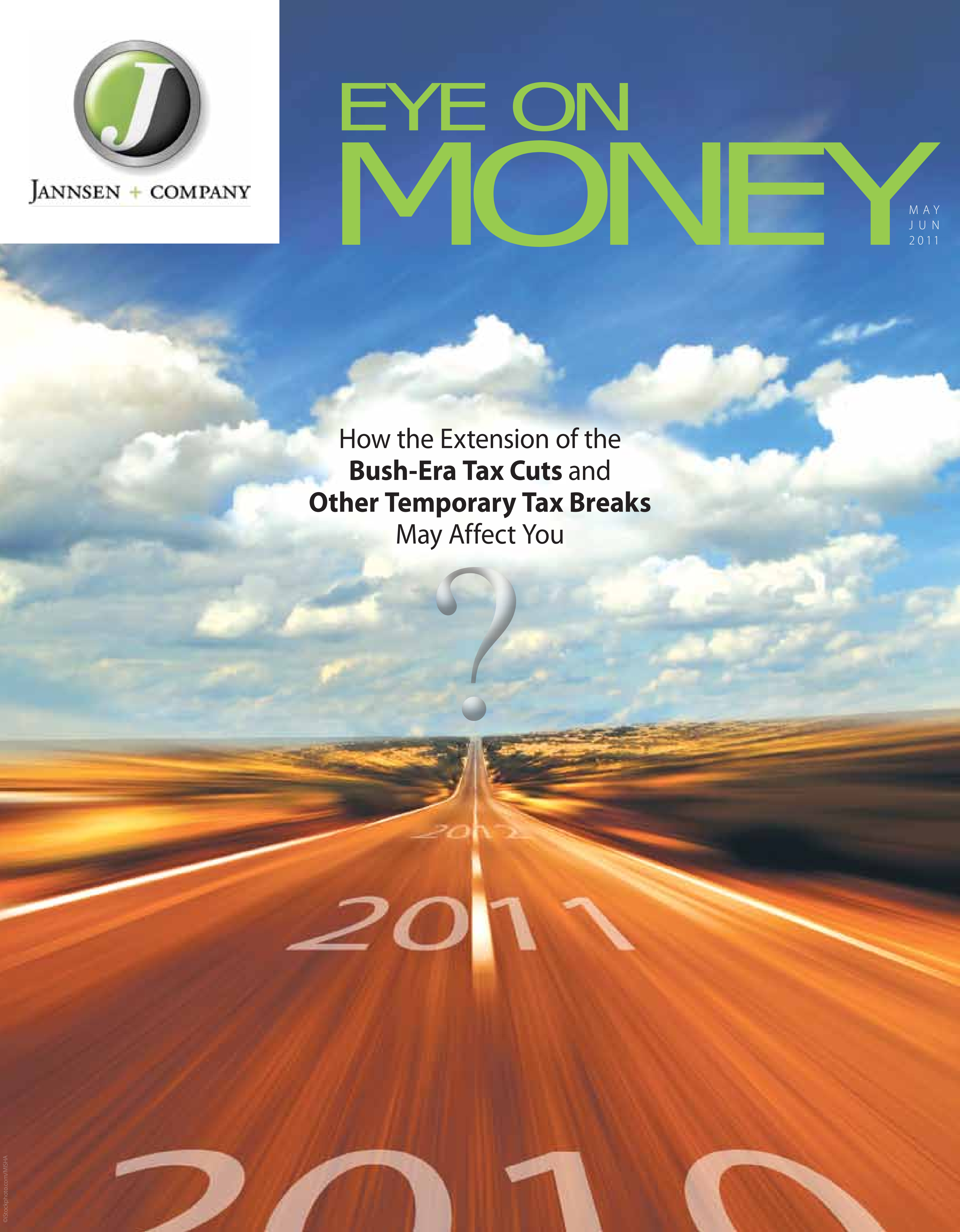
Jannsen + Company

EYE ON MONEY

MAY
JUN
2011



How the Extension of the **Bush-Era Tax Cuts** and **Other Temporary Tax Breaks** May Affect You

A new voluntary disclosure program for people with unreported foreign accounts

offers reduced penalties for disclosing the accounts to the IRS by August 31, 2011.

A special voluntary disclosure program is underway to encourage people with unreported income from offshore accounts and assets to get current with their taxes.

Please see your tax and legal advisors for more details.

The IRS's 2011 Offshore Voluntary Disclosure Initiative offers reduced penalties and generally eliminates the risk of criminal prosecution for taxpayers who disclose their unreported foreign accounts and pay the related taxes, interest, and penalties by August 31, 2011. The key terms of the new program are:

- Participants must pay back-taxes and interest for up to eight years, as well as any accuracy-related and/or delinquency penalties.
- Participants must pay a penalty that is generally 25% of the amount in the foreign bank accounts. In some instances, the penalty may drop to 12.5% or 5%. The penalty applies to the year with the highest aggregate account balance between 2003 and 2010.

Why voluntarily come forward now? For one, the IRS's ability to gather information on offshore holdings is likely to improve as new laws take effect in the next few years. And, in the words of IRS Commissioner Doug Shulman, "If we find you, you face harsher penalties and the possibility of jail time. If you come in voluntarily, you pay a steep price, but avoid going to jail."

Also, this program enables you to calculate, with a reasonable degree of certainty, the total cost of resolving all of your offshore tax issues.

Please speak to your tax and legal advisors soon if you are interested in participating in this program. All of the paperwork and your payment must be submitted by August 31, 2011. ■

inside

UP FRONT

FEATURES

FYI

Do you have a foreign financial account?

You may need to file a Report of Foreign Bank and Financial Accounts (FBAR) by June 30, as well as comply with new rules for 2011.

