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FINANCIAL GROUP
WEALTH MANAGEMENT & FINANCIAL PLANNING

EYE ON MONEY

SEP OCT 2015

A GUIDE TO FINANCIAL FITNESS

HOW TO STRENGTHEN YOUR FINANCES AND BE FINANCIALLY FIT FOR LIFE

CHOOSING THE RIGHT CHARITABLE GIVING OPTION

TRADITIONAL OR ROTH IRA—WHICH IS RIGHT FOR YOU?

REBALANCING A PORTFOLIO

THREE THINGS TO KNOW ABOUT THE AMERICAN OPPORTUNITY TAX CREDIT

1 **You may be able to claim up to a $2,500 tax credit per student per year for qualified higher education expenses that you pay.** The credit is available for the first four years of higher education and is based on 100% of the first $2,000 of qualified education expenses you pay for an eligible student, plus 25% of the next $2,000 of expenses you pay.

2 **The credit is available to a wide range of taxpayers, thanks to its generous income limits.** Individuals with modified adjusted gross incomes (AGIs) as high as $80,000 ($160,000 for joint filers) are eligible to claim the full credit amount. The credit amount is gradually reduced for taxpayers with incomes above those amounts and is not available at all to individuals with modified AGIs above $90,000 ($180,000 for joint filers). (Married taxpayers who file separately are not eligible for this credit.)

3 **Refundability makes this credit attractive to taxpayers who pay little or no tax.** Tax credits typically reduce your income tax dollar for dollar, but not below zero. This credit is refundable, however, meaning that if it exceeds your tax, not only does it reduce your tax to zero, 40% of the excess (up to $1,000) can be refunded to you. ■

Please consult your tax advisor for more information.

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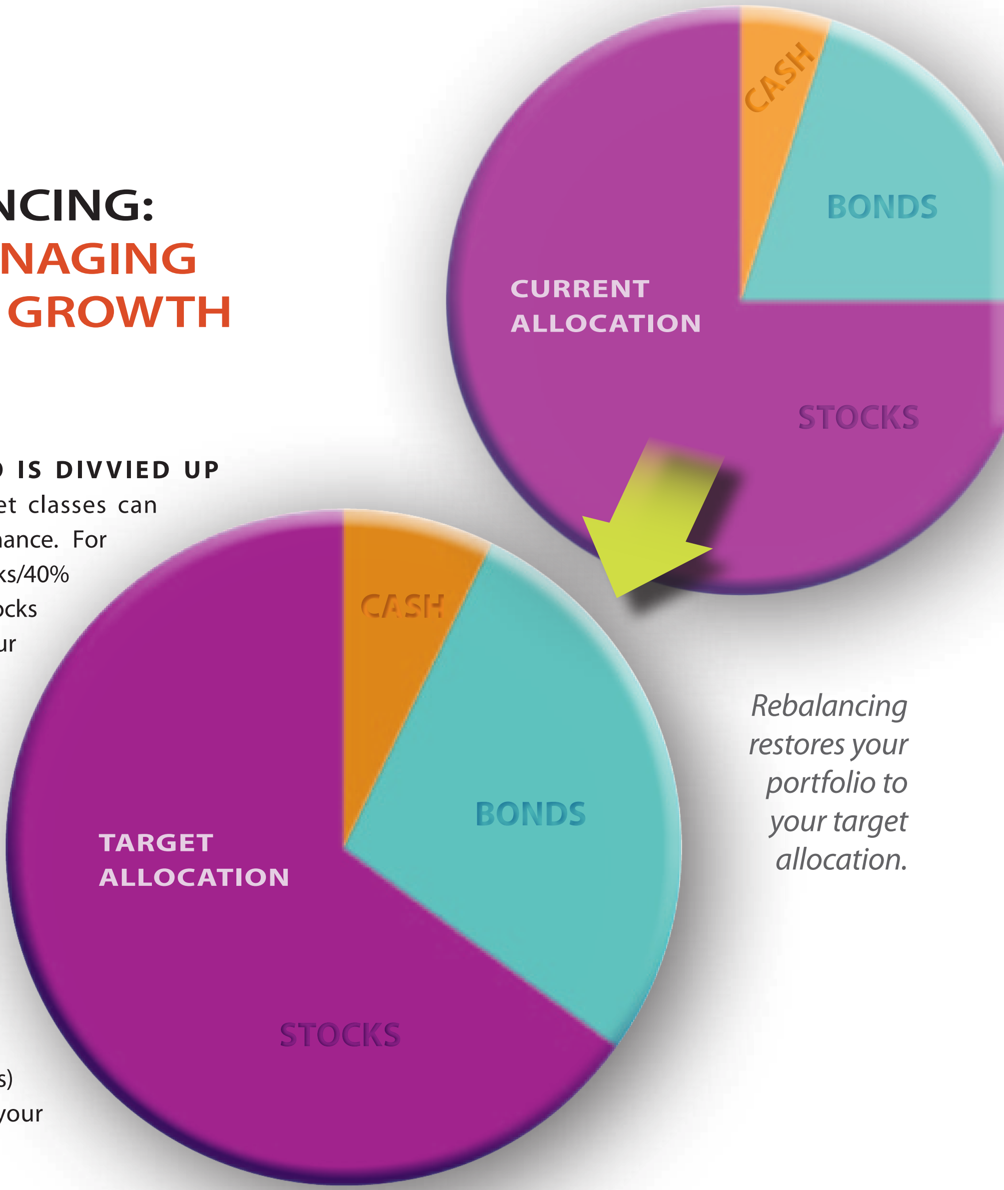
PORTFOLIO REBALANCING: A STRATEGY FOR MANAGING RISK AND PURSUING GROWTH

HOW YOUR INVESTMENT PORTFOLIO IS DIVVIED UP among stocks, bonds, cash, and other asset classes can change over time due to differences in performance. For example, an allocation that started out 60% stocks/40% bonds may now be 65% stocks/35% bonds if stocks have outperformed bonds recently. When your actual allocation strays too far from your target allocation, your portfolio will generally have more risk or less potential for growth than you intended when you chose the allocation.

