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EYE ON MONEY

SEP OCT 2011

Tips for
Cracking Open Your Nest Egg
at Retirement

Plus...
Should I Undo My Roth IRA Conversion?
A 401(k) Plan for the Self-Employed

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LIVE GREEN

and reap the tax rewards!

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You may be eligible to claim tax credits for improving the energy efficiency of your home. Tax credits reduce your tax liability dollar for dollar. The federal government offers tax credits for choosing qualified equipment—and your state may offer incentives also!

Up to a $500 Federal Tax Credit for

Energy-Saving Home Improvements

Homeowners who make qualified energy-efficient improvements to their main homes before the end of 2011 may be able to offset part of the cost with the Nonbusiness Energy Property Credit.

The equipment must meet specific energy standards.

The credit amount depends on the type of equipment and is limited to a total of $500 for all years. No more than $200 of the credit may be attributable to windows.

Roofs	10% of cost
Insulation	10% of cost
Exterior windows and doors	10% of cost
Advanced main air circulating fan	$50
Furnace	$150
Boiler	$150
Electric heat pump	$300
Central air conditioner	$300
Water heater	$300
Biomass fuel stove	$300

30% Federal Tax Credit for

Alternative Energy Equipment

The Residential Energy Efficient Property Credit can be claimed for qualified alternative energy equipment you add to a home you own in the United States.

The equipment must meet specific energy standards.

The credit is equal to 30% of the cost of the equipment and the labor to install it in your home. And with the exception of fuel cell property, there are no caps on the credit!

This credit can be claimed for:

Geothermal heat pumps

Solar electric systems

Solar hot water heaters

Wind turbines

Fuel cell property[1]

[1] The credit for fuel cell property is limited to $500 for each 0.5 kilowatt of capacity and can only be claimed for equipment added to your main home.

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How to Find Your Missing Money

- **Missing money: Check your state's unclaimed property website.**
  Have you ever forgotten to cash a check, lost track of a bank account, or moved without notifying businesses that may owe you money? If so, your state may be holding funds for you. The place to start your search is your state's unclaimed property website or **www.unclaimed.org**, where you'll find links to all of the states' websites.

- **Uncashed savings bonds: Go on a Treasury Hunt!**
  If you have lost track of a matured savings bond, the U.S. Department of Treasury's Treasury Hunt search feature at **www.treasuryhunt.gov** can help. It can also help you find interest payments that were undeliverable.

- **Tax refunds you didn't receive: Update your address with the IRS.**
  The IRS is holding millions of dollars of undeliverable refund checks. If you did not receive a refund you were due, you can update your address by visiting the IRS website, **www.IRS.gov**, and clicking on "Where's my refund?".

- **Unclaimed deposits from bank failures: Check the FDIC's unclaimed funds database.**
  If you had an insured deposit in a financial institution that was closed by a regulatory agency and you did not claim it from the assuming financial institution, the Federal Deposit Insurance Corporation (FDIC) may be holding it for you. You can search for it on the Unclaimed Funds page at **www.fdic.gov**.

- **Terminated pension plans: Search the PBGC's missing participant list.**
  If you participated in a defined benefit pension plan that was later terminated, your pension benefits may be being held for you by the Pension Benefit Guaranty Corporation (PBGC). If the PBGC was unable to contact you, your name may be included in their Find Missing Participants list, which you can search at **www.pbgc.gov**.

- **Unexpected refund from an FHA-insured mortgage: Search for it at HUD's website.**
  If you paid an up-front mortgage insurance premium at closing on an FHA loan acquired after September 1, 1983, you may be eligible for a partial refund. You can find out on the "Does HUD owe you a refund?" page at the U.S. Department of Housing and Urban Development's website, **www.hud.gov**. ■