An increasing number of U.S. citizens and residents have foreign financial accounts and assets, such as accounts at foreign banks and brokerages. If you are one of them, please be aware that you may be required to report information regarding your foreign financial accounts and assets to the U.S. government. Two types of reports are introduced here.

Please see your tax and financial advisors for more details on your reporting requirements.

What are the FBAR requirements if I have a foreign financial account?

U.S. citizens and residents who own or have a signature authority over financial accounts in foreign countries must file a Report of Foreign Bank and Financial Accounts (FBAR) with the Treasury Department by June 30, if the total value of all their foreign accounts exceeded $10,000 at any time during the prior year. The requirement to file a FBAR also applies to domestic legal entities, such as partnerships, corporations, estates, and trusts. It does not apply, however, if your foreign account is in a U.S. military banking facility.

What are the penalties if I do not file a FBAR?

The penalty for a non-willful violation may be as high as $10,000, while the maximum civil penalty for a willful violation is the greater of $100,000 or 50% of the balance in the account at the time of the violation. A criminal violation may result in a fine and/or prison time. (If you failed to pay tax on your taxable income in the past, making a voluntary disclosure under the special program described on page 2 enables you to take advantage of lower penalty scenarios than described here and generally eliminates the risk of criminal prosecution.)

Why does the government require FBARs?

Because financial institutions without a presence in the U.S. may not be subject to the same reporting requirements as domestic financial institutions, the federal government requires taxpayers to submit reports themselves regarding their foreign accounts. The information in the reports is used by the Treasury Department to help identify tax evasion, embezzlement, and other illegal activities, such as accounts that are being used to fund drug trafficking.

Are there new foreign account tax compliance rules I should be aware of?

Yes. The 2010 HIRE Act established new reporting requirements for tax years beginning after March 18, 2010. The HIRE Act requires, among other things, that individual taxpayers with certain foreign financial assets attach a disclosure statement to their income tax returns if the total value of the assets exceeded $50,000 in the prior year. So, calendar-year taxpayers with "specified foreign financial assets" in excess of $50,000 in 2011 will need to attach a disclosure to their 2011 income tax returns. Failure to do so may result in a sizable penalty.

"Specified foreign financial assets" that generally must be disclosed include depository and custodial accounts at foreign financial institutions and, if not held in an account at a financial institution, stocks or securities, financial instruments or contracts held for investment, and any interest in a foreign entity. Please see your tax and financial advisor for more details.

The new HIRE Act reporting requirement is in addition to the FBAR reporting requirement. ■

The simplest charitable strategy:

Direct Gifts

Who should consider it?

Anyone who wants to make a donation that immediately benefits a charity.

What is it?

A donation of money or property that the charity can use immediately.

What are the benefits?

Simplicity, a tax deduction, and a reduction in the size of your estate.

WHILE THERE ARE SEVERAL WAYS to make a charitable gift, the simplest way is often a direct gift to your chosen charity. Whether you write a check, authorize an amount to be charged to your credit card, or donate old clothes to a local mission, your direct gift provides immediate support to the charity—and a tax deduction for you if you itemize deductions on your tax return.

The IRS permits you to deduct[1] money or property you contribute to qualified organizations, such as charities, religious organizations, and nonprofit schools and hospitals. You will need to keep records in order to claim a deduction. Usually, your cancelled check or your credit card statement, and a receipt or a written acknowledgement from the charity are all the records that you will need.

There is an additional tax benefit if you donate highly appreciated securities rather than cash. As long as you have owned the securities for longer than one year, you can deduct their fair market value at the time of the donation *and* you can avoid paying capital gains tax on their appreciation. Many charities welcome donations of publicly-traded stocks and mutual funds and are generally happy to help you through the process of transferring the ownership of your securities to them. ■

[1] The amount of your deduction for charitable contributions is limited to 50% of your adjusted gross income, but may be limited to 30% or 20% in some situations. Amounts you are not able to deduct in the current year due to the limits may be deducted over the next five years. Please seek advice from your tax advisor if you are planning a sizable contribution.

Your financial advisor can help you choose the giving arrangement that fits your charitable goals and financial objectives.

©iStockphoto.com/Daniel Laflor

A strategy for minimizing estate taxes:

Life Insurance Trust

Who should consider it?

Individuals with large estates that will be subject to estate taxes.

What is it?

A trust designed to shelter the proceeds of a life insurance policy from estate taxes.

What is the benefit?

Helps provide financial security to your heirs, undiminished by estate taxes.

DID YOU KNOW that the proceeds from a life insurance policy you own on your own life will be included in your estate for estate tax purposes? This may not be a big deal if the value of your estate remains less than the amount that can be exempted from estate taxes.[1] But if your estate exceeds the exemption amount, a significant percentage of the life insurance proceeds will go to estate taxes—a situation you can usually avoid using an irrevocable life insurance trust.

To shelter life insurance proceeds from estate taxes, you may either transfer an existing life insurance policy to an irrevocable life insurance trust or have the trust purchase a new policy on your life. Because you do not own the life insurance policy in the trust—the trust owns it—the proceeds will not be part of your estate and can be distributed estate-tax-free to your beneficiaries. If you transfer an existing policy to the trust, you must survive the transfer by three years for the proceeds to be excluded from your estate.

The life insurance proceeds can be paid out quickly from the trust, helping to provide financial security to your family and perhaps the liquidity needed to settle your estate without selling off assets.

An irrevocable life insurance trust is, well, irrevocable. It is important to understand that once the trust is established, you cannot make changes to it. ■

[1] The federal estate tax exemption is $5 million in 2011 and 2012, but has not yet been determined for years after 2012. Some states also have estate taxes, and their exemption amounts may be lower than the federal exemption amount.