Rebalancing your portfolio—that is restoring it to your chosen allocation—can help you manage risk by reducing your exposure to more volatile assets (such as stocks) when their share of your portfolio exceeds your target allocation. Or it can help you pursue growth by increasing your exposure to assets with greater growth potential (such as stocks) when their share of your portfolio falls below your target allocation.



Rebalancing restores your portfolio to your target allocation.

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

When should I rebalance?
There are a few schools of thought on this.

- Rebalancing might be done on a periodic basis, say, once a year.
- Or it might be done when your actual allocation diverges from your target allocation by a specific amount, such as 5 percentage points.
- Or you might combine the two approaches, by reviewing your portfolio periodically, but only rebalancing it if your allocation has strayed by a specific number of percentage points.

How do I rebalance?
There are a few ways to rebalance, such as:

- You might use new money from outside your portfolio, or the income from the assets in your portfolio, to buy assets in the underweighted asset class.
- You might sell some of the overweighted asset class and invest the proceeds in the underweighted asset class until your target allocation is restored. Remember, though, that selling assets in a taxable account is a taxable event. If you decide to sell appreciated assets, consider selling them in one of your tax-sheltered accounts, such as an IRA or a 401(k), so that their gains are not immediately taxable.

What is the next step?
Please ask your financial advisor if, when, and how your portfolio should be rebalanced. Your advisor can help you establish and implement a rebalancing strategy that is appropriate for you. Plus, your advisor can help you evaluate whether your target allocation is still appropriate for you. ■

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What are municipal bonds?

Investing in municipal bonds is one way to earn income that is usually exempt from federal taxes and may be exempt from state and local taxes too.

WHAT ARE MUNICIPAL BONDS?

Municipal bonds are issued by state and local governments and agencies to raise money for public projects, such as constructing roads, schools, and sewer systems.

Like bonds in general, municipal bonds typically promise to pay you interest and to return the principal to you on the bond's maturity date. Unlike other types of bonds, however, the interest income from most municipal bonds is exempt from federal taxes and may also be exempt from state and local taxes if the bonds were issued in your state.

Due to the tax exemption, municipal bonds can afford to pay a lower rate of interest than taxable corporate bonds and still remain attractive to investors—particularly investors in higher tax brackets who stand to benefit the most from the tax exemption.

To determine whether a tax-exempt municipal bond is a good choice for someone in your tax bracket, you need to know its taxable equivalent yield. That is the yield you would need to receive from a taxable investment to match the yield of the tax-exempt bond you are considering. Your investment advisor can calculate it for you and help you evaluate which investment offers you the potential for a greater after-tax return.

OTHER TAX CONSIDERATIONS

Tax-exempt municipal bonds are generally not appropriate for tax-favored accounts, such as IRAs and 401(k)s, and should generally be held in taxable accounts.

The tax exemption on tax-exempt municipal bonds applies only to the interest income, not to the capital gains. Any capital gains you realize from the sale of municipal bonds are taxable.

Also, not all municipal bonds are exempt from federal taxes. Taxable municipal bonds are used to raise money for activities that do not benefit the public at large, such as bolstering underfunded state pension plans.

And some municipal bonds that are exempt from regular federal income tax may be subject to the alternative minimum tax. These bonds are typically private activity bonds, a type of municipal bond used to finance projects, such as airports, that are used by private businesses. ■

PLEASE NOTE: Bonds are subject to interest rate risk. When interest rates rise, bond prices usually fall. The effect is usually more pronounced for longer-term securities. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties. You may have a gain or loss if you sell a bond prior to its maturity date. A portion of a municipal bond's income may be subject to state tax, local tax, and the federal alternative minimum tax.

Please consult your financial advisor for help in developing and implementing an investment plan.

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Traditional or Roth IRA—which is right for you?

Although both types of retirement accounts offer tax advantages that can give you an edge when saving for retirement, there are distinct differences between the two. Here are a few factors to consider when deciding which IRA may work better for you.

Your income. Roth IRAs have income limits on who can contribute; traditional IRAs do not. To contribute to a Roth IRA in 2015, your modified adjusted gross income (AGI) must be:

- *If single:* Less than $116,000 to make a full contribution. From $116,000 to $130,999, a partial contribution may be made.
- *If married filing jointly:* Less than $183,000 to make a full contribution. From $183,000 to $192,999, a partial contribution may be made.
- *If married filing separately and you lived with your spouse at any time during the year:* From $0 to $9,999 to make a partial contribution.

Your age. Roth IRAs allow contributions for as long as you, or your spouse if you file jointly, earn taxable compensation. Contributions to a traditional IRA, however, must stop in the year you reach age 70½, even if you are still working.

Deductibility. Although you cannot deduct your Roth contributions, you may be able to deduct your traditional IRA contributions if you meet certain criteria.