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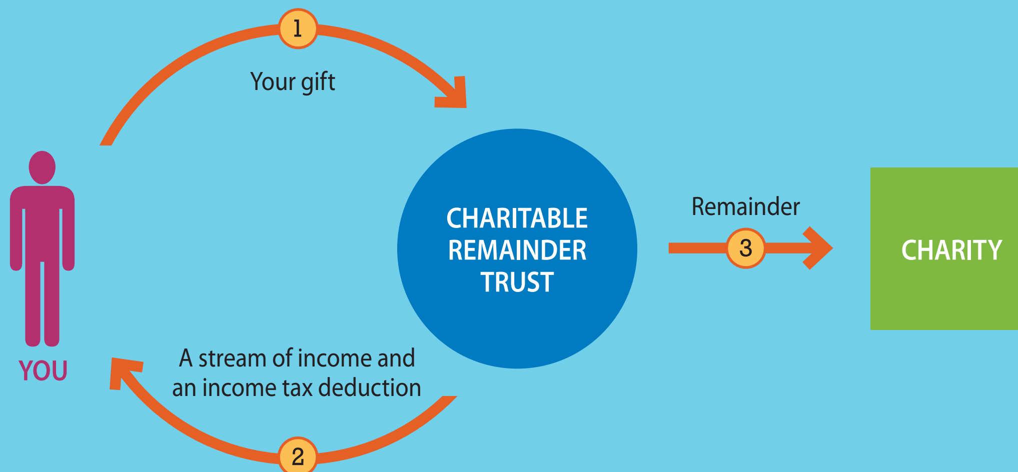

Charitable Remainder Trust

An income-generating charitable strategy.

Who should consider it?

Individuals who want to convert their highly appreciated assets into income-producing assets and who also want to make a significant gift to charity.

What is it?

A trust you create and fund that then pays you a stream of income with the remaining trust assets going to charity after your death.

What is the benefit?

A tax-savvy way to unlock a stream of income from highly appreciated assets.

A CHARITABLE REMAINDER TRUST enables you to make a significant gift to charity and receive an income from the donated assets for the rest of your life.

Here's how it works. You set up a charitable remainder trust and irrevocably transfer assets (typically highly appreciated stock or real estate) to it. The person who manages the trust (the trustee) invests the assets and pays you or someone else you name an income for life or for a specified number of years. The assets remaining in the trust at the end are transferred to the charities you selected.

This type of charitable gift offers you several potential tax advantages:

- A federal income tax deduction for part of your gift.
- No estate taxes on the assets in the trust.
- No capital gains tax when appreciated assets are sold inside the trust.

The last tax advantage—no capital gains tax when appreciated assets are sold inside the trust—may result in your income from the trust being greater than what your assets would have generated outside of the trust.

Let's say you own highly appreciated assets that are barely generating any income. If you sell the assets so that you can reinvest the proceeds in potentially higher yielding assets, the profit on the sale will be subject to capital gains tax, leaving less of the proceeds available to be reinvested. If you instead transfer the highly appreciated, low-yielding assets to a charitable remainder trust, the trustee can sell the assets without incurring capital gains tax. This leaves the entire proceeds available to be reinvested and may result in a greater stream of income than if the assets had remained outside of the trust. ■

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

Revocable Living Trust

A strategy for avoiding probate.

Who should consider it?

Individuals who want their assets to avoid probate.

What is it?

A legal arrangement that enables the assets you put in the trust to be distributed to your heirs without going through probate.

What is the benefit?

A potentially easier, faster, less expensive, and more private way to transfer your assets to your heirs.

A REVOCABLE LIVING TRUST is a legal arrangement you create to direct how the assets you place in the trust are to be managed during your lifetime and distributed after your death.

As trustee, you retain full control of the assets in the trust during your lifetime. You can invest the assets, spend them, and sell them, just as you would any of your other possessions. After your death, your successor trustee manages and distributes the assets per your directions. The main advantage of this arrangement is that the assets in the trust do not go through probate, a court-supervised process that wills must pass through.

Avoiding probate can be desirable in certain circumstances. Say, you live in a state with high probate costs. Using a revocable living trust to transfer your assets may save your estate a bundle. Please keep in mind, though, that not all states have high probate costs, so be sure to weigh the potential cost of probate against the cost of establishing a revocable living trust.

Even when probate costs are not a factor, a revocable living trust may still be the right tool for you. Say, you own real estate outside your home state. Placing it in a revocable living trust eliminates the need for probate proceedings in multiple states. Or say you want the details of your estate to remain private. A will becomes public record when it enters probate; a revocable living trust does not. Your successor trustee can transfer the assets in your trust without the details becoming public knowledge.