Please consult your financial and legal advisors about the best way to help ensure the financial security of your family and other loved ones.

How the EXTENSION of the Bush-era tax cuts and other temporary tax breaks may affect you.

Whew! With just a few weeks remaining before the Bush-era tax rates were to expire, Congress passed a tax relief act in December 2010 extending the rates for two years for all Americans. The act, titled the *Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010* also extends many other tax breaks, provides a one-year payroll tax cut, temporarily resets the gift and estate tax rates and exemption, and extends emergency unemployment benefits for an additional 13 months. Here's how some of the extensions and the temporary tax breaks may affect you.

All Individuals

The income tax rates for all individuals will remain unchanged at 10%, 15%, 25%, 28%, 33%, and 35% through 2012. If Congress had not acted, these rates would have returned to their pre-tax-cut levels on January 1, 2011, boosting the average middle-class family's annual tax bill by $3,000, according to a White House estimate.

The Obama administration and many lawmakers had originally hoped to make most of the individual tax rates permanent at tax-cut levels and to allow only the top two rates to increase to pre-tax cut levels of 36% and 39.6%. This increase would have affected only single taxpayers with incomes over $200,000 and married taxpayers with incomes over $250,000. But lacking the votes to push this through, Congress extended all of the individual rates for two years. So, higher-income taxpayers can breathe a sigh of relief for now. However, sometime before the end of 2012, Congress will once again be considering the fate of *all* the individual income tax rates. If they do not extend them again or do not make them permanent, taxes will increase in 2013.

With potentially higher tax rates looming in 2013, taxpayers with the ability to shift income between years may want to consider moving income into 2011 or 2012 to avoid it being taxed at potentially higher rates in 2013.

Workers

Have you noticed a little something extra in your paycheck this year? In an effort to boost the economy by leaving more spendable income in workers' hands, the tax rate at which workers pay into Social Security is reduced by 2% to 4.2% for 2011. This means someone with $100,000 in annual wages, for example, might expect an extra $2,000 in their pay this year. Keep in mind, that only the first $106,800 of covered wages are subject to Social Security taxes in 2011, so the most anyone might benefit from this tax cut is $2,136 (2% of $106,800). This tax cut also applies to self-employed individuals, who can reduce the amount they pay into Social Security by 2% to 10.4% for 2011. Those public employees who do not pay into Social Security will not benefit from this tax cut, nor will employers who must continue to pay their full share of Social Security taxes in 2011.

If you are a higher-income worker, enjoy the Social Security tax cut while you can. Come 2013, a revenue-generating provision of the 2010 health care reform act will kick in, and an additional 0.9% Medicare tax will apply to any wages and self-employment income above $200,000 for single taxpayers, $250,000 for married individuals filing jointly, and $125,000 for married individuals filing separately.

Higher-Income Individuals

If your annual income is higher than $167,000, you have more to be thankful for in the tax relief act than just an extension of the tax rates and a payroll tax cut. You may be able to claim more of your itemized deductions and personal exemptions in 2011 and 2012. The overall limitation on certain itemized deductions and the personal exemption phase-out—both of which affect only higher-income taxpayers—have been eliminated for these two years. They are scheduled to return in 2013 unless lawmakers act in the interim.

Normally, individuals start to lose the overall value of certain itemized deductions (taxes paid, interest paid, gifts to charity, business expenses, and most miscellaneous deductions) when their incomes exceed a specific threshold ($166,800 in 2009, for example). Depending on the size of their incomes, they might lose as much as 80%

Effective through 2011

- Payroll tax cut
- Deduction of state and local sales taxes
- Tax-free distributions from IRAs for charity
- Deduction for qualified tuition and expenses
- Teacher expense deduction
- A "patch" on the Alternative Minimum Tax
- A modified tax credit for adding energy-efficient equipment to your home
- The special rule regarding contributions of capital gain real property for conservation purposes

Effective through 2012

- Reduced individual income tax rates
- The 15% and 0% rates on long-term capital gains and qualified dividends
- Repeal of the overall limitation on itemized deductions
- Repeal of the personal exemption phase-out
- Marriage penalty relief
- Child tax credit enhancements
- Earned income tax credit enhancements
- Adoption credit enhancements
- Dependent care tax credit enhancements
- American Opportunity Tax Credit
- Coverdell Education Savings Account enhancements
- Student loan interest deduction enhancements
- $5 million exemption and 35% top rate for estate, gift, and generation-skipping transfer taxes

Plus many other provisions, including business provisions of the value of those deductions. Not so in 2011 and 2012! The extended repeal of the overall limitation on certain itemized deductions may make 2011 and 2012 especially good years tax-wise to make gifts to charity and pay deductible expenses.

Investors

The relatively low tax rates that investors have enjoyed in recent years will remain in place through 2012. Long-term capital gains and qualified dividends will continue to be taxed at 15% for many investors, while investors whose income falls within the lowest two income tax brackets remain eligible for the 0% rate.

This extension gives you two more years to maximize your gifts by giving appreciated securities to individuals eligible for the 0% tax rate. This might include your parents or adult children if their income is under $34,500, or $69,000 if married filing jointly. You can also make gifts to your younger children, but be sure to consider the "kiddie" tax first. Generally, investment income in excess of $1,900 (the 2011 threshold) is taxed at the parent's rate if a child is under age 19, or age 24 if a full-time student.

If your income falls within the lower two income tax brackets, 2011 and 2012 may be a great time for you to sell highly appreciated securities—at least from a tax perspective. As long as your income does not exceed $34,500 (or $69,000 if married filing jointly) with the capital gains added in, there will not be any tax on the long-term gains. Of course, you should not make the decision to sell investments based solely on taxes.