You can deduct contributions to a traditional IRA if you, and your spouse if you are married, are not covered by a retirement plan at work. If you or your spouse is covered at work, your modified AGI must be under certain limits to be eligible to deduct your contributions.

To give you a few examples, the modified AGI of a single taxpayer who is covered by a retirement plan at work must be $61,000 or less in 2015 to fully deduct the contribution amount. If the individual is married, files a joint tax return, and is covered at work, the limit increases to $98,000. And if the individual is married, files a joint tax return, and is not covered at work, but their spouse is, the limit increases to $183,000. Please consult your financial advisor for the complete limits.

Traditional IRA

- YOU MAY BE ELIGIBLE TO DEDUCT YOUR CONTRIBUTIONS, WHICH CAN REDUCE YOUR CURRENT TAXES.
- EARNINGS GROW TAX-DEFERRED.
- DEDUCTIBLE CONTRIBUTIONS AND EARNINGS ARE NOT TAXED UNTIL THEY ARE WITHDRAWN.
- ANNUAL WITHDRAWALS ARE MANDATORY AFTER AGE 70½.

Roth IRA

- TAX-FREE INCOME IN RETIREMENT.
- YOUR CONTRIBUTIONS ARE NOT TAX-DEDUCTIBLE.
- CONTRIBUTIONS CAN BE WITHDRAWN TAX-FREE AT ANY TIME.
- EARNINGS GROW TAX-FREE AND CAN BE WITHDRAWN TAX-FREE AFTER THE IRA HAS BEEN OPEN 5 YEARS AND YOU REACH AGE 59½.
- NO MANDATORY WITHDRAWALS FOR THE ORIGINAL ACCOUNT OWNER.

Your future tax rate. If you think that your tax rate will be lower in retirement than it is now, a traditional IRA may be the way to go. As long as you are eligible to deduct your contributions, you can avoid paying tax on them now while your tax rate is higher and can defer taxation until retirement when your tax rate may be lower.

If you expect your tax rate to be higher in retirement, a Roth IRA may be the way to go. With a Roth IRA, you can pay tax on your contributions now while your tax rate is lower and your withdrawals will be tax-free in retirement when your tax rate may be higher.

Tax diversification. Spreading your savings between traditional and Roth accounts offers you the flexibility to manage how much taxable income you withdraw each year in retirement and potentially reduce your taxes.

For instance, let's say that you have a significant amount in a traditional 401(k) plan that will be taxed as ordinary income when it is withdrawn. If you also have savings in a Roth IRA when you retire, withdrawing some taxable income from your traditional account and some tax-free income from your Roth IRA may prevent you from being pushed into a higher tax bracket and having to pay tax at a higher rate on a portion of your taxable income. ■

Please consult your financial advisor about how to save for retirement.

PLEASE NOTE: Withdrawals of tax-deductible contributions and earnings prior to age 59½ are subject to a 10% tax penalty unless you qualify for an exception.

SHAPE UP YOUR FINANCES!

A Guide to Financial Fitness

Tips on how to strengthen your finances and be financially fit for life.

Strengthen your creditworthiness.

Improve your credit score. When applying for a mortgage, loan, or credit card, generally the higher your credit score, the better. Lenders use credit scores to judge whether you are a good credit risk. A higher credit score improves your chances of qualifying for credit and may also result in a better interest rate.

Credit scores are calculated using information found in your credit reports, such as your payment history (late payments decrease your credit score), how much you owe, and how long you have used credit (a longer credit history generally increases your credit score). So by taking steps to improve the information in your credit reports, you can improve your credit score over time. Here are a few suggestions.

- *Pay your bills on time.* A long history of paying your bills on time increases your credit score.
- *Keep your credit card balance well below your credit limit.* Your score considers how much of your available credit you are using. If your balance is too close to your credit limit, you may be considered a poor credit risk and receive a lower credit score as a result.
- *Do not close old credit accounts right before applying for a loan.* Closing an account reduces the total credit available to you so that your balance now represents a larger portion of your total credit limit, which can hurt your credit score.
- *Do not apply for more credit than you need.* Applying for several credit accounts in a short period of time can negatively affect your credit score.
- *Check your credit reports for errors that could drag down your score.* Contact the credit reporting agencies to correct any mistakes you find.

Keep your housing and debt ratios low. In addition to reviewing your credit score, mortgage lenders may also review your housing and debt ratios when you apply for a mortgage. These ratios help them evaluate your ability to repay a loan on time.

When it comes to housing and debt ratios, lower is better. In fact, mortgage lenders typically prefer to lend to people with a housing-expense-to-income ratio of 28% or lower and a debt-to-income ratio of 36% or lower, although some lenders and loan programs will accept higher ratios.

How are the ratios calculated? To calculate your housing-expense-to-income ratio, you divide your expected monthly housing expenses by your gross monthly income and multiply the result by 100.

For example, if you expect your monthly housing expenses (mortgage payment, real estate taxes, homeowners insurance, and homeowner association fees) to run $5,000 and your gross monthly income (your income before taxes have been taken out) to be $20,000, your housing-to-income ratio is 25%. ($5,000/$20,000 x 100 = 25%)

To calculate your debt-to-income ratio, you divide your total monthly debt by your gross monthly income and then multiply the result by 100. Your monthly debt includes your expected housing expenses, payments on auto, student, and consumer loans, minimum credit card payments, and any child support and alimony you pay.