Revocable living trusts are also useful in avoiding court-appointed guardianship situations. Your successor trustee can step in, without court involvement, and manage the trust assets if you become incapacitated and are unable to manage them on your own. ■

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

Tips for **Cracking Open Your Nest Egg** at Retirement

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Cracking open a retirement nest egg takes finesse. Tap too hard, and your hard-earned savings may run out too quickly. Tap at the wrong time, and you may end up awash in taxes you could have avoided. But with a little finesse, you can crack open your retirement nest egg in a manner designed to make the most of your savings. Here are a few tips to get you started thinking about the best way to access your retirement savings. Of course, the tips are not a substitute for actual advice from your financial advisor about your specific situation.

Create a plan.

Perhaps the greatest risk you will face when cracking open your retirement nest egg is that you will spend your savings and investments too quickly, leaving nothing but Social Security for support in the later years of retirement. To help minimize this risk, it is important to create a financial plan for retirement that estimates how much you can afford to spend annually and that determines how your retirement assets should be invested.

Creating this plan is not as simple as it may sound. Individuals frequently enter retirement with several sources of retirement income, including pensions, individual retirement accounts (IRAs), 401(k) retirement accounts, investment and savings accounts, and businesses. Converting those assets into a stream of income can be challenging, making this an ideal time for some professional advice. Your financial advisor can review your financial situation, estimate how much you may be able to spend each year, and determine how your assets should be invested—all with an eye to maximizing the chance that your retirement assets will support you for your lifetime.

Avoid tax penalties on your retirement plan withdrawals.

By the time you retire, much of your wealth may be in tax-favored retirement plans, such as 401(k) plans and IRAs. These types of plans have strict rules regarding withdrawals—and a stiff 10% federal tax penalty for withdrawing money too early! Familiarizing yourself with the rules before you crack open a retirement account may help prevent Uncle Sam from skimming an extra 10% off the top of your withdrawals.

The main rule regarding withdrawals applies to your age. Money can generally be withdrawn without penalty after age 59½. The word "generally" is used because some types of retirement plans have additional requirements. Here's a brief look at the rules for a few popular types of retirement plans. These rules apply to account owners; other rules apply to people who have inherited their retirement accounts. Please consult your tax and financial advisers about your specific situation.

Traditional IRAs. Once you reach age 59½, withdrawals from your traditional IRA are penalty-free. There are no other

requirements you must meet to avoid the penalty on early withdrawals, but there is a special twist involving SIMPLE IRAs, a type of retirement plan offered by some employers. Early withdrawals from SIMPLE IRAs that occur during the first two years you participate in the plan are subject to a 25%—not a 10%—tax penalty.

Follow the rules, though, and you can avoid the penalty. You cannot avoid taxes, however, regardless of your age. Remember, traditional IRAs are tax-deferred, so withdrawals of your tax-deferred contributions and your investment earnings will be treated as ordinary income and will be subject to income taxes.

Roth IRAs. In addition to being at least age 59½, a Roth IRA must be open for at least five years before the earnings portion of a withdrawal is tax-free and penalty-free. The money you contributed can be withdrawn tax-free and penalty-free at any time and at any age because the contributions were made with money that had already been taxed. Once you reach age 59½ and the account has been open for five years, your entire withdrawal—including earnings—will be tax-free and penalty-free.

401(k) plans. Except in cases of financial hardship, 401(k) withdrawals are generally not permitted until you have left your job. And then you generally must reach age 59½ before your withdrawals escape the 10% penalty. There is an exception to the age 59½ rule, however, that says if you leave your job in or after the year you reach age 55, withdrawals are penalty-free from that company's 401(k) plan after you leave. And if you are a qualified public safety employee, the exception applies if you leave your job at or after age 50. This exception can only be used with 401(k) plans and other qualified retirement plans; it does not apply to IRAs.

There is an exception to the age 59½ rule that retirees with IRAs, as well as 401(k) plans, may find useful. You can avoid the 10% penalty by withdrawing your savings in a series of substantially equal periodic payments. The exact amount you must withdraw each year is calculated using one of three IRS-approved methods. The payments must continue for at least five years or until you reach age 59½, whichever is longer.

There are several other exceptions to the age 59½ rule to explore if you want to crack open your tax-favored retirement plans early, perhaps for reasons other than retirement.