If recent history is any indication, we may not know until the end of 2012 whether the 15% and 0% rates on capital gains and qualified dividends will be allowed to expire or perhaps be made permanent at their current levels.

But we already know that a tax increase is in store in 2013 for single investors with incomes over $200,000, married investors filing jointly with incomes over $250,000, and married investors filing separately with incomes over $125,000. Beginning in 2013, a new 3.8% Medicare tax will apply to the lesser of their net investment income or the amount by which their modified adjusted gross income exceeds the threshold amount for their filing status ($200,000, $250,000, or $125,000).

Saving and Paying for Education

Middle-income families who are saving and paying for education have a lot to be thankful for with the passage of the tax relief act.

First, the enhancements added to Coverdell Education Savings Accounts in recent years have been extended through 2012. This means that eligible individuals can continue to contribute up to $2,000 per student per year and use the savings tax-free to pay for grades K-12, as well as college and graduate school. If the enhancements had been allowed to “sunset” after 2010, contributions would have been capped at $500 per student per year and withdrawals for grades K-12 would have been taxable.

Second, the American Opportunity Tax Credit (AOTC) had been set to morph back into the Hope credit after 2010, but has instead been extended through 2012. The AOTC, with its higher income limits and its ability to be claimed for the first four years of college instead of just the first two years, enables more families paying for college to claim a tax credit. Plus, the AOTC remains partially refundable through 2012.

Third, the deduction for qualified tuition and expenses, which had expired after 2009, is extended through 2010 and 2011.

And fourth, the enhancements to the student loan interest deduction are extended through 2012, enabling more middle-income individuals to qualify for the deduction and for longer periods than just the first five years that interest payments are required.

Homeowners

The tax relief act was not as generous to homeowners as it was to some other groups.

The provision allowing homeowners to take an additional standard deduction for property taxes expired after 2009 and was not extended. So, homeowners who do not itemize deductions on their income tax returns can no longer deduct property taxes they pay.

The tax credit for adding energy-saving equipment to your home is extended through 2011, but not at the generous terms available to us in 2009 and 2010 when 30% of the cost of qualified furnaces, insulation, doors, windows, and the like could be claimed, up to a combined total of $1,500 for both years. In 2011, the credit returns to its pre-2009 rates and structure, which generally limit the credit to 10% of the cost of qualified equipment, up to a maximum of $500 for all years. So, if you claimed $500 or more of this credit in earlier years, you cannot claim it for 2011.

Although the credit is limited to 10% of the cost of certain types of equipment (qualified roofs, insulation, and exterior windows and doors), other types of equipment are eligible for specific credit amounts: $50 for each qualified advanced main air circulating fan, $150 for each qualified furnace and boiler, and $300 for each qualified heat pump, central air conditioner, water heater, and biomass fuel stove. No more than $200 of the credit may be attributable to windows.

Donors

Charitable-minded individuals over the age of 70½ can once again make tax-free contributions of up to $100,000 per year from their IRAs to charities in 2010 and 2011.

Gift and Estate Taxes

The tax relief act makes major—albeit temporary—changes to the federal gift, estate, and generation skipping transfer taxes. These changes allow individuals to transfer considerably more wealth through 2012 without it being subject to federal transfer taxes. Here’s a brief introduction to some of the changes.

The exemption is increased to $5 million. This means that each of us can give away up to $5 million free from federal transfer taxes during our lifetimes or after death—well, at least temporarily.

The $5 million exemption applies to the federal estate tax and the generation skipping transfer tax in 2010, 2011, and 2012. That's quite a jump up from the $3.5 million exemption in 2009 and a far cry from the $1 million exemption scheduled for after 2010 if Congress had not acted.

The $5 million exemption also applies to the federal gift tax in 2011 and 2012. So, those folks who have already used up their $1 million gift tax exemption can give an additional $4 million away before the end of 2012 without their gifts being subject to the federal gift tax.

Thanks to the large increase in the federal gift tax exemption, 2011 and 2012 may be a good time for wealthy individuals to make lifetime gifts in order to reduce the size of their taxable estates. Your estate planning advisor can help you determine how the gifts might be structured to minimize taxes and to maximize the wealth you pass on to your children, grandchildren, and generations beyond.

You may also want to take advantage of the $5 million federal gift tax exemption if you live in a state with a lower state estate tax exemption. Giving assets away now using the $5 million federal gift tax exemption may result in lower or no state estate tax down the road.

Unused exemption amounts are portable between spouses. This new provision ensures (at least temporarily) that if a spouse does not use his or her entire $5 million exemption, the unused part of the exemption can generally be used by the surviving spouse.

For example, let's say John dies in 2011 having used only $3 million of his exemption and his wife Mary has not used any of her $5 million exemption. John's remaining $2 million exemption is added to Mary's $5 million exemption, leaving Mary with a $7 million exemption. Mary may use this $7 million exemption to make tax-free lifetime gifts or transfers at death during 2011 and 2012. (Note: Although the surviving spouse can use the unused exemption for gift and estate tax purposes, he or she cannot use it for generation-skipping tax purposes.)

Portability may help simplify estate planning for many couples if the provision is made permanent. Without it, married couples with taxable estates generally must take additional estate planning steps to help ensure that the exemption of the first spouse to die is fully used.

The maximum tax rate is reduced to 35% through 2012. The new rate (35%) is lower than it was in 2009 (45%) and far lower than it would have been after 2010 (55%) had Congress not acted. And it applies to all forms of the federal transfer taxes—gift, estate, and generation skipping transfer taxes.

