRA owners who stand to benefit more from a reduction in gross income than from a charitable deduction or who cannot claim a charitable deduction because they do not itemize deductions.

If you expect that your estate will be subject to estate taxes, you may want to take advantage of the annual exclusion for gift taxes to reduce the size of your taxable estate before the end of the year. The annual exclusion allows you to give up to a certain amount—$14,000 in 2013—to as many individuals as you choose without your gifts being subject to the federal gift tax or using up any of your $5.25 million lifetime exclusion for federal transfer taxes. Married couples can combine their annual exclusions and give up to $28,000 to as many individuals as they choose.

Certain types of gifts are not taxable to begin with so there is no reason to keep them under $14,000. Non-taxable gifts generally include payments you make directly to a medical or educational institution for someone's medical or tuition expenses, gifts to a political organization for its own use, gifts to charities, and gifts to your spouse.

The lifetime exclusion for federal transfer taxes increased by $130,000 this year (from $5.12 million in 2012 to $5.25 million in 2013) thanks to an inflation adjustment. So even if you used up your lifetime exclusion in prior years, you can give away another $130,000 this year without owing any federal gift tax. But before you do, please seek advice from your estate planning professional. ■

Please consult your tax and investment advisors for year-end advice.

You may be able to reduce your 2013 taxes if you act soon. The first step is to contact your tax and investment advisors.

Your tax advisor can review your financial situation in light of the latest tax laws, which may have changed after this publication was produced.

Your investment advisor can review your portfolio and identify moves that may benefit both your tax and investment situation.

The key is to get started now because most tax-minimizing strategies will need to be implemented before the end of the year.

Plan How Much to Withdraw from Your Retirement Savings Each Year

WILL YOUR NEST EGG LAST YOUR lifetime? The answer hinges in part on how much you withdraw from your retirement savings each year. Withdraw too much, and you may run through your savings prematurely. To minimize the chance of this happening, it is important to estimate how much you can withdraw each year and still have a good chance of your nest egg lasting 30 or so years.

One popular rule of thumb says that retirees who withdraw about 4% of their savings in the first year of retirement and then increase the annual withdrawal amount by the inflation rate each year have a strong chance of their nest egg lasting 30 years. For example, if you have $1 million in savings at the start of retirement, you might withdraw $40,000 in year one of retirement, $41,200 in year two, $42,436 in year three, and so on (assuming the inflation rate is 3% each year), generally without your retirement savings running dry in 30 years.

But before you apply what is known as the "4% rule" to your nest egg, please remember that 4% is only a broad guideline. The rule was developed a few decades ago based on historical data and generally using a 50/50 mix of stocks and bonds held in a tax-deferred account. (Past performance is no guarantee of future results.) Your age, your investment mix, and other aspects of your financial situation, as well as recent investment returns, may suggest that you use a different withdrawal rate altogether.

For example, if you retire early, you may need to use a lower withdrawal rate in order to help your savings last longer. If you retire later than normal, you may be able to increase the withdrawal rate a bit. And if you are a conservative investor, you may need to use a lower withdrawal rate than someone who has more of their portfolio invested in stocks, which have the potential for higher returns over the long run.

Your financial advisor can help you evaluate your situation and choose an appropriate withdrawal rate that helps minimize your risk of running out of money in retirement.

