

The Warner Write-Up

Published exclusively for our clients

by Warner & Company, Certified Public Accountants

VOLUME XX, NUMBER 2

SPRING 2011

IF YOU WANT TO PROTECT THOSE YOU LOVE ~

Be aware of estate tax law changes, says Stephen Warner

Last December, Congress passed and President Obama signed into law sweeping tax changes, in a huge bill with the complicated name of The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act. As usual, points out Stephen Warner, "There is something in that bill for everyone to like, or to dislike. But it's important to know about issues that may affect you personally."

He picks out one that surprised observers. "At the end of 2010, the one-year total estate tax exemption was set to revert to \$1 million. Instead, for the next two years, (of course no one knows what will happen by 2013), the bill raised this to \$5 million! Also, if one spouse dies with an estate less than the exemption, the remainder can be 'portable' to the surviving spouse.

"For example, if someone dies with an estate of \$1 million – that's not unusual these days – everything goes to the spouse tax-free. But with this relaxed law, the spouse, who already has a \$5 million exemption, can add the unused \$4 million. Later, the spouse's estate can pass on \$9 million, free of federal tax. To take advantage of this new portability law, it's necessary for an executor to file an estate tax return."

Prior to this new portability provision, bypass trusts were needed to preserve the unused exemption of the first spouse to die. Even if this provision becomes permanent, you may still need to have a bypass trust, suggests Warner, for several reasons. It avoids probate. It also protects your wishes, preventing anyone from later changing some provision, which could disinherit your beneficiaries. And then, there's the matter of various state inheritance and estate tax laws.

"New Jersey has an estate tax on estates larger than \$675,000. It also has inheritance taxes," says Warner, depending on how close the relationship is between

decedent and survivor. Lineal beneficiaries are exempt. Relationships are spelled out in detail, and each of four classes has its own tax rate.

"I have a client, a niece, who inherited a home in New Jersey which she hopes to live in, from her aunt. That relationship puts the niece in class D. The property is currently appraised at \$95,000. However, before the title can be transferred, she must come up with a 15% tax, or \$14,250. If she were in Class C, which includes brothers and sisters, her tax would go down to \$7,700."

States' taxes vary widely, says Warner. Delaware has an estate tax only. Its exemption is the same as the federal amount. Pennsylvania has inheritance taxes only. Its tax does include transfers to certain lineal beneficiaries. Wherever you live, or even if you inherit property in another state, you'll be affected by the estate tax laws.

"To protect your beneficiaries," adds Warner, "it's important to have a plan. We'll be glad to meet with you, and your attorney, to explore how estate tax laws will affect your individual situation."

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ARE YOU A WARNER WORD WHIZ?

E-e-e-e-u-u-u-w!

You'd be hard-pressed to come up with a more universally understood expression – especially when vocalized by a teenager – than a long-drawn-out “E-e-e-e-u-u-u-w!” If you want to write it down, however, your spellcheck won't help much.

Yet a surprising number of words in everyday life, as well as proper names, do begin with the letters EU. For example, the slender tube which equalizes air pressure on both sides of your eardrum is the *eustachian* tube.

Find EU words to finish the sentences below; send us your answers by May 20th. Our spring Word Whiz will receive a certificate for dinner at a local restaurant.

1. Australian koalas depend on _____ trees for both food and shelter.
2. In many churches, a service of communion is referred to as the _____.
3. _____ is a card game played with thirty-two cards, five dealt to each player.
4. _____ is an important city in western Oregon.
5. A funeral speech, praising the person who died, is called a _____.
6. It's interesting that the first name of the founder of the Special Olympics, _____ Kennedy Shriver, literally means “good victory.”
7. In 300 B.C. the Greek mathematician _____ produced a book basic to modern geometry.
8. A word or phrase used to substitute for another word deemed offensive or distasteful is a _____.
9. _____ is a feeling of exuberance, well-being, or high spirits.
10. The _____ Union originated in 1951, to foster trade and political cooperation among many Western countries.
11. _____ was the expression of delight supposedly uttered by Archimedes, on discovering the principle of specific gravity.
12. Her wry humor, in novels and short stories about the South, won _____ Welty a Pulitzer Prize for fiction in 1973.

🎉 **Congratulations to our winter Warner Word Whiz, Bob McHarness, of Woodstown, NJ!**

ANSWERS to “Are You Ready for Your Citizenship Test?” in our winter issue: 1. The Bill of Rights; 2. 435; 3. The State Department; 4. John Roberts; 5. The Federal Government has only powers that the Constitution states it has, or the states have all the powers the Federal Government does not; 6. \$7.25; 7. Rights that people are born with; 8. James Madison or Alexander Hamilton or John Jay; 9. Louisiana or The Louisiana Territory; 10. Mount McKinley or Denali.