If your ratios are too high, you may be able to bring them into an acceptable range by increasing the down payment on your new home or choosing a less expensive home, each of which will reduce your expected monthly housing expenses.

When seeking a mortgage, it is also important to consider how much debt you are comfortable carrying. Although a lender may be willing to lend to you with a debt-to-income ratio of, say, 36% or higher, be sure to consider whether you can comfortably afford to make the mortgage payments, as well as meet your other financial obligations, such as paying your regular bills and saving for your retirement and other goals.

Avoid carrying a credit card balance.

Although credit cards are convenient, they can hold you back financially if you do not pay them off in full each month. For example, let's say that you put $10,000 on a card that charges 15% interest and you plan to make monthly payments of $400. At that pace, it will take you two years and seven months to pay off your debt, and you will have spent $2,065 in interest—money that you likely could have put to better use elsewhere. So...

- *Whenever possible, do not use your credit card to buy more than you can afford to pay off that month.*
- *If you are carrying a balance, it is generally a good idea to pay it off as quickly as possible, starting with the credit card that charges the highest interest rate.*

Track your net worth.

Your net worth is simply the difference between what you own and what you owe. An increase in your net worth from year to year is a sign that your financial health is improving and that you are making progress to your financial goals.

How to calculate your net worth.

ADD UP THE CURRENT MARKET VALUE OF WHAT YOU OWN

Checking accounts	
Savings accounts	
Investment accounts	
Retirement accounts	
Savings bonds	
Cash	
Cash value of life insurance	
Business interests	
Vehicles	
Homes	
Other real estate	
Art	
Jewelry	
Collectibles	
Furniture	
Other household items	
Other assets	
TOTAL ASSETS	

ADD UP HOW MUCH YOU OWE

Mortgage	
Other home loans	
Vehicle loans	
Student loans	
Credit card debt	
Other debt	
TOTAL LIABILITIES	

SUBTRACT YOUR LIABILITIES FROM YOUR ASSETS

YOUR NET WORTH	

Live within your means.

Keep an eye on your cash flow. Good financial health depends on more cash flowing in than out. In other words, it depends on you spending less than you earn each year so that you have the cash necessary to pursue your goals and build a strong financial future.

If your annual expenses are greater than your annual income, look for ways to cut your expenses and increase your income. Tracking your spending for a few months may help you identify expenses that you can trim. To increase your income, consider finding a higher-paying job, adding a part-time job, or starting a side business.

Protect your financial health.

Save for a rainy day. Things happen in life that can put a serious crimp in your cash flow. To help prevent things like a job loss or a serious illness from undermining your financial health, it is generally a good idea to stash enough cash in an emergency fund to cover your living expenses for three to six months, or longer if you expect that it might take more than six months to find a new job. Ideally, your emergency fund should be kept in an account that can be easily liquidated (such as a money market account) and should be tapped only for true emergencies.

Protect your income. If you are not retired, your ability to earn an income is likely an important component of your financial health. Lose that ability due to illness or injury, and your financial health may suffer. To help prevent a physical problem from turning into a financial problem, consider protecting your income with long-term disability insurance.

Long-term disability insurance replaces a portion of your income if you become too ill or too injured to work for a long period of time. It can provide the funds needed to help pay for things, such as housing, food, and tuition. Without it, you may need to dip into your retirement savings for the cash to pay your daily living expenses while you recuperate, which can weaken your future financial security.

Protect your family's financial security. If your family's financial health would suffer without your income, you may need life insurance. In the event of your death, life insurance provides cash to your loved ones that can help them maintain their standard of living and pursue the dreams you had for them, such as a college education for your children.

Watch for signs of identity theft. If thieves get a hold of your personal information, they may be able to empty your financial accounts, run up charges on your credit cards, file for a tax refund under your name, use your health insurance to get medical services and prescription drugs, and wreak havoc on your finances in any number of other ways.

You may be able to limit the damage by watching for signs of identity theft so that you can nip it in the bud. Here are a few ideas.

- *Review your financial statements promptly.* Watch for transactions or withdrawals that you did not authorize.
- *Review your credit reports periodically.* Look for accounts that you did not open, as well as other inaccuracies. You can order free credit reports once every twelve months from the three major credit reporting agencies online at www.AnnualCreditReport.com or by calling 877-322-8228.
- *Review your medical and insurance statements promptly.* Look for services that you did not use.

How does your annual spending compare to others?

The U.S. Bureau of Labor Statistics surveyed households with incomes over $150,000 to learn what they spend annually. Of the group surveyed, the average income before taxes was $238,245 and the average household included 3.3 people.

ANNUAL EXPENDITURES (2013)
FOR HOUSEHOLDS WITH INCOMES OVER $150,000

	Average ($)	Share (%)
Housing	39,348	31.2
Pensions & Insurance	21,372	16.9
Transportation	19,901	15.8
Food	13,198	10.5
Entertainment	6,842	5.4
Healthcare	6,573	5.2
Cash contributions	5,816	4.6
Education	4,642	3.7
Clothing	3,757	3.0
Miscellaneous	3,421	2.7
Personal care	1,371	1.1
	$126,241	

Trim your tax bill.

Remember that your financial health depends not just on how much you earn, but on how much you keep after taxes. The following tips may help minimize your taxes.

