

**MAY  
2006**



*Doing all  
the things  
other  
advisors  
forget to  
do.™*



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*"We do all the things other advisors forget to do."™*

***If we can't show you how to save at least \$1,000\* on your  
Federal taxes, we will pay you \$100!!***

***YOU JUST PAID YOUR FEDERAL INCOME TAXES LAST MONTH—WANT TO  
PAY UNCLE SAM LESS NEXT APRIL?***

You only have six and a half months left to set your finances up to save taxes for next year. We can show many of you how to reduce the amount of your social security being taxed from 85% to 50% or if you being taxed on 50% we can show you how to totally eliminate tax on your social security benefits---that is a lot of tax money you will be able to put into your pocket instead of the IRS's account. For other clients who have larger incomes, it is a matter of simply paying less income tax, without changing how much of you social security is being affected.

How can we show you how to save taxes when your accountant or computer program doesn't? Simple. Your tax preparer or computerized tax program just takes information based on how you have already set up your finances and enters that information in the right box on your tax form and generates a tax liability number. For example (and this is just one example out of countless others), tax-free municipal bonds are NOT tax-free once you begin receiving social security benefits. The interest on the "tax free" municipals is one component used to figure the tax on your social security benefits.

We will show you how to save the maximum amount of taxes—you may or may not want to save the maximum on taxes -- that is up to you.

This is a "value added" service—there is NO CHARGE for this service—remember, if we can't save you at least \$1,000 on your taxes, we will pay you \$100 for your time. Call to schedule a brief meeting.

\* To qualify for this offer, you must have paid the federal govt. at least \$1,000 in taxes last year.



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## **New Medicare Rule Guarantees Continuity of Drugs Under the New Part D coverage:\***

“The Bush administration issued a new policy on April 26<sup>th</sup> that protects Medicare beneficiaries against the sudden loss of coverage for drugs they are taking under the new prescription drug program.” The policy says that an insurer can remove a drug from its formulary, increase co-payments or impose new restrictions *“only if enrollees currently taking the affected drug are exempt from the formulary change for the remainder of the plan year”*.

This policy addresses one of the chief criticisms of the Medicare drug benefit. Many people said that it was unfair that drug companies could change their formularies (the list of drugs their plan covers) at will while most customers were locked into a drug plan for the full year.

\* Excerpted from the New York Times 4/27/06; author, Robert Pear

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## **Retirees are now officially the Highest Taxed Segment of our population!**

We have now officially reached the point of being ridiculous. Putting people such as yourself who have contributed so much to our society during your lives in the highest tax bracket is painful even to think about...and yet, it has happened.

Social Security recipients now can find themselves paying the highest tax rates of any taxpayer! While the normal top tax bracket rate has recently been reduced to 35%, Social Security recipients may face effective marginal tax rates of 50% or more.

Here’s how it happens: A single individual with Adjusted Gross Income (AGI) over \$34,000 will have an income range where every extra dollar of regular income causes \$0.85 of Social Security to be taxed as well—so tax becomes due on \$1.85. If the individual is in the 28% tax bracket at that range, the extra dollar of income will generate 52 cents of tax:

$$\underline{\$1.85 \times 0.28 (\% \text{ tax bracket}) = 0.518 \text{ tax}}$$

An effective marginal tax rate of 52%. The rate may be higher when state taxes are included!

And remember, you may not be avoiding this problem if you have tax-free municipal bonds. Interest on tax-free municipals bonds is counted in your AGI for the purpose of determining how much of your Social Security is taxed.

### What can you do?

The first thing you should do is to sit down and project your tax bracket situation with the help of IRS Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, available at [www.irs.gov](http://www.irs.gov). If you do not get great enjoyment out of reading IRS Publications, please give me a call and I can give you a quick overview of what is in Pub. 915.

Then you can plan steps to reduce your future tax rate as your situation dictates. You may be able to:

- Defer cashing in investments and taking distributions from IRAs and retirement accounts until you need the money, or are required to take minimum distributions.
- Invest in appreciating assets rather than income-producing assets, and in tax-efficient savings vehicles that pay minimal taxable distributions.

Please, if you haven't looked at these issues lately, give me a call so that we can take a quick look at your situation to see how it is affecting you. If you are fine, GREAT! If we can reduce your taxes, EVEN BETTER! Please give me a call at 1-860-667-8444 or toll-free 1-866-311-3563. Every day we delay looking at it could be more money down the drain.

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## Recipe Corner:

### Penne with Sun-dried Tomato Pesto

12 ounces penne pasta  
1 (8.5-ounce) jar sun-dried tomatoes packed in olive oil  
2 garlic cloves  
Salt and freshly ground black pepper  
1 cup (packed) fresh basil leaves  
1/2 cup freshly grated parmesan



Cook the pasta in a large pot of boiling salted water until tender but firm to the bite, stirring occasionally, about 8 minutes. Drain, reserving 1 cup of the cooking liquid.

Meanwhile, blend the sun-dried tomatoes and their oil, garlic, salt and pepper, to taste, and basil in a food processor and blend until the tomatoes are finely chopped.

Transfer the tomato mixture to a large bowl. Stir in the Parmesan. Add the pasta to the pesto and toss to coat, adding enough reserved cooking liquid to moisten. Season the pasta, to taste, with salt and pepper and serve.

*Courtesy of: [www.foodnetwork.com](http://www.foodnetwork.com)*