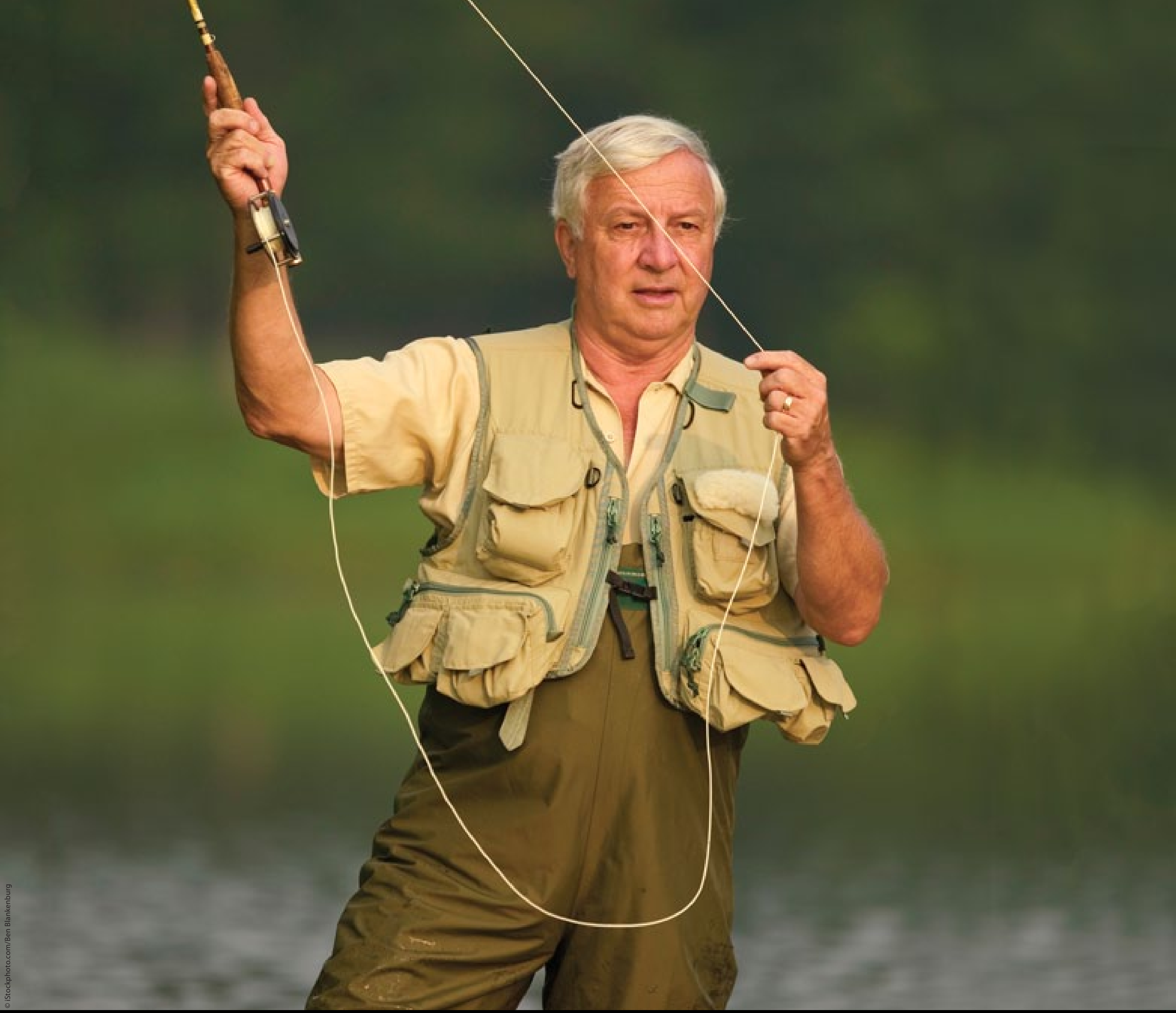
Once you have chosen a withdrawal rate, don't just "set it and forget it". Keep an eye on the markets and changes in the value of your portfolio. When bear markets occur, it is generally a good idea to reduce the amount you withdraw, perhaps for a few years, in order to give your portfolio time to potentially recover. Your financial advisor can help you determine how much to cut back and for how long in order to improve the odds of your reduced savings lasting your lifetime.

While withdrawing too much from your savings each year can undermine your financial security, withdrawing too little from retirement plan accounts, such as 401(k) accounts and tax-deferred IRAs, may also hurt you financially. The IRS requires you to withdraw at least a certain minimum amount each year from these types of accounts, generally beginning at age 70½. These minimum amounts are known as required minimum distributions (RMDs). Failure to take an RMD may result in a 50% penalty on any amount not distributed as required.

To calculate your RMD for the year, take your account balance as of December 31 of the prior year and divide it by the distribution period for someone your age as shown in the IRS's Uniform Lifetime Table. (A different table is used if your spouse is the account's sole beneficiary and is more than 10 years younger than you.) Because your age and account balance change every year, you'll need to recalculate your RMDs every year.

If your RMDs for the year exceed the amount that you can sustainably withdraw that year, reinvesting the excess in a taxable account so that it has the potential to grow will help keep your retirement income strategy on track.

Deciding how much to withdraw each year from your retirement savings is one of the most important financial decisions you will ever make. There is a lot to consider—and a lot at stake. So please consult your financial advisor for help in developing an income strategy for your retirement. ■



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Distributions from retirement plan accounts generally must begin by age 70½.