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Stretch out the tax benefits of your retirement accounts.

If you have an employer-based retirement account, the tax benefits associated with it can potentially continue on for decades if you play your cards right. Here's the deal.

You will generally have three options of how to handle the savings in your 401(k) or similar account when you retire. You can transfer your savings to an IRA, leave them in your former employer's plan, or cash them out.

The first two options—moving to an IRA or remaining in the employer's plan—make it possible for your traditional savings to continue to grow tax-deferred and your Roth savings to continue to grow tax-free for as long as they remain in the account.

However, if you choose the third option—cashing out—your savings will lose their potential for future tax-favored growth. And if your savings are in a traditional, tax-deferred 401(k) account, you will owe income taxes on the pre-tax amount you withdraw. Let's say you decide to cash out your $1 million tax-deferred 401(k) account at retirement. This act will immediately push you into the highest federal income tax bracket (35%), if you were not already there, and you may immediately lose as much as $350,000 of your $1 million savings to federal income tax alone. That is $350,000 you will no longer have invested, potentially generating additional earnings throughout your retirement. If you are thinking about cashing out, please carefully consider the financial consequences first.

If you decide to preserve the tax-favored nature of your savings, you then have to decide whether to transfer your savings to an IRA or to leave them where they are. There are several things to consider when making this decision.

First, consider your investment choices. IRAs typically offer many more choices than employer-sponsored retirement plans. With an IRA, you can choose from mutual funds, exchange-traded funds (ETFs), stocks, bonds, and other types of investments. Plus, you may have access to lower cost funds than your employer's plan offers.

Second, consider required minimum distributions (RMDs). Beginning at age 70½, you are generally required to withdraw at least a certain amount each year from your employer-sponsored retirement plans and traditional IRAs—but not your Roth IRAs! So, if you have Roth savings in your employer-sponsored 401(k) plan, transferring those savings to a Roth IRA eliminates the RMD requirement. Avoiding RMDs can be a real plus if you do not need your Roth savings for living expenses and want to leave your Roth IRA intact to potentially grow tax-free for as long as possible. (Different rules apply if you inherited the retirement account.)

Third, consider your age. Remember, if you are at least age 55 when you leave the company, withdrawals are penalty-free from that company's 401(k) plan or other non-IRA qualified retirement plan. If you transfer your savings to an IRA, you must wait until age 59½ or use an exception to the age 59½ rule before withdrawals from the IRA are penalty-free.

Moving your savings to an IRA is relatively easy. The best way to handle it is to have your savings transferred directly from your 401(k) plan to your new IRA using a trustee-to-trustee transfer. Withdrawing the funds yourself from your 401(k) account with the intention of depositing them in an IRA opens up complications that most people would prefer to avoid.

Think twice before moving company stock into an IRA.

Do you own highly appreciated company stock in a tax-deferred qualified retirement plan, such as a 401(k) plan? You may save a bundle in taxes if you transfer the stock to a taxable brokerage account.

When you transfer company stock to a taxable account, part of its value becomes eligible for the long-term capital gains tax rate. No such luck if the stock remains in a tax-deferred account. Remember, withdrawals from tax-deferred accounts are taxed to you at ordinary income tax rates, which are generally higher than long-term capital gains tax rates. By transferring the stock to a taxable account, at least part of the stock's value becomes eligible for a lower tax rate.

Here's how this strategy works. When actual shares of company stock or other employer securities are distributed to a taxable account, the cost basis of those shares (the price originally paid for them) is immediately subject to tax at ordinary income tax rates. Any appreciation in the stock's value (known as net unrealized appreciation or NUA) that occurred while the stock was in the employer's retirement plan will be taxed at a long-term capital gains tax rate when the stock is sold.

In order to use the NUA strategy, your company's retirement plan must permit the transfer of actual shares of company securities; not all plans do. Also, the shares must be transferred directly from the employer's retirement plan to the taxable account.

If you decide to use the NUA strategy, you can transfer just your company stock to a taxable account and your remaining assets to an IRA.

Determining whether or not to use the NUA strategy is a complex decision—and an irrevocable one. Please talk it over with your financial advisor before deciding. ■

How you crack into your retirement nest egg may affect your financial security for decades to come. Please seek advice from your financial advisor, who can help you create a plan for accessing your retirement savings and investing your retirement assets.