2010 estates have a choice. The estates of individuals who died in 2010 (the year the federal estate tax was repealed) can either use the new estate tax rules ($5 million exemption/35% maximum rate/stepped-up basis) or the modified carryover basis rules that were originally intended to be used in 2010 in lieu of the estate tax. Essentially, estates can choose the set of rules that is more favorable in their particular circumstances.

It is a good idea to have your legal and tax advisors review your estate plan in 2011 to determine whether your plan may need adjusting in light of the latest round of changes to the federal transfer taxes. ■

Please consult your tax and financial advisors for advice on your specific situation.

Federal Transfer Taxes

	2010	2011 and 2012[2]
	EXEMPTION/MAXIMUM TAX RATE	EXEMPTION/MAXIMUM TAX RATE
Estate tax	$5 million / 35%[1]	$5 million / 35%
Generation-skipping transfer tax	$5 million / 0%	$5 million / 35%
Gift tax	$1 million / 35%	$5 million / 35%

[1] Estates of individuals who die in 2010 have the option to use the modified carryover basis rules, enacted under EGTTRA, instead of the estate tax.

[2] The $5 million exemption will be indexed for inflation after 2011.

Is a distribution from your IRA the best way to make a gift to charity?

If you are older than age 70½ and want to make a gift to charity, you can have up to $100,000 of your IRA savings distributed tax-free to qualified charities in 2011. Making a gift to charity this way can be a good choice for some people, but is it the right choice for you?

First, a little background. If you have a Traditional IRA, you must take a minimum distribution from it each year after age 70½. The distributions are added to your gross income for tax purposes, which drives up your taxes. If you have money distributed directly from your IRA to a qualified charity, the distribution counts towards your minimum distribution for the year, but is not added to your income and therefore escapes taxation. However, you cannot claim a charitable deduction for the charitable distribution.

In general, a charitable IRA distribution is a good choice for individuals who want to make a gift to charity and who stand to benefit more from a reduction in gross income than from a charitable deduction. Here's one scenario in which a charitable IRA distribution may be a good choice:

> Sue, age 75, donates $3,000 to her church every year. She cannot deduct her charitable contributions on her tax return because she takes the standard deduction rather than itemizing.
>
> Sue has savings in a Traditional IRA and must take a minimum distribution from her IRA each year because she is older than age 70½. The distribution is added to her gross income, which increases her income taxes for the year.
>
> If Sue rolls over her $3,000 contribution directly from her Traditional IRA to her church, the distribution is not added to her annual income and Sue will not have to pay taxes on it. Even though the distribution is made to the church (or any qualified charity Sue chooses), it still counts toward Sue's minimum distribution for the year.
>
> So by using a charitable IRA distribution, Sue avoids being taxed on that distribution—a tax benefit that she would not have received if she had simply written a $3,000 check to the charity.

There are also scenarios in which charitable IRA distributions are not the best option. For example, although charitable IRA distributions are permitted from Roth IRAs, all distributions from Roth IRAs are generally tax-free at this point in your life anyway. Plus, account owners are not required to take distributions from Roth IRAs. You are generally better off donating assets from sources other than a Roth IRA.

If you decide that a charitable IRA distribution is the right way for you to donate to charity, be sure to have your IRA's trustee transfer it directly to the charity. If you withdraw the money yourself, it will be added to your income and taxed. ■

With so many ways to structure a charitable gift, each offering potential benefits to the donor, it is smart to run through your options first with your tax and financial advisors. Your advisors can help you identify the assets and the giving method that suit your financial objectives best.

©iStockphoto.com/Jin Kim

Test Your Retirement Planning Know-How

Retirement may be the largest financial goal of your life—but how much do you really know about saving and planning for it? Here's a chance to put your retirement planning know-how to the test.

Quiz

1. **The best time to begin saving for retirement is generally:**

   A. As early as possible
   B. Age 30
   C. Age 40
   D. Never. Social Security has you covered.

2. **If you plan to retire at age 65, how long may your retirement savings need to last?**

   A. 5 years
   B. 10 years
   C. 15 years
   D. 25 years or more

3. **The majority of your 401(k) retirement account should be invested in your company's stock.**

   A. True
   B. False

4. **When you leave a job, the assets in your 401(k) account may be:**

   A. Left where they are
   B. Transferred to your new employer's 401(k) plan
   C. Rolled over to an IRA
   D. Cashed out
   E. All of the above

5. **If your spouse has an income from employment, but you do not, can you contribute to an IRA?**

   A. Yes
   B. No

6. **At what age can you begin to contribute an extra amount to an IRA each year?**

   A. Age 45
   B. Age 50
   C. Age 55
   D. Age 60

7. **Someone who is close to retirement age, but hasn't saved enough, may want to consider:**

   A. Increasing the amount they save each year
   B. Changing their investment mix to one with a potentially higher return
   C. Working longer
   D. All of the above

8. **As retirement nears, it is generally a good idea to shift toward less volatile types of investments.**

   A. True
   B. False

9. **At what age can you begin withdrawing money from an IRA without getting hit by a 10% early withdrawal penalty?**

   A. The year you retire
   B. Your full Social Security age
   C. Age 59½
   D. Age 65

10. **At what age do you become eligible for Social Security retirement benefits?**

    A. 55
    B. 60
    C. 62
    D. 65

11. **The average monthly Social Security benefit for a retired worker in 2010 was:**

    A. $1,164
    B. $1,843
    C. $2,356
    D. $3,413

12. **Will the amount of your Social Security benefit payments increase if you wait longer to begin receiving them?**

    A. Yes, but only up until age 65
    B. Yes, but only up until age 70
    C. Yes, but only up until age 75
    D. No

13. **You can generally begin Medicare at age:**

    A. 55
    B. 60
    C. 62
    D. 65

14. **The premium-free part of Medicare (Part A) provides coverage for:**

    A. Hospital expenses
    B. Medical expenses, such as doctors' services
    C. Prescription drugs
    D. All of the above

PLEASE SEE THE ANSWERS ON THE NEXT PAGES.