WOMEN: DON'T PUT OFF PLANNING FOR RETIREMENT!

“I worry when a new client comes to me and wants to start planning her retirement – and it's just a few years away,” writes financial adviser Karen Clerici in the Asheville, NC *Citizen-Times*, “because planning for your retirement is a long-term project.”

Clerici points out that, on average, women live longer than men, earn less, and spend fewer years in the work force, often taking time off from their careers to raise a family or care for aging parents. And that salary gap is real. Compare median annual earnings of \$35,102 for women fifteen and older working full time, with \$45,113 for men, which adds up over thirty years to more than \$300,000.

“There is some good news,” says Clerici, “about women and investing for retirement. They appear to be better long-term investors. We don't trade as actively as men, which can mean lower transaction costs, and we're more likely to participate in a retirement plan than men.”

So where should a woman begin? Clerici suggests a careful monthly income and expense worksheet. “Know what you're spending, and weed out things you don't need. I canceled a cable movie package, saving \$720 a year, and if you pack your lunch three days a week instead of going out, you'll save \$51,900 over fifteen years, or about \$20 a week.”

Here are more suggestions from Clerici's list:

- ❖ **Save up an emergency fund of readily available cash – at least two months of income.**
- ❖ **If your employer sponsors a retirement program, take advantage of it, especially if they contribute also.**
- ❖ **Educate yourself on investing and diversification – take a course, read some books, talk to an adviser.**
- ❖ **Identify your retirement goals and essential expenses.**
- ❖ **If you have a mortgage, try to make extra payments each year, to save interest and to own your home sooner.**



BITS AND BYTES



Can you forestall a foreclosure?

The short answer is – sometimes. Nationally, the painful home foreclosure epidemic is still not expected to peak until later this year. But for many homeowners, there is help available.

Five years ago, newlyweds Christopher and Devon Randall of North Carolina bought their first home, a bungalow. Then, after two small children, Christopher's cabinetry business suddenly tanked, as people delayed or abandoned plans for renovations. When the Randalls fell behind on their mortgage in 2009 and got the dreaded foreclosure notice, they were ready to file for bankruptcy and pack up their possessions.

Although the bank offered the couple a "forebearance agreement," which did lower their payment briefly, this later required much higher payments, to catch up. That was not a good solution. Then the bank lost their first payment (sent by certified mail), and Devon says that whenever she called, she usually talked to someone who had no knowledge of their case.

To find financial and legal help, **homeowners need to consult with experts outside the bank, as early in the process as possible.** And to avoid foreclosure scams, the Department of Housing and Urban Development, at www.hud.gov/offices/hsg/sfh/hcc/fc offers a list of counseling agencies for every state. Some agencies are nonprofits, and most counselors are low-fee or free.

It is vital that payments always be made directly to the mortgage lender or servicer. Do not trust anyone else who offers to pay your mortgage for you.

The Randalls spent more than a year fighting to stay in their home, and along the way they accrued a number of fees and penalties. But they stuck it out. Because they endured, and they got help, they still have their home.

How to Save on Gasoline Costs is the topic of a timely memo from the New Jersey Society of CPAs.

🚗 **Maintain your car.** Tune-ups, properly inflated tires, replacing air filters, and using the grade of motor oil the manufacturer advises -- all increase gas mileage.

🚗 **Slow down.** Dropping from 75 to 55 mph can increase gas mileage by 33%, says Consumer Reports. And if you have cruise control, use it.

🚗 **Lighten up.** Don't store things you don't need in your car. Removing an extra 100 pounds saves 12 gallons a year.

🚗 **Think twice about premium.** For most cars, unleaded gas is acceptable. Anyway, give it a try. If there's no problem, such as knocking, you save a lot.

🚗 **Consolidate trips.** A little planning can save a great deal of green. That will also give you more free time.

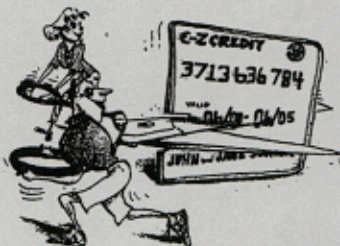
🚗 **And the most obvious: consider a more fuel-efficient vehicle.** But if an auto purchase is not on your horizon, careful attention to these tips will lower your gas costs, no matter what type of car you're driving.