Colleges Offer New Online Calculators that Estimate the

Net Price of College Attendance

WOULD A COLLEGE PRICE TAG of $50,000 per year cause you to cross that school off your list of prospective colleges? It would for many families. But before you let the published price scare you away from a college your son or daughter would otherwise love to attend, it is a good idea to look beyond the published price.

The reality is that many students pay less than a college's published price—sometimes far less. According to U.S. Department of Education statistics, nearly two-thirds of full-time undergraduate students receive grants (money that does not need to be repaid) that drive down the actual cost of attendance. But how is a family to know in advance how much, if any, grant aid their student might expect from a particular school? With a net price calculator, of course!

Beginning in October 2011, every undergraduate college and university in the U.S. that participates in federal student aid programs must have a net price calculator on its website.

By visiting your prospective college's website and entering some information about your situation into the net price calculator, you get back an estimate of how much attendance may cost you at that school after potential grants are subtracted from the cost of attendance.

The calculators base their estimates on what students in situations similar to yours actually paid in the prior year. Depending on the data you enter, you may find that the actual cost of attendance for someone in your circumstances is significantly less than the college's published price. Or you may find that the cost hasn't wavered from the published price. But at least you are in a better position to determine whether the school should remain on your list of potential colleges.

It is important to recognize that the net price calculation is simply an estimate, and your actual financial award can vary from the estimate.

Some colleges have taken their calculators a step further than required and offer estimates of how much the student and the family may be expected to chip in (the expected family contribution) and how much the student might expect in loans and work-study programs. Again, the results provided by these financial aid calculators are just estimates. The student will still need to complete the Free Application for Federal Student Aid (FAFSA) and perhaps other financial aid forms. The student must also apply and be accepted to the college before he or she will learn exactly how much financial aid the college will offer.

So, when narrowing down your college choices, be sure to check out the net price calculators on the colleges' websites. You may find the school your student is longing to attend is potentially within your means once grants are factored in. ■

If you would like to help your children or grandchildren pay for college, please talk to your financial advisor about it. Your advisor can help you determine the best way to fund a college education.

(Hint: For most students, it is not the college's published prices.)

Now you can get a more personal estimate using the net price calculator on your prospective college's website.

©iStockphoto.com/Laptop: CostinT, background: Dale Taylor

Estimated Net Price = Price of Attendance - Grant Aid

Price of Attendance: Average annual cost of tuition and fees, room and board, books, supplies, and transportation.

Grant Aid: Based on what students received last year.

You have until October 17, 2011 to undo a 2010 Roth IRA conversion.

©iStockphoto.com/Bowl p. 12: Altay Kaya, bowl p. 13, Craftvision

Should I undo my Roth IRA conversion?

- **Why would I consider undoing my Roth IRA conversion?**

When the income limits on converting to Roth IRAs were removed in 2010, many individuals took the plunge and converted their tax-deferred retirement accounts to tax-free Roth IRAs. If you are one of those individuals, this is a good time to check your Roth IRA balance. If the value of your Roth IRA has decreased significantly since the conversion, you may want to undo the conversion so that you will not have to pay income tax on the lost value.

When you convert a traditional IRA or an employer-sponsored retirement account to a Roth IRA, you must pay income tax on the taxable amount you convert. Say, you converted $100,000 last year to a Roth IRA, all of it taxable, and its value has since dropped to $75,000. Rather than pay income tax on the $100,000, you can wipe out the entire tax liability by having the assets in your Roth IRA transferred to a traditional IRA. This type of trustee-to-trustee transfer is known as a recharacterization. Later on, you can reconvert back to a Roth IRA, and you will only owe tax on the taxable amount you reconvert.

- **How long do I have to undo a Roth IRA conversion?**

You typically have until October 15 of the year following the conversion year to complete a recharacterization, as long as you file your tax return on time (including extensions). October 15 happens to fall on a Saturday this year, so you have until October 17, 2011 to recharacterize a 2010 conversion.

- **What if I already filed my tax return?**

You will need to file an amended tax return that subtracts the recharacterized amount from the taxable amount of the conversion that you had previously included in your income. This step will trigger the IRS to refund the tax you paid on the conversion.