Answers

1. **The best time to begin saving for retirement is generally:**

   A. As early as possible

   Beginning to save for retirement as early as possible allows more time for your investment earnings to potentially compound—and the more time your earnings have to compound, the less money you may need to contribute to reach your retirement goal.

2. **If you plan to retire at age 65, how long may your retirement savings need to last?**

   D. 25 years or more

   It is not unusual for people today to live to age 90 and beyond. You should aim to save enough money to comfortably carry you for 25 years or more.

3. **The majority of your 401(k) retirement account should be invested in your company's stock.**

   B. False

   Remember the old adage not to put all of your eggs in one basket? It applies to investments also. Loading up on your employer's stock—or any security, for that matter—adds too much risk to your investment portfolio. If the value of the stock tumbles, you may lose nearly everything. Choosing a diversified group of investments whose returns don't typically rise and fall at the same time helps minimize the risk to your portfolio. (Asset allocation and diversification do not assure a profit or protect against loss in declining markets.)

4. **When you leave a job, the assets in your 401(k) account may be:**

   E. All of the above

   In general, when you leave a job, the savings in your 401(k) account may be left in your former employer's plan, transferred to your new employer's plan, rolled over to an IRA, or cashed out. Be wary of the last option, though, when you change jobs. Prematurely dipping into your retirement savings will cause you to lose ground on your journey toward your retirement goal.

5. **If your spouse has an income from employment, but you do not, can you contribute to an IRA?**

   A. Yes

   You can contribute to an IRA even if you are not employed, as long as your spouse has enough earned income (wages, self-employment income, etc.) to cover your contribution and you file a joint tax return. To contribute to a Traditional IRA, you must be under age 70½ at the end of the tax year for which the contribution is made. To contribute to a Roth IRA, you and your spouse's modified adjusted gross income (AGI) must be under $179,000. The Roth IRA contribution limit is reduced if your modified AGI is between $169,000 and $179,000. (2011 limits.)

6. **At what age can you begin to contribute an extra amount to an IRA each year?**

   B. Age 50

   Beginning at age 50, you can generally contribute up to an extra $1,000 per year above the general limit to your personal IRA. And if your employer's plan permits it, you may be able to contribute up to an extra $5,500 to a 401(k), 403(b), or governmental 457(b) plan or an extra $2,500 to a SIMPLE IRA or SIMPLE 401(k). (2011 contribution limits.)

7. **Someone who is close to retirement age, but hasn't saved enough, may want to consider:**

   D. All of the above

   If you are not on track to reach your retirement goal, increasing the amount you save each year, changing to an investment mix with the potential for higher returns, and working a few years longer may all help you play catch-up with your retirement savings. Your financial advisor can help you determine which strategies are appropriate in your circumstances.

8. **As retirement nears, it is generally a good idea to shift toward less volatile types of investments.**

   A. True

   As you draw closer to the time when you will need your money, it is generally a good idea to shift to less volatile investments (investments that are less prone to dramatic price swings) because less time remains for them to potentially recover from market downturns. Generally as people approach retirement, they gradually shift some of their savings from more volatile types of investments, such as stocks and stock funds, to less volatile types of investments, such as bonds and cash, in an effort to help protect what they have saved so far.

9. **At what age can you begin withdrawing money from an IRA without getting hit by a 10% early withdrawal penalty?**

   C. Age 59½

   Savings you withdraw from an IRA before age 59½ (and before a Roth IRA has been open for at least five years) are generally subject to a 10% early withdrawal tax penalty on top of the regular income tax you will owe. There are exceptions to this "age 59½ rule" that may allow you to withdraw money from your IRA without penalty before age 59½. Please consult your financial advisor about the exceptions if you want to tap into your IRA early. FYI: Money you contribute to a Roth IRA can be withdrawn tax-free and penalty-free at any time. The same holds true for nondeductible contributions you make to a Traditional IRA.

10. At what age do you become eligible for Social Security retirement benefits?

C. 62

You can begin receiving Social Security retirement benefits at age 62. Generally, you or your spouse must have worked for at least 10 years and paid Social Security taxes to be eligible to receive Social Security retirement benefits.

11. The average monthly Social Security benefit for a retired worker in 2010 was:

A. $1,164

Not all that much, huh? That is why saving for retirement on your own is so very important.

12. Will the amount of your Social Security benefit payments increase if you wait longer to begin receiving them?

B. Yes, but only up until age 70

Your monthly retirement benefits will permanently increase for every month between ages 62 and 70 that you delay starting them.

13. You can generally begin Medicare at age:

D. 65

If you expect to retire before age 65, make certain that you have a plan in place to cover your medical expenses until Medicare kicks in.