- *Ask your tax advisor to project your tax liability before year's end.*
  This gives you the opportunity to pay any shortfall before the end of the year and perhaps avoid a tax penalty due to underpayment.
- *Track your deductible expenses.*
  If you itemize deductions, keep track of expenses such as mortgage interest, real estate taxes, charitable contributions, unreimbursed medical expenses, and unreimbursed casualty and theft losses so that they can be deducted on your tax return.
- *Manage capital gains and losses.*
  Because losses that you realize in a taxable investment account can be used to offset capital gains, some judicious selling before the end of the year can help reduce or eliminate tax on your gains.

Plan for the future.

Crunch the numbers. Staying financially fit for a lifetime requires planning, which in turn usually requires crunching some numbers from time to time.

For example, it is a good idea to estimate how much you may need to save for retirement and then check your progress to your goal every year or so to gauge whether you are likely to reach it at your current savings pace.

And if you are already retired, it is helpful to estimate how long your savings may last based on your current balance, withdrawal rate, and how your portfolio is invested.

Periodically crunching numbers such as these gives you the opportunity to adjust your plans if so indicated and get back on track to a financially fit future.

Like exercise, make saving a habit. Your financial future depends on how well you are able to save today. Instead of saving only when you think of it, make saving a habit by practicing it routinely.

- *Pay yourself first.* Rather than saving whatever is left over at the end of a pay period, identify how much of each paycheck you can afford to save and put that amount into savings first thing—before you pay a bill, buy groceries, or spend a cent on something fun. This strategy can help you avoid the temptation to spend the money you've earmarked for savings on something else.

- *Put saving on autopilot.* Automatically divert part of each paycheck to your savings and investment accounts. Workplace retirement plans, such as 401(k) plans, make saving easy because your employer withholds your contributions from your paycheck and automatically deposits them into your retirement account. To save or invest additional amounts, consider setting up direct deposit or an automatic transfer from your checking account to your savings and investment accounts.

Plan for incapacity. To avoid a disruption in your finances if you become too ill or injured to manage them for a period of time, it is a good idea to have legal documents in place that give a person of your choosing the power to manage your finances on your behalf.

Without the proper legal documents, your family may need to ask the court to assign a guardian or conservator for your finances, who may end up being someone you'd prefer not to have control. To ensure that someone you trust has the power to manage your finances in the event you ever become incapacitated, consider setting up one or both of the following legal documents.

- *A durable power of attorney for finances* enables you to name someone to manage all or part of your financial affairs in case you become incapacitated. This person's powers may include paying your bills, filing your tax returns, overseeing your investments, handling your banking, and so on. Please note that some financial institutions have their own power-of-attorney forms and may not readily honor one created elsewhere.

- *A revocable living trust* also allows the management of the assets that you place in the trust (financial accounts, real estate, etc.) to be transferred to a successor trustee of your choosing if you become incapacitated. In addition to a revocable living trust, you will generally need a durable power of attorney to transfer management of any assets that were left out of the trust.

To find out whether these documents are right for you, please contact your estate planning attorney. ■

You can achieve a lifetime of financial fitness! Please consult your financial, tax, and legal advisors for advice about managing debt, protecting yourself and your family financially, trimming your taxes, and planning for a financially fit future.

Choosing the Right Charitable Giving Option

THERE ARE MANY WAYS TO PROVIDE FINANCIAL support to the charitable causes you care about. Six options, each offering you different potential benefits, are introduced here.

The one that is right for you will depend on the secondary objectives—tax reduction, establishing a legacy, retaining an income from the donated assets, anonymity, control, cost, and so on—that you hope to achieve with your charitable gifts.

For example, if tax reduction is a high priority, a direct gift to a qualified charity or a donation to a donor-advised fund may be good options because each allows you to potentially deduct the full value of your gift.

If your objective is to establish a family tradition of philanthropy, private foundations and donor-advised funds may be good choices because they generally offer you the option to involve family members in grant-making decisions. Plus, private foundations and some donor-advised funds have the potential to last for generations.

Please consult your financial, tax, and legal advisors for more information about your charitable giving options before making a significant charitable gift. We only briefly touch on some of the options here. Your advisors can provide the details, estimate the potential tax benefits, and help you determine which charitable giving option may work best for you.

Direct Giving

A straightforward option for individuals who want to donate cash, securities, or other assets that will immediately benefit the charity.

Giving directly to your chosen charities may be the simplest, and certainly the most immediate, way of supporting your chosen charities. You write a check, use your credit card, or transfer assets to a charity—and voilà, your donation is available for use by the charity.

And if you keep proper records, itemize deductions on your tax return, and make certain that the recipient is a qualified organization, you can generally claim a tax deduction for the full value of your charitable contributions[1].

Plus, you can typically snag an additional tax benefit if you donate appreciated securities, such as stocks and mutual funds, rather than cash. As long as you have owned the securities for longer than one year, you can generally deduct their fair market value and avoid paying any tax on the capital gains. ■

Donor-Advised Funds

An easy-to-manage, cost-effective alternative to a private foundation for individuals who want to recommend grants to charities.

Whether you have $5,000 or $5 million to donate, a donor-advised fund can be a good choice if you want an immediate tax deduction for your donation and the flexibility to make grants over time without the hassle and expense of running your own private foundation.

A donor-advised fund is a charitable account that you establish with a sponsoring organization for the purpose of making grants to IRS-qualified public charities. The sponsoring organization handles all of the recordkeeping and grant disbursements, which helps simplify and organize your charitable giving. Plus, the sponsoring organization is itself a public charity so you can take an immediate tax deduction for the assets that you donate, even before a single grant is made.