- **What if I converted savings from an employer-sponsored retirement plan to a Roth IRA?**

In a recharacterization, you cannot transfer your Roth IRA savings back into an employer-sponsored retirement plan. You can, however, have the trustee transfer your Roth IRA savings to a new or existing traditional IRA.

- **How long do I have to wait before I can convert back to a Roth IRA?**

You must wait until either the year following the conversion year or 30 days after the recharacterization, whichever is later. So if your conversion year was 2010, you will only need to wait 30 days after a recharacterization in 2011 to reconvert back to a Roth IRA.

This waiting period only applies to recharacterized amounts. For example, if you have other funds in a traditional IRA, you are welcome to convert those funds to a Roth IRA at any time. ■

Please consult your tax and financial advisors if you are interested in converting to a Roth IRA or undoing a Roth IRA conversion.

Going Solo with a 401(k)

A retirement plan for self-employed individuals and owner-only businesses who want to set aside large amounts for retirement.

IF YOU ARE SELF-EMPLOYED or a business owner without employees and want to maximize the amount you save for retirement, consider starting an Individual 401(k). This type of small business retirement plan allows larger annual contributions than other retirement plans in many cases.

To be eligible to open an Individual 401(k), you must either be self-employed or an owner of a business or partnership without employees other than perhaps a spouse. If your business has employees or if you plan to add them in the future, please ask your financial advisor to recommend a different type of retirement plan for you.

An Individual 401(k) allows you to make two types of contributions to your account—one as an employee and one as an employer.

First, as an employee, you can make a salary-deferral contribution of up to $16,500. And if you are age 50 or older, you can contribute up to an extra $5,500, for a total salary-deferral contribution of up to $22,000. (The annual contribution limits mentioned in this article apply to 2011.)

Second, as an employer, you can make a profit-sharing contribution of up to 25% of your compensation if your business is incorporated or up to 20% of your self-employment income if your business is not incorporated.

The total of your salary-deferral and profit-sharing contributions may not exceed $49,000 for the year ($54,500 if you are age 50 or older).

The ability to combine these two types of contributions often makes larger contributions possible with an Individual 401(k) than with other types of retirement plans. Let's take a look at a hypothetical example to see how this might work.

Say you are age 51, earn $100,000 from your S Corporation, and want to contribute the maximum amount to your retirement account. With an Individual 401(k), you can make a salary-deferral contribution of $22,000 (the maximum amount allowed for someone age 50 or older). Plus, you can make a profit-sharing contribution of $25,000 (25% of your $100,000 compensation). That brings your total maximum 2011 contribution to $47,000.

With a SEP-IRA, a type of business retirement plan that does not allow salary-deferral contributions and that limits the maximum employer contribution to 25% of compensation (up to $49,000), the most you can contribute is $25,000. And if you skip business retirement plans altogether and just contribute to a personal IRA, the most you can contribute in 2011 is $6,000 ($5,000 if you are younger than age 50).

While the example illustrates how an Individual 401(k) allows larger contributions, there comes a point—at $196,000 and above in compensation—where the maximum contribution for someone under age 50 is the same ($49,000) for both an Individual 401(k) and a SEP-IRA. But for someone age 50 or older, an Individual 401(k) allows larger contributions even when compensation exceeds $196,000, thanks to the extra $5,500 that this age group is permitted to contribute—a feature that a SEP-IRA does not offer.

In addition to allowing larger contributions in many cases, an Individual 401(k) offers great tax benefits. Employer contributions are tax-deductible, employee contributions generally reduce your current taxable income (and your current income taxes!), and tax is deferred on your investment earnings. This tax deferral enables your savings to potentially grow faster than they would in a taxable account. Eventually, you will have to pay ordinary income tax on the contributions and earnings, but not until you withdraw the money from your Individual 401(k). (Withdrawals before age 59½ are generally subject to an extra 10% tax.)

If the Individual 401(k) plan you set up allows for it, your employee contributions can be made with after-tax income to a designated Roth account. Although you will not receive the upfront reduction in current taxable income, withdrawals from your Roth account are tax-free after age 59½ and after the Roth account has been open for five years.