14. The premium-free part of Medicare (Part A) provides coverage for:

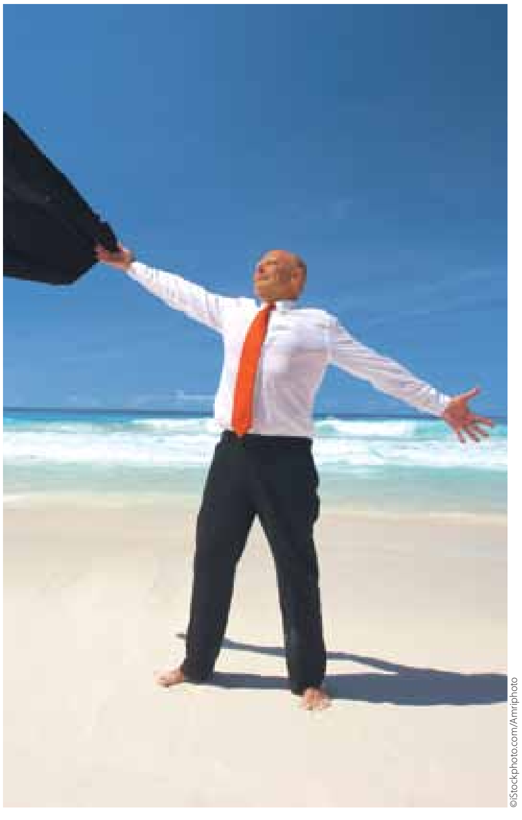
A. Hospital expenses

Hospital insurance is the only part of Medicare that qualified individuals receive without having to pay monthly premiums. To receive Medicare's medical insurance (it helps pay for doctors' services and outpatient care) or prescription drug coverage, you'll need to pay monthly premiums. When determining how much to save for retirement, be sure to factor in health insurance and health care costs. They can really add up over the years. ■

How did you do?

We hope you aced it! Of course, the real test comes after you retire when you learn how well you planned for your actual retirement.

Your financial advisor can help you with the real test, by estimating how much you may need to save for a comfortable, secure retirement and by suggesting financial strategies designed to help you move toward your goal. And as you near retirement, your advisor can help you create a plan for managing and tapping your retirement assets.



©iStockphoto.com/Amriphoto

Zion National Park: Heaven in the Wilderness

The truth is most of southern Utah is exceedingly daunting. I've been driving all day through the desert dust, the rocky landscape only enlivened by the odd road sign peppered with bullet holes. The endless road is hogged by transcontinental trucks and studded with depressing announcements: Last diner for 85 miles! The sun has scorched my arm through the tinted window of my car, and my eyes ache with the glare of nothingness. Then I stumble on a magnificent surprise on a colossal scale—Zion National Park. As I drive into the park, I feel like falling to my knees like a Mormon catching a glimpse of heaven.

BY BRIAN JOHNSTON

©iStockphoto.com/Scott Cramer

In the middle of the desert, a vast valley unfolds, unwinding a river and swatches of green trees. On either side, vast cliffs rise like something from a sci-fi movie planet, sculpted in white and red. If you think you've already seen these landscapes in the pages of *National Geographic* and reels of Clint Eastwood movies, the real thing will jolt you out of your jaded tourist attitude and make you gasp in amazement. This is the Wild West, where surprises come out of nowhere and you drive through splendid scenery feeling like a cowboy hero.

The sheer walls of Zion Canyon rear hundreds of feet on either side, but these aren't just any old cliffs. You have to resort to architectural terms to describe these domes and buttresses and towers. Cathedrals come to mind: a gargoyle here, a rock face like an Old Testament prophet there. Hidden among the cracks and valleys are lush pools and tumbling waterfalls, shaded by trees and ferns and haunted by deer and squirrels.

It isn't hard to see why Paiute natives considered this canyon a holy place. Nor why early explorers, dazed by the desert, called it Zion and thought they'd arrived in a god-given land. And small wonder that many of its landforms have religious names: Court of the Patriarchs, West Temple, Angel's Landing. The whole valley is dominated by the Great White Throne, a gigantic monolith of rock that can be seen from just about everywhere.

There are two separate areas to this national park: Zion Canyon and Kolob Canyons. The latter is far less frequented and, if you have the time, worth visiting for their red rock formations and natural stone arches, such as the spectacular Double Arch Alcove and Kolob Arch, either of which rival anything to be seen in Arches National Park. In fact, Kolob Arch is considered the largest free-standing arch anywhere in the world.

Most people, however, stick to Zion Canyon, which offers a full range of possibilities, from a sedate day visit to some serious hiking and camping in the backcountry. There is an excellent system of well-maintained trails and interpretive displays, and park rangers are always ready to give advice. Free hiking brochures are available at the visitor's center, with several booklets on sale for those wanting to tackle more challenging overnight treks.

The park is open all year and, if you're searching for solitude, winter still provides good hiking at lower elevations. Spring or autumn is a great time for both hiking and horse riding. Be aware that Zion is closed to private vehicles between April and October, and things can get very busy during summer and holidays, such as Labor Day. A free shuttle bus brings visitors through the valley from the visitor's center and the town of Springdale. Shuttles will also take hikers and mountain bikers to more remote backcountry.

The Narrows, in the upper reaches of Zion Canyon, is 16 miles long, up to 2000 feet deep, and at times only 20 feet wide.

Even if you're only here for the day, try to experience Zion from its two perspectives: a high-plateau look down into the valley, and a lower walk that dwarfs you with spectacular soaring cliffs.

The Canyon Overlook Trail has one of the best views from above. Not for the faint of heart, the Angel's Landing Trail teeters along rock ledges before arriving at another of Zion's most amazing viewpoints. Chains are the only thing separating you from sheer drops here. Another less serious danger: some over-familiar chipmunks may try to steal your chocolate bar. The daylong East Mesa Trail also has stunning views all the way down the canyon, and looks the Great White Throne in the face.

But the joy of Zion is its accessibility, with plenty of scenic strolls along the valley bottom for the casual walker. The Emerald Pools Trail is truly marvelous, wandering past pools colored with algae towards waterfalls and cliffs dripping with ferns and yellow columbine.

At the top end of the valley, the Riverside Walk is delightful. Those up for a challenge can continue into The Narrows, wading through water to admire the awesome power of nature. Be prepared: you'll need hiking permission and information on the weather because of the dangers of flash flooding on The Narrows walk.