Here's how they typically work. You donate cash, appreciated securities, or other assets to a sponsoring organization. The assets are held in an account in your name and invested so that your account may potentially grow over time. Any investment growth is tax-free.

The sponsoring organization has legal control over your account, but you can recommend how it is to be invested and distributed. As long as your recommendations adhere to the sponsoring organization's guidelines, they will generally be followed.

And if you choose, the grants that you recommend can generally be made anonymously.

Several types of charities sponsor donor-advised fund programs, including community foundations, universities, and the charitable arms of brokerage and mutual fund companies. ■

Private Foundations

A grant-making vehicle for individuals who want maximum control over the foundation's assets and grants.

A private foundation is a non-profit corporation or a charitable trust established by a single individual, family, or group for the purpose of making charitable grants or funding its own charitable services.

Establishing a private foundation offers you several benefits, including an immediate tax deduction for the assets that you donate to the foundation and far more control over how those assets are invested and distributed than you would have with a donor-advised fund.

Plus, a private foundation is an effective way to involve your family in your philanthropic efforts, by naming them to the foundation's board and involving them in grant-making decisions.

Generally speaking, a private foundation must pay out at least 5% of its net investment assets for charitable purposes each year. The remaining assets can stay invested, offering the potential for them to grow over time and provide support to charities for generations to come.

A foundation's net investment income is generally subject to a 1%–2% excise tax.

Private foundations are typically more complex for donors to manage than other charitable giving vehicles. There will be annual tax returns to file and IRS requirements to follow. As a result, some foundations hire staff or outside companies to handle the foundation's administrative tasks. ■

Charitable Gift Annuity

An option for individuals who want to support only one charity and receive a fixed stream of income in return for their gift.

A charitable gift annuity is a contract between you and your chosen charity in which the charity promises to pay one or two beneficiaries (you and your spouse, for example) a fixed income for life in return for your gift of cash, securities, or other assets. The promise of life-long income is backed by the charity's assets.

The amount of income you will receive each year is determined when you make your charitable gift, and it never changes. The exact amount is based on the age of the beneficiary(s) and whether the income payments will last for one or two lives. Typically, the older you are when you begin receiving payments, the greater the annual income amount.

In addition to a stream of income for life, a charitable gift annuity also offers tax advantages. You can claim an immediate tax deduction for a portion of your gift if you itemize deductions. And if you donate appreciated assets that you have owned for longer than one year, part of the appreciation avoids capital gains taxation and the remaining capital gains may be spread out over your life expectancy.

Charitable gift annuities are offered by many religious, educational, and charitable organizations for a minimum donation of, say, $5,000 or $10,000.

Please note that you should never have to pay a commission, solicitor's fee, or similar payment to establish a gift annuity. ■

Pooled Income Fund

An easy-to-manage option for individuals who want to support one or possibly more charities and receive a variable stream of income in return for their gift.

A pooled income fund is a trust created by a charitable organization in which your charitable contribution is "pooled" for investment purposes with contributions from other donors. Each quarter, the fund pays you, or up to two beneficiaries, a proportional share of the fund's net investment income. The amount of income you receive each quarter will vary, depending on how the fund's investments have performed. Income payments will continue until the last beneficiary's death, at which time your share of the fund's principal is removed from the fund and can be used by the charity.

Many non-profit organizations, such as universities, faith-based groups, and other charities, have one or more pooled income funds available to donors who want to support their organizations. The charitable arms of some financial institutions also offer pooled income funds and may permit you to support more than one charity with your gift.

When you contribute to a pooled income fund, you can claim an immediate tax deduction for a portion of your contribution. And if you donate securities or other assets that have appreciated in value, you can avoid capital gains tax on the appreciation. ■

Charitable Remainder Trust

An option for individuals seeking a stream of income in return for their charitable gift, as well as maximum flexibility.

A charitable remainder trust is a private trust that you set up and fund to generate income for yourself or other beneficiaries for a period of time with the remainder going to your favorite charities.

The charitable remainder trust offers more flexibility than charitable gift annuities and pooled income funds. For example, with a charitable remainder trust, you can:

- Name a trustee to manage the assets in your trust.
- Name more than two income beneficiaries.
- Decide whether the income payments are for life or a period of years.
- Select the rate used to calculate your income payments.
- Choose between fixed or variable income payments.
- Pick more than one charity to receive the remainder.
- Change your mind about which charities will receive the remainder.

In addition to flexibility, charitable remainder trusts offer tax advantages, such as an immediate tax deduction for a portion of your gift.

And if you contribute appreciated assets, you will not immediately owe capital gains tax when the trust sells them. This leaves their full value available to be reinvested and may generate more income for you than if you sold the assets yourself and reinvested the amount remaining after taxes.

Because charitable remainder trusts are custom designed and individually managed, there are significant costs associated with setting them up and running them. A minimum contribution of $50,000 to $100,000 may be needed to justify the cost. ■

Please consult your financial, tax, and legal advisors before making a significant charitable contribution. Your advisors can review your individual situation and recommend the charitable giving option that is best suited for your specific objectives.

PLEASE NOTE:

1. Limits on charitable deductions and itemized deductions may reduce the value of your deduction.

You must itemize deductions on your tax return to claim a charitable tax deduction.