So, if you are self-employed or an owner of a business without employees and you want to contribute large sums to a tax-favored retirement plan, consider starting an Individual 401(k). With a maximum annual contribution limit of $49,000 ($54,500 if age 50 or older), this plan can be a great way to catch up on your retirement savings. ■

Please consult your financial advisor about the best way to save for your retirement.

 FR2011-0620-0021/E

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2011 Maximum Contribution Limits for Business Retirement Plans

How much you can contribute to a business retirement plan in 2011 depends on your type of retirement plan, your type of business, and your compensation or self-employment income. Some maximum contribution limits for incorporated business owners are shown here. Please consult your financial advisor to learn how much you may be able to contribute in your circumstances.

FOR INCORPORATED BUSINESS OWNERS

COMPENSATION	INDIVIDUAL 401(K)	SEP-IRA	SIMPLE-IRA
$50,000	$29,000	$12,500	$13,000
$100,000	$41,500	$25,000	$14,500
$150,000	$49,000	$37,500	$16,000
$200,000	$49,000	$49,000	$17,500

Individual 401(k): The maximum contribution limit for individuals age 50 or older is $5,500 greater than shown here.

SIMPLE-IRA: The maximum contribution limit for individuals age 50 or older is $2,500 greater than shown here.

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Prague: Czech Mates

BY BRIAN JOHNSTON

Prague: welcome to a city full of imperial glamour, medieval madness—and perhaps more tourists than local residents. Prague is a place that amuses itself by treading on the fine line between historical preservation and absurdity. Waiters flounce around in Mozart frills, buskers dress up like Cinderella, and everywhere the beer flows. Even the castle guards wear uniforms created by the costume designer from the movie *Amadeus*. Yet somehow Prague avoids being a theme park, and remains one of the world's most enchanting cities.

For a balanced view of Prague, start off in the area known as Nové Mesto (New Town), where you'll find commercial and business districts full of cinemas and department stores, as well as residential streets serviced by rattling trams and neighborhood bistros. Away from the tourist traps, Prague has the lively feel of a city on the edge of a new adventure. In the back streets around the train station, smoky workers' eateries still dish up dumplings and slabs of pork, and businesspeople congregate in trendy Italian pizzerias and funky bars. Groups of young Czechs hang out in streets full of urban energy and, at night, the beer halls and nightclubs are thick with a louche atmosphere.

At the heart of Nové Mesto is Wenceslas Square, now renamed Václav Square after the Czech Republic's first post-communist president, although still overlooked by a statue of King Wenceslas on a prancing horse. More a wide boulevard than a square, it's lined with grand Art Nouveau mansions. You might want to linger here and ponder the vagaries of Czech history; this is where Soviet tanks rolled in to crush the reformers of 1967 and where demonstrations in 1989 helped finally overthrow the communists. If this city of a million people has a surprising buzz to it, it isn't only because of its tourist role.

Still, tourism is big hereabouts, and eventually the lure of the Staré Mesto (Old Town) will get the better of you. This is the medieval heart of the city, a place so quaint and energetic you can forgive its commercialism. Eventually you'll end up in the vast main square of the old town, one of the most beautiful in Europe, with its pastel-colored baroque buildings and twisted Gothic spires. Around it moves a stampede of buskers, hustlers, tourists, political activists, and locals in Mozart wigs selling concert tickets—plenty of entertainment for an hour of people-watching. Most

people linger at the giant astronomical clock, which has been marking the hours since the fifteenth century.

The Old Town is a good place for lunch; a bit overpriced, perhaps, but well worth it for the energetic ambience. Go for the daily menu, which is a set meal and often considerably cheaper (and fresher because of the turnover) than ordering à la carte. Czech food is hearty and homely—goulashes, schnitzels, and plenty of meat such as svícková, or beef in a creamy sauce. There's also a filling assortment of soups, of which cibulacka (onion) and kulajda (potato) are a meal in themselves. Dumplings are also a local favorite and even come for dessert, squeezed full of plum sauce and then smothered in whipped cream. If it's just a quick bite you're after, you can't go wrong with a good klobásy sausage served up with mustard on a slab of bread. All washed down, needless to say, with a fine Czech beer, some of which ranks as the best in the world.