You must withdraw at least a certain minimum amount from your retirement plan accounts each year, generally beginning at age 70½. These amounts are known as required minimum distributions (RMDs).

RMDs are required from:

Traditional IRAs
SEP IRAs
SIMPLE IRAs
401(k) Plans
403(b) Plans
457(b) Plans
Profit Sharing Plans
Other Defined Contribution Plans

RMDs are not required from Roth IRAs until after the account owner's death.

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ST. PETERSBURG | Tsar Attraction

BY BRIAN JOHNSTON

ONE MORNING IN 1698, TSAR PETER the Great took a barber's razor and began shaving the beards off his noblemen. His attack with a razor was more than just a personal affront. It was sacrilegious, since the Orthodox Church considered it sinful to shave. Yet soon a decree made it law: all Russians, except clergy and peasants, were required to have smooth cheeks.

Bold as the tsar's actions were, they were only the start. Horrified courtiers had scarcely recovered when Peter embarked on more reforms to haul Russia into what he considered civilized western society. To showcase his plans, he looked northwards from Moscow with autocratic boldness, found a swamp on the Baltic, and decided a new capital would be built there.

The result was St Petersburg: a total triumph, a glittering and whimsical fantasy city, and wholly European. Founded in 1703, the city became Russia's greatest trading port, a 'window on the West' and one of Europe's grandest capitals. Seat of imperial power—and later a hotbed of revolution—St Petersburg stood at the center of Russian history for two centuries.

In the last ten years, a billion dollars has been spent restoring St Petersburg to its former magnificence. With its golden spires polished, its palaces restored to pre-Revolutionary glory, and its theatres bursting with musical events, there's never been a better time to visit. Music, culture, and even the marvelous balls of imperial times have been revived, and the music of waltzes floats once more in the air. Baroque thoroughfares and ornate canals ooze style, with every corner bringing a new vista of pastel palaces and gilded bridges.

Nowhere is the city grander than along Nevsky Prospekt, an illustrious two-and-a-half mile stretch lined by a collection of palaces sumptuous as cream cakes. Anyone who was anyone in Russia's aristocratic, musical, and literary history lived here. The likes of Dostoevsky and Tchaikovsky are buried in the cemetery at the far end of the Prospekt.

The baroque Winter Palace (left), once the home of the tsars, is now home to part of the Hermitage Museum's renowned art collection. The Church of the Savior on Spilled Blood (below) in St. Petersburg.

It would take a year to explore all that St Petersburg has to offer: palaces galore and dozens of museums, the house of Russia's beloved writer Pushkin, and the Admiralty building with its golden spire.

Peter and Paul Fortress is the city's oldest building, dating from 1703. A midday gun is fired from the roof of the fortress, much to the fright of passing tourists. The island in the Neva on which the fortress stands also boasts a baroque cathedral oozing angels and majesty. Peter the Great himself, and most of the tsars who followed, is buried here.

Palace Square lies at the heart of the city. Looming over it is the Alexander Column celebrating Russia's famous victory over Napoleon. The green-and-white rococo facade is the Winter Palace, home to the imperial family until they were ousted in 1917. In the courtyard, fragile-looking gilded sleighs are lined up as if waiting to spirit an empress off across the snow. Inside, cherubs swoon, agate and jasper shimmers, and even the inlaid parquet floors are breathtaking. This was the gilded cage in which the last tsar, Nicholas II, became increasingly out of touch with his subjects, provoking revolution.

The Winter Palace now doubles as the Hermitage Museum, quite simply one of the world's greatest collections of western art. If you have limited stamina, the Impressionist and Picasso rooms, as well as the dazzling Treasure Gallery, are sure to be favorites.

A short walk down Nevsky Prospekt lies Our Lady of Kazan Cathedral, whose rather Roman façade reflects St Petersburg's European leanings. More Russian is Smolny Cathedral, a beautiful baroque masterpiece in blue and white topped by gold domes that shimmer in the sun like a vision of heaven. After sightseeing, rest on the benches of the rambling Summer Gardens, where Peter the Great once threw firework-laden receptions.