While Zion is a top tourist attraction, it's easy to forget it wasn't designed by Walt Disney, even if you do come across gamboling deer and the odd chipmunk. Some of those gentle trails you see from the road, wandering through attractively shaded forest, soon deteriorate into steep paths exposed to extremes of blistering heat and cold. An adequate supply of water is essential; heat stroke is a serious problem for hikers in Utah. Then there's also the possibility of sudden thunderstorms, flash floods, rock falls, and the dangers of wild elk in the rutting season. The rutting season for elk is September, in case you didn't know, when the animals can become very aggressive.

Still, while this is a reminder that paradise comes with thorns (or antlers), you're far more likely to encounter lizards, quail, bubbling streams, and a great deal of peace and quiet. And if you encounter the tiny Zion snail, pause in admiration. It's unique to this valley, and a small-scale counterpoint to the vast geology.

As with any national park in America's West, make sure you linger until sunset. For most of the day, the sun can be harsh, flattening the landscape and leaching it of color. But for a sublime hour before dusk, the desert colors emerge on the monumental sandstone faces, which glow red and pink and cast long purple shadows.

Thank goodness for digital photography: in the old days, you'd have worked through a fortune in film. And if you think it's somewhat eccentric to gawp at some rocks, these rocks will show you why. They will also explain why you've driven so far, through so much desert nothing, to see one of America's most splendid sights. ■

©iStockphoto.com/MistikaS

Concours d'Elegance

A Concours d'Elegance is a competition of elegance among some of the world's most treasured, most beautifully restored classic and antique cars. At stake for the competitors, a raft of best of class awards and the coveted best of show award. And for those simply attending the event, a day wandering amidst gorgeous cars from a bygone era.

Here's how a Concours d'Elegance generally works. Car collectors are invited to apply for the competition. A selection committee narrows down the applicants to the 100 or so cars that will actually compete. The cars are grouped into classes with evocative names, such as Ferrari Grand Touring, Rolls-Royce Silver Ghost through 1919, and American Classic Open.

On the day of a Concours d'Elegance, classic car experts judge the entrants on attributes, such as quality, rarity, and, of course, elegance. Prizes are awarded to the top cars in each class with the best of show award being chosen from among the best of class winners.

Many of the events are paired with a Tour d'Elegance—a chance to see the cars in action on the open road, as the entrants drive a set course along the area's roadways.

Whether you are a car owner participating in a Concours d'Elegance or simply a car enthusiast out to spend an afternoon admiring the elegant lines of some of the finest cars in the world, a Concours d'Elegance is the place to be. A few of the events scheduled for this summer and fall are listed here. ■

California
Pebble Beach Concours d'Elegance
Tour d'Elegance: August 18, 2011
Concours d'Elegance: August 21, 2011

California
Hillsborough Concours d'Elegance
Tour d'Elegance: August 27, 2011
Concours d'Elegance: August 28, 2011

Kentucky
The Louisville Concours d'Elegance
September 30–October 2, 2011

South Carolina
The Hilton Head Island Concours d'Elegance & Motoring Festival
October 29–November 6, 2011

Texas
Classy Chassis™ Concours d'Elegance
June 11–12, 2011 in Houston

Washington
Kirkland Concours d'Elegance
September 11, 2011

What's On at the Art Museums

Denver, CO
Cities of Splendor: A Journey Through Renaissance Italy • *Through July 31, 2011*
Visitors to this exhibition at the Denver Art Museum can explore more than 50 paintings, textiles, sculptures, and decorative arts from late 15th-century and early 16th-century Italy.

Madison, WI
The Industrial Modern • *May 28–September 4, 2011*
This exhibition at the Madison Museum of Contemporary Art focuses on artists' conflicted responses to industry, labor, and the urban environment.

Philadelphia, PA
Paris Through the Window: Marc Chagall and His Circle • *Through July 10, 2011*
About 40 paintings and sculptures by artists, such as Marc Chagall, Amedeo Mondigliani, and Chaim Soutine, who worked in or near the Montparnasse area of Paris in the early 20th century are on display at the Philadelphia Museum of Art.

Richmond, VA
Indianapolis, IN
New York City, NY
Dynasty and Divinity: Ife Art in Ancient Nigeria
Superbly crafted sculptures created in the Ife region of Nigeria during the 12th through 15th centuries will be on display at the Virginia Museum of Fine Arts (through May 22, 2011), before moving on to the Indianapolis Museum of Art (July 8–October 9, 2011) and the Museum for African Art in New York City (November 11, 2011–April 8, 2012).

Washington, DC
Italian Master Drawings from the Wolfgang Ratjen Collection: 1525–1835 • *May 8–November 27, 2011*
Assembled by the private collector Wolfgang Ratjen, the 65 drawings featured in this exhibition at the National Gallery of Art showcase the splendors of Italian draftsmanship. Artists represented include Domenico Tintoretto, Giovanni Battista Piranesi, and Canaletto. ■

1. This simple game from the 1970s is based on table tennis:
   A. Pong
   B. Pac-Man

2. Mario, the star of many Nintendo games, has a brother named:
   A. Bowser
   B. Luigi

3. This free online role-playing game, set in the medieval world of Gielinor, has more than 175 million registered users:
   A. RuneScape
   B. World of Warcraft

4. You can build your own city with:
   A. SimCity
   B. Professor Layton and the Curious Village

5. Name the second character in the space-age duo, Ratchet and...
   A. Peach
   B. Clank

6. This game that dishes out revenge on green pigs was the #1 paid app in the U.S. in early 2011, according to iPhone rankings:
   A. Sheeple Chase
   B. Angry Birds

7. This series of video games focuses on an interstellar war, known as the Human-Covenant War:
   A. Halo
   B. Dead Space

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