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PERTH, AUSTRALIA | Going Green

BY BRIAN JOHNSTON

BEAUTIFULLY SITUATED ON THE Swan River, laid out with casual elegance, fringed by superb beaches, and bathed in almost perpetual sunshine, Perth is a city with many charms. Delightful as it is, though, Perth positively invites residents and visitors to escape its urban style and go wild instead. The city is filled with parks and reserves and fringed by hilly bushland, providing a great opportunity for visitors to enjoy some of Australia's unique flora and fauna while barely straying from urban confines. What's more, if you don't have the time for the long drives necessary to admire the spectacular spring wildflower season that turns the arid outback into a vivid tapestry of color, Perth itself provides plenty of flower power for those who know where to look.

You don't have to wander far to get started on your green escape. The vast thousand-acre sprawl of Kings Park provides postcard hilltop views of city skyscrapers and is a favored Sunday retreat for locals who come to rent bikes, use the playgrounds, and enjoy picnics. Throughout September and October, its bushland erupts in a wonderful display of multi-hued wildflowers. A festival celebrates the occasion with gardening and art workshops, guided walks, and cultural events.

Blooms to look out for include the vivid magenta blossoms of paperbark trees, the star-shaped Queen of Sheba orchid flamboyant in neon purple edged with scarlet, and the swamp bottlebrush flowers that resemble ballet dancers in vivid pink tutus. But at any time of year, you can inspect giant boab trees or take to an undulating glass walkway through the treetops of a native woodland in the Botanic Garden. An indigenous tour that explores the Aboriginal use of native flora for medicine and food provides an alternative way to think of the environment.

If you want to see bushland in its natural state, head to the suburbs and discover what Perth looked like when the Australian west was truly wild. The Darling Range on the eastern edge of the city (often unofficially referred to as the Perth Hills) is home to several small national parks of towering jarrah and marri trees. Among the abundant wildflowers are velvety red or green kangaroo paws, which are the floral emblem of Western Australia, and the Sturt desert pea, a renowned, low-growing outback shrub with bright red blossoms. You can cycle or walk among blooming hakeas, grevilleas, and wattles and, if you want to learn more about native flora, join guided seasonal walks with a ranger.

A wildflower drive around the village of Gidgegannup in the Darling Range brings you to the F.R. Berry Reserve, where a walk leads along the banks of Wooroloo Brook through a carpet of flowers surrounding large granite outcrops. It's a wonderful stroll through an abundance of bright yellow wattles. Keep your eyes down, though, for the bright blue lechenaultia, a little shrub with flowers that range from purple to pale blue. Aboriginal people refer to it rather poetically as 'the floor of the sky' for its color.

Australia's flora can be strange at times—you could be forgiven for thinking some native flowers look like toilet brushes—but still more odd are its animals, adding another layer to any walk on the wild side. At the Cohunu

Kings Park and Botanic Garden stretches along the Swan River and provides a great view of Perth's skyline (left). Without barely leaving the city's confines, visitors to Perth can enjoy some of Australia's unique flora and fauna, such as koalas, Australian pelicans, and native pea plants (right).

Koala Park in Kelmscott, you can wander among kangaroos and wallabies, and be fixed by the beady stares of rather unnerving emus. You can also get up close with koalas, as this is the only place in Perth where you can cuddle a koala for that all-Aussie photo opportunity.

This is just one of a number of Perth's wildlife attractions. Closer to the city, the Caversham Wildlife Park has one of the state's most significant native animal collections, including echidnas, spotted quolls, and rare yellow-footed rock wallabies. The Armadale Reptile Center showcases Australia's famously venomous snakes and provides plenty of information about their behavior and habitats.

True purists, however, will particularly appreciate the Karakamia Sanctuary, which is designed as a wildlife refuge rather than a tourist attraction. It's 30 miles northeast of the city and accessible only by car. Run by the Australian Wildlife Conservancy, the sanctuary is fenced off from destructive, non-native feral animals, allowing some of the shyest and most vulnerable creatures to thrive. Here you can spot animals that even Australians haven't heard of, such as micro-bats, rat-like marsupials called woylies, and long-snouted, beady-eyed quendas. A two-hour twilight guided tour, accompanied by the clacking of black cockatoos overhead, is a great bush experience.

For a full-blown national park, Yanchep is just a 45-minute drive north of the city center and has limestone caves, lakes, and fine stands of woodland, partly enclosed to provide habitat for koalas. Peer up into the leaves for a grey face peering back and you get a more natural koala-spotting experience than in an animal park—though not an entirely authentic one, since koalas aren't actually native to Western Australia, inhabiting only the continent's southeast. Any of the walking trails will provide encounters with grey kangaroos, though in the middle of the day they're likely to be snoozing in the shade. You'll see plenty of native birds too, including pelicans, black swans, kookaburras, and multi-hued parrots.

If you really don't have time to get beyond the city, walk to Heirisson Island in the middle of the Swan River, where you can see grey kangaroos, especially if you go just before sunset when they're at their most active. The Perth Zoo is another fine place to see native wildlife, such as platypus and echidnas. If you don't know what a numbat or a pademelon is, this is your chance to find out. Incidentally, the zoo also has a world-leading orangutan breeding facility.

You could spend a half-day too at the Aquarium of Western Australia, which has one of the world's largest coral reef displays and an aptly-named Danger Zone where you'll see the deadly blue-ringed octopus, stonefish, and other nasty beasts. In other displays, leafy sea-dragons look like something made up for a cartoon. Underwater tunnels bring you face to face with turtles and stingrays. You can even don scuba-diving gear and plunge in for a heart-banging but compelling swim with the sharks.