Also in the city center, the yellow Yusupov Palace should be your next destination, and not only for its lovely rococo theatre where Chopin and Liszt

performed. It was here in December 1916 that Prince Yusupov and his aristocratic cronies murdered Rasputin, the charismatic peasant who had such influence over the tsarina. A guided tour brings you to a room where the first attempt on Rasputin's life was made with cyanide. He was later dragged to the basement and shot. A strange waxwork tableau shows the main protagonists and their victim.

When imperial opulence palls, Vasilevsky Island is a lively student quarter crammed with academies and several fine museums. Shuffle around like a character in a Dostoevsky novel and soak up the ambiance. Those with a taste for the bizarre should visit the Kunstkammer. Testimony to Peter the Great's strange imagination, it contains natural curiosities and freaks preserved in vodka, such as unknown animals and three-legged birds. Then wander through the island's evocative neoclassical architecture among assorted Egyptian sphinxes and naval columns, little footnotes to a mighty imperial history. Vasilevsky Island also offers a dazzling view of the Peter and Paul Fortress and city. Pastel-colored palaces seem to float between the water and a pale northern sky.

For a cultural highlight, the Mariinsky Theatre is another of St Petersburg's architectural gems: green on the outside, blue and gold on the inside, bedecked with angels swimming through a fresco of clouds. Have champagne and smoked salmon during intermission and you might well feel like the emperor himself.

The theatre is home to the Mariinsky Ballet, famous as the Kirov during the Soviet era, and one of the world's great artistic institutions. The Russian style of ballet is characterized by old-fashioned charm and superb technique. Dancers have an ethereal quality as if from a fairytale, rather than just re-enacting one. Pavlova, Nijinsky, and Nureyev worked here, and a stream of contemporary stars perform in Russian and modern ballets, including such classics as *Sleeping Beauty* and *Swan Lake*.

Those with a particular interest should also visit the wonderful ballet museum at the Vaganova Ballet Academy, which trained greats such as Pavlova, Balanchine, and Baryshnikov. The Academy was founded in 1738 under the Empress Anne, who had inherited Peter the Great's taste for western art and dance and was determined to continue with his modernization of Russia. And so it was that Peter the Great's vision and passion lived on and created one of the world's most beautiful cities.

In the end, this European city turned out to be uniquely Russian too, birthplace of a dark revolution that was to sweep the tsars into history. Perhaps the reformist, westernized Peter would have applauded. Now the tsars have gone, but the city lives on—a superlative monument to one man's grand vision, and universally admired. ■

WHAT TO DO THANKSGIVING WEEKEND
(BEYOND THE OBVIOUS)

Denver, CO • Milwaukee, WI • Philadelphia, PA
Art Museums

The museums may be closed on Thanksgiving Day, but you still have the rest of the weekend to check out the *Passport to Paris* exhibition (Monet, Degas, Pissarro, Toulouse-Lautrec, and more) at the Denver Art Museum, the paintings of American Thomas Sully (1783–1872) at the Milwaukee Art Museum, and the Fernand Léger (1881–1955) modern art exhibition at the Philadelphia Museum of Art.

Jamestown, VA • Plymouth, MA
Go Colonial

Let the history nerd in you run free Thanksgiving weekend at any number of living history museums and historic sites. At Historic Jamestowne in Virginia, you can visit the original site of the first permanent English settlement in North America (closed Thanksgiving Day). Or you can drop in at the living history museum next door, the Jamestown Settlement, for its three-day *Foods & Feasts of Colonial Virginia* event that begins on Thanksgiving Day. In Plymouth, MA, you can visit the living history museum, Plimoth Plantation, with its re-creation of the Pilgrim's first settlement.

New York City, NY
The Holiday Train Show at the New York Botanical Garden

The Conservatory at the New York Botanical Garden is transformed each holiday season into a magical land where large-scale model trains traverse tracks over rustic bridges, along overhead trestles, and past 140 miniature replicas of New York's iconic buildings and structures—Yankee Stadium, Penn Station, Radio City Music Hall, and more—each built from natural materials, such as bark, twigs, seeds, and pine cones.

Cincinnati, OH • Los Angeles, CA • San Diego, CA • San Francisco, CA
Ice Skating

There is plenty of ice to be found on Thanksgiving weekend if you know where to look. In Cincinnati, head to Fountain Square where you can glide amidst the tall buildings surrounding the outdoor rink. In Los Angeles, you can strap on your skates at the rink in Pershing Square. Near San Diego, you can skate by the sea on the Hotel del Coronado's oceanfront Windsor Lawn. And in San Francisco, you can skate in Union Square where a temporary ice rink has been plunked down in the heart of the shopping district for the holiday season.

