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RETIREMENT DISTRIBUTIONS 2008/2009:

The Worker, Retiree and Employer Recovery Act provided many tax law provisions. One of particular interest concerns required minimum distributions ("RMD") for Defined Contributions Plans, such as IRAs, 401(k)s, 403(b) and 457 plans but not to Defined Benefit Plans (i.e. company funded pension plans). This new legislation waives all RMDs with respect to 2009, but it does not waive RMDs with respect to 2008, even if the 2008 RMD is eligible to be taken in 2009.

IRA beneficiaries who are taking mandatory distributions from inherited IRAs or Roth IRAs over their lifetime ("stretch IRA") may elect not to receive their 2009 distribution, thus allowing a further one-year stretch.

If an IRA owner dies in 2008, normally the beneficiary must begin RMDs in 2009 but, since that requirement is suspended for 2009 only, beneficiaries do not begin taking RMDs until 2010.

US ECONOMY:

Nothing but bad news is being reported about our economy. But how bad is it really? Let me share with you some information regarding our economy:

1. We have the largest economy in the world, by far, at \$14 trillion. It is three times as large as Japan, which ranks second. China, ranked third, is \$3.5 trillion;
2. We have the most broadly used currency in the world;
3. We are the largest exporter in the world;
4. We are the largest importer in the world;
5. Our military is the mightiest in the world;
6. The US contributes more foreign aid than any other country;
7. Last year foreign investors sank \$233 billion into business ventures in the US;
8. US manufacturing, at \$1.7 trillion, is nearly twice that of our nearest competitor, Japan and more than two times that of China;
9. We are the largest exporter of services in the world at \$6 trillion, which translates into 14% of worldwide services provided;
- 10 We are, iron! ically, the world's largest producer of energy. It's the consumption p art of the equation that is creating so many problems for our country.

MORTGAGE RATES DIP:

Mortgage rates have dipped significantly. As of 12/29/08 the average 30 year conventional mortgage dropped to 5.14%. If you would like to explore refinancing, call Cerefice today. We can help you find the lowest rates available at no charge to our existing clients.

YEAR END PLANNING:

Roth Conversion Strategy:

You can only contribute to a Roth IRA if your modified adjusted gross income is under \$100,000 until 2010, when that income limitation goes away. If your income is below \$100,000 for 2008 you should consider converting your traditional IRAs into Roth IRAs. If you are a participant in a Defined Contribution plan consider making a non-deductible Traditional IRA contribution even if you do not qualify for a deductible Traditional IRA contribution. Why? Because there are no income limits on non-deductible Traditional IRA contributions and in 2010 you can convert! your non-deductible Traditional IRA into a Roth IRA no matter what your income level. You will be taxed only on the earnings in the non-deductible Traditional IRA upon conversion.

In-Service Rollovers:

Find out if your retirement plan allows in-service rollovers. If your plan allows such rollovers you should consider rolling over the allowed amount into a Rollover IRA or into a Rollover Roth IRA. Doing so provides you with more control over your money, increased investment options, better distribution options, unrestricted access to your money and the ability to stretch your IRAs for the beneficiaries.

TAX RULES ON SEVERANCE PACKAGES:

Severance pay is taxable just like other wages;

supplemental Unemployment Benefits are exempt from FICA and FUTA but are subject to income tax withholding;

Outplacement Services, such as job counseling and resume assistance are tax-free, working condition fringe benefits, unless the employer offers a choice between ! cash or the benefit;

Noncompete Agreement payments are not considered wages subject to withholding tax but are taxable as other income;

Supplemental Health Insurance benefits are free from income tax and exempt from all withholding requirements.

Old 401(k) funds may be rolled over but you should consult with Cereface before doing anything, to maximize your tax options.

COLLEGE STUDENTS AND DAMAGED LAPTOPS:

Did you know that homeowners insurance covers the loss or damage to your college student's laptop. This little known rule generally only applies if the student lives on campus. If your college student lives off campus, call your agent and request a renters policy. This will cover any property damage.

SOCIAL SECURITY BENEFITS:

Spouses are entitled to 100% of their deceased spouse's social security benefit. If you want to increase the amount your surviving spouse will receive, upon your passing, delay collecting your own benefit. For each year you delay, beyond your normal retirement age, you'll get an 8% boost in! benefits. This 8% growth in benefit ends once you attain age 70, however.

GIFT TAXES:

You are required to file a gift tax return if you gifted more than \$12,000 (annual exclusion for 2008) to any one person in 2008 (\$24,000 if the gift is a joint spousal gift). The return is due April 15, 2009 for 2008 taxable gifts. If your gift exceeds this annual exclusion amount, you may not necessarily owe tax as you can use up part of your lifetime \$1 million exclusion.

We thank each one of our clients for their numerous referrals.