You can enjoy spectacular sea creatures in their natural habitat if you make the effort to get to the Shoalwater Islands Marine Park near Rockingham, 40 minutes south of the city. The islands here are home to sea lions, colonies of terns and gulls, and a group of little penguins, which you can watch being fed at the interpretive center. The surrounding reefs and shipwreck provide top diving and snorkeling, and the islands' plentiful bottlenose dolphins might well swim up for a closer inspection. ■

AUTOMOTIVE BEAUTY PAGEANTS

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CALIFORNIA

Danville Concours d'Elegance *September 19–20, 2015*

The Danville Concours d'Elegance kicks off on Saturday as modern day and collector cars head out on an organized drive along some of the North Bay's scenic roads. On Sunday, the action shifts to the Danville town center where classic, vintage, and racing vehicles will be displayed. Admission to Sunday's car show is free for visitors. Proceeds from other activities, such as the Dinner d'Elegance, will benefit the fight against Parkinson's.

COLORADO

Vail Automotive Classic *September 11–13, 2015*

As if 250 cars and 100 motorcycles were not enough, this event in the Vail Valley will also feature 50 aircraft and 2 aerobatic shows. On Saturday, the Vail Valley Jet Center will be the setting for the vehicle show and competition, where the featured marque will be the Mercedes-Benz. On Sunday, award winners from the prior day's competition will be on display in Vail Village.

FLORIDA

Winter Park Concours d'Elegance *November 13–15, 2015*

This three-day event will feature a reception on Friday, a road tour on Saturday for Concours participants, and the Concours d'Elegance—an expertly judged exotic car show—on Sunday. Sunday's Concours will be held at the Winter Park Country Club.

INDIANA

Concours d'Elegance at French Lick Resort *October 2–4, 2015*

This year's "competition of elegance" will feature British favorites and American classics, such as British sports cars to 1973, Bentleys and Rolls Royces from 1925 to 1948, Corvettes from 1953 to 1975, and several other automobile classes. Proceeds from the event will benefit the Kosair Children's Hospital.

MASSACHUSETTS

The Boston Cup *September 20, 2015*

Featuring a select field of 100 cars, this classic car show will take place at the Parkman Bandstand on the Boston Common on Sunday, September 20th.

NEW JERSEY

Monmouth County Concours d'Elegance *October 3, 2015*

Visitors can peruse 135 antique automobiles and motorcycles (1900–1974) at this annual charity event to be held at Hop Brook Farm in Holmdel, New Jersey. Proceeds from the event will benefit the organization 180 Turning Lives Around.

OHIO

Dayton Concours d'Elegance *September 20, 2015*

200 classic and antique automobiles and motorcycles will compete for "Best in Show", "Best in Class", and "People's Choice" awards at the Dayton Concours d'Elegance at Carillon Historical Park on Sunday, September 20th. This year's event celebrates 75 years of the Lincoln Continental and is a great opportunity for visitors to get an up-close view of many gorgeous automobiles and motorcycles.

PENNSYLVANIA

Radnor Hunt Concours d'Elegance *September 11–13, 2015*

This three-day event will begin with a barbecue on Friday evening, followed by a road rally and black tie gala on Saturday. On Sunday, the main event—the Concours d'Elegance—will be held on the grounds of Radnor Hunt in Malvern, Pennsylvania. This year's Concours d'Elegance will showcase Packard, Alfa Romeo, classic pickup trucks (pre-1970), BMW motorcycles, police motorcycles, and land-speed-record-holding motorcycles. Proceeds will benefit the Thorncroft Equestrian Center. ■

QUIZ

WHERE IN THE WORLD ARE YOU?

1. If you are stargazing from Mauna Kea (above), you are in:

A. Arizona
B. Hawaii

2. If you are scuba diving at the Great Barrier Reef, you are off the coast of:

A. South America
B. Australia

3. If you are watching whales frolic in Prince William Sound, you are in:

A. Alaska
B. Norway

4. If you are riding a mule down the Bright Angel Trail to Phantom Ranch, you are in the:

A. Grand Canyon
B. Waimea Canyon

5. If you are trekking in the Gobi Desert, you are in:

A. Morocco
B. Mongolia

6. If you are embarking from Gare de l' Est, you are in:

A. Istanbul
B. Paris

7. If you are paddleboarding off the North Kohala coast, you are in:

A. Hawaii
B. St. Martins

8. If you are photographing penguins on Boulders Beach, you are in:

A. South Africa
B. St. Croix

9. If you are standing in the shadow of a 630-foot steel arch, you are in:

A. St. Louis
B. Pittsburgh

10. If you are driving around Dupont Circle, you are in:

A. Washington D.C.
B. Detroit

ANSWERS: 1–B, 2–B, 3–A, 4–A, 5–B, 6–B, 7–A, 8–A, 9–A, 10–A

HMS FINANCIAL GROUP

WEALTH MANAGEMENT & FINANCIAL PLANNING

333 Elm Street, Suite 210
Dedham, MA 02026

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WEALTH MANAGEMENT & FINANCIAL PLANNING

Barbara Shapiro, CFP, CDFA, CFS & Herb Shapiro

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Herb Shapiro, Vice-President and founder, brings more than 44 years of 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, 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, past member of the Boston Jewish Community Women's Fund, and the Treasurer of the Massachusetts Council of Economic Education. She is continually interviewed and quoted in all of the major financial publications.

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