Boston, MA • Boulder, CO • Washington, D.C.
The Nutcracker Ballet

You know the holidays have arrived when America's favorite ballet, *The Nutcracker*, begins to jeté onto stages across the nation. This year, the Joffrey Ballet's *Nutcracker* opens at the Kennedy Center in Washington, D.C. on November 27, while both the Boston Ballet and the Boulder Ballet Company open their productions of the holiday favorite in their respective cities on November 29.

Atlanta, GA • Dallas, TX • Seattle, WA • Troy, NY • York, PA
Turkey Trots

Before you go near a drumstick this Thanksgiving, lace up your running shoes and join your friends and neighbors at one of the Turkey Trot footraces that have sprung up around the country. The Dallas YMCA Turkey Trot is the largest of the bunch and can draw over 35,000 runners. Depending on the Trot, the races are various distances, such as 5K, 10K, and 1 mile. The Atlanta event features both a 5K and a half marathon. ■

Read any good books lately?

1. Olympic runner Louis Zamperini's survival, resilience, and redemption in World War II is the subject of this book:

A. *Unbroken*
B. *The Winds of War*

2. *Wild: From Lost to Found on the Pacific Crest Trail* tells the tale of this author's eleven-hundred-mile solo hike:

A. Jack Kerouac
B. Cheryl Strayed

3. The eagle-eyed heroine of the *Hunger Games* trilogy is:

A. Effie Trinket
B. Katniss Everdeen

4. What makes high achievers different is the subject of this bestseller by Malcolm Gladwell:

A. *Outliers*
B. *Blink*

5. This novel follows three years in the life of 8-year-old Scout Finch, her brother, Jem, and their father, Atticus:

A. *To Kill a Mockingbird*
B. *The Secret Life of Bees*

6. *Fall of Giants* and *Winter of the World* are the first two books in this author's *Century Trilogy*:

A. James Michener
B. Ken Follett

7. *The Cuckoo's Calling*, originally published in April 2013 under the pseudonym Robert Galbraith, was written by:

A. Patricia Cornwell
B. J.K. Rowling

8. Robert Langdon, the protagonist in author Dan Brown's *Inferno*, is a:

A. Professor of Symbology
B. Professor of Entomology

9. Set in the Seven Kingdoms, this series of epic fantasy novels follows the Stark and Lannister families:

A. *The Lord of the Rings*
B. *A Song of Ice and Fire*

ANSWERS: 1–A, 2–B, 3–B, 4–A, 5–A, 6–B, 7–B, 8–A, 9–B.

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333 Elm Street, Suite 210
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Barbara Shapiro, CFP, CDFA, CFS & Herb Shapiro

Founded in 1988 as an independent firm, HMS Financial Group is committed to ethical and personal financial planning. Operating as an Office of Supervisory Jurisdiction (OSJ) for one of the largest, independent investment broker/dealers* in the United States, HMS does not have proprietary products, and has no vested interest other than the success of its clients.

Herb Shapiro, President and founder, brings more than 33 years industry experience to the HMS team. He began his career in 1970, and worked for several firms until 1988, when he founded HMS Financial Group. His core values of providing personal service, maintaining market objectivity, and high standards of integrity and honesty with the clients he serves, are deeply imbued in the HMS philosophy.

Barbara Shapiro, Vice-President, is a Registered Investment Advisor with the Commonwealth of Massachusetts, is a Certified Financial Planner™ and one of the first Certified Divorce Financial Analysts in Massachusetts. She holds a Master of Science in Finance from Suffolk University and is a Graduate of the Securities Industry Association Institute at the Wharton School. Additionally, she holds a Master of Education in Counseling from Boston University and a Master of Education in Moderate Special Needs from Northeastern University.

Among her many recognitions, Barbara has served as a National Board Member of the Securities Industry Foundation for Economic Education, is a member of the Boston Jewish Community Women's Fund, and the Treasurer of the Massachusetts Council of Economic Education.

She is an active lecturer to diverse groups and educational institutions, and has written and teaches a course on financial planning, investments, and long-term care insurance.

Tel: 781-251-2655 Fax: 781-251-2656 Location: 333 Elm Street, Suite 210, Dedham, MA 02026
E-mail: bshapiro@hms-financial.com

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