That Other Talk: Teens and Spending Money is the title of a column by June Kronholz in *The Wall Street Journal*. She reports on an annual survey of teenagers and money, which the University of Michigan at Ann Arbor has been conducting for nearly thirty years. Jerald Bachman, a research scientist on the project, says that "The only thing that's changed during that time is that now there's more stuff to buy."

Almost three out of four high school seniors hold part-time jobs. Two-thirds of them report banking little or none of this money. Matt, a senior from Ohio, states, "I worked for it, and therefore I can do what I want with it." Jeffrey, a classmate, reports he and his parents reached "a mutual decision" about his earnings. He saves half his paycheck, pays for his car insurance and clothes, and only rarely splurges on a big purchase (recently a \$200 bowling ball).

Dr. Alan E. Kazdin, Director of Yale's Child Study Center, says parents should try to negotiate some policies before their teen starts the job – and then back off. Teens hate micromanagement. But if they can talk with parents about money, they'll also find it easier to talk about drugs, sex, and other crucial issues, where peer pressure can trump parents' advice.

If saving isn't a family value, and shop-till-you-drop is, it will be tougher to persuade your teen to hold on to any of that paycheck, because even if kids squabble with parents over how to spend money, they also absorb parents' values. According to the University of Michigan survey, teens generally agree with their parents about drinking, drug use, appropriate behavior on a date, politics, race, and "what values are important in life."



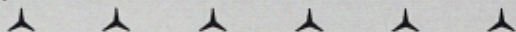
Eight times you should NOT use your credit card

were collected in 2010 by finance.yahoo.com, from financial counselors all over the US. Here they are.

1. After midnight. This hour is not a time for sound financial decisions – you could get into trouble.
2. If you're charging things you used to pay cash for. That's a red flag that you're getting overextended.
3. If you think the price may drop. If you expect it to cost less in three months, why start paying interest on it now?
4. When you're tempted by a big impulse buy. Try the 24-hour rule: If it isn't food, wait at least one day to buy.
5. When it's all about reward points. Base your decision on the merits of the purchase, or you'll likely overspend.
6. If you're near your credit limit. Even if you're within a few hundred dollars, your credit score will go down.
7. At a flea market. Some fly-by-night operator can make off with your card number. Bring cash instead.
8. To buy from a website with an obscure foreign extension. Don't ever charge online, if you don't know the seller you're dealing with!

PERSONAL NOTES

Rob Woodell's daughter **Christine**, a nursing student at Palm Beach Atlantic University, spent her spring break helping to provide basic medical care to villages along the Amazon River.... **John Vastano** is proudly displaying photos of his kids **Nick** (10) and **Lizzie** (7) in Vineland youth theater productions of "Godspell," "Seussical the Musical," and "The Wizard of Oz."... **Michael Warner's** son **Erik** and his wife **Rebecca** presented Michael with his third grandchild, **Dylan Harper**, at Christmas.... Each time we plan a **Spring Shredding Shindig** to dispose of all your old papers and documents, the affair grows. Saturday, May 14 is the date this year, from 10 A.M. to 1 P.M., and Dave's Electronics & Computers will also be here to take unwanted computers, laptops, and monitors – and all components will be recycled. A free lunch is included, but we need to know you're coming! Please call 856-769-0707 immediately, or e-mail us at rnc@cpawarner.com. There is no charge; however, donations to **Warner's Wheelers** will be welcomed.... This year's City to Shore MS bike event is set for the weekend of September 24-25, and **Warner's Wheelers** are indeed gearing up again. Our goal for 2011 is to recruit 30 riders, and to raise \$30,000. Often families ride together. This year we'll have more than ever, including four – maybe five – **Warners: Stephen** and his wife **Angela**, Stephen's son **Andrew** and his wife **Katie**, and possibly **Michael's** son **Brandon**, who currently lives in Nairobi, Kenya, but hopes to be in the USA by summer.... Our CEO and MS team champion, **Michael Warner**, offers a reminder concerning the extension of Bush tax cuts – both personal and business-related – which was passed at the end of 2010. The long list of approved "extenders" includes a range of deductions. Examples: classroom supplies purchased by teachers; state and local property taxes; charitable donations from IRA distributions; a portion of college tuitions; capital gain real property donated for conservation purposes; and a lot more. Call us for information and details.



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The Warner Write-Up

is published three times a year by Warner & Company, CPAs, for our clients and friends. The content is necessarily abbreviated, and readers should obtain specific professional advice before taking action.

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The Warner Write-Up

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