From the Old Town, it's a short stroll to the riverbanks that divide Prague in two. There are numerous bridges leading to Prague Castle on the far side, but the fourteenth-century Charles Bridge is an absolute highlight of the city and deserves lingering appraisal. Here buskers scrape away at violins or play their accordions as hawkers display paintings and visitors pose for photos against a merry backdrop of saintly statues and gargoyles. At sunset the light fades, and the statues stand out against the pale skyline, arms aloft and robes trailing like dramatic figures in an opera.

The real opera—or National Theatre—shimmers with lights on the riverbank. This is home to the much-admired National Opera. If you have the chance, the opera to see might be *The Bartered Bride* by Smetana, who once worked in this very theatre. The National Theatre also has a ballet troupe that, as well as the classics, performs much-admired adaptations of movies such as *Psycho* and *Some Like It Hot*.

At night, Prague Castle glows in spotlights like a surreal fairytale vision, its reflection shimmering in the ripples of the Vltava River below. The tourist crowds thin out on the Charles Bridge after dark, but the musicians turn up and locals arrive with bottles of beer, ready for a street party under the gloomy shadows of the saints. This is a time for street performers and hippies, where spare change flows and people dance on the cobblestones.

The Charles Bridge also presents fine views towards Malá Strana, the eighteen-century quarter of Prague clustered around the great green dome of the Church of St Nicholas. The baroque palaces of the former Bohemian nobility spread up the hillside, topped by the vast bulk of Prague Castle and the fanciful Gothic spires of its bold cathedral.

Wander the streets here and you'll get a taste of the Prague that Mozart knew, with its garden courtyards, bubbling fountains, and rococo palaces. The Cernin Palace (now the Ministry of Foreign Affairs) is particularly fine, as is the sumptuous baroque church and library of Strahov Monastery. Eventually, all this wedding-cake architecture dissolves into Petrin Hill, covered in parks, vineyards, and forest, and just the place to capture that perfect photo of all one thousand of Prague's spires.

Looming over it all, the vast bulk of Prague Castle offers a facade of glittering windows and impressive walls and is entered through gates topped by grim statues of the Battling Titans hacking each other's heads off, under which fresh-faced young guards giggle nervously at the swarm of tourists. The castle was first founded over a thousand years ago, though much of what you see today dates from the sixteenth century onwards in a healthy muddle of palaces, government offices, outbuildings, museums, and courtyards. The Old Royal Palace, dating from 1135, is the oldest part of the castle; its magnificent jousting and coronation hall is still used for the swearing-in of Czech presidents.

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The Charles Bridge, left, in Prague is lined with statues of the saints. An aerial view, top, of Prague's Old Town. The astronomical clock, above, in Prague.

The highlight is St Vitus Cathedral, a rearing Gothic edifice that is so tightly surrounded by other buildings it's a little difficult to appreciate. The cathedral was begun in 1344 over the site of an earlier church and not completed until 1927, which perhaps explains its rather chaotic architecture and lopsided appearance. The interior is now a treasure-trove of Czech art and stained glass and contains the tombs of former kings, including a glorious chapel to King Wenceslas, a Bohemian monarch immortalized in the well-known Christmas carol.

If you have a head for heights, make your way up the Gothic cathedral tower and peer down at gargoyles, flying buttresses, and metal spikes topped by rooster weathervanes. Around it lie the courtyards of the castle, Hapsburg gardens, and the glorious spread of all Prague—a thousand years of history at your feet, arranged to perfection. ■

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ARTPRIZE

Over 1,500 artists from around the world

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September 21–October 9, 2011

ARTPRIZE BILLS ITSELF AS A RADICALLY OPEN ART COMPETITION. Any artist in the world who can find exhibition space can enter. Anyone with property in downtown Grand Rapids, Michigan can offer up their space as a temporary art gallery. And anyone visiting the galleries can vote for their favorite artwork.

At stake, the world's largest art prize—a total of $449,000 in cash prizes for the top 10 artists, with the first place artist receiving $250,000.

2011 marks the third year of this radically different art competition. The competition is the brainchild of Rick DeVos, the grandson of Amway co-founder, Richard DeVos. With funding from his family's foundation, the Dick and Betsy DeVos Family Foundation, Rick set out in 2009 to give away the world's largest art prize based solely on public votes. The response by the artists, property owners, and visitors in the first two years of the ArtPrize competition was phenomenal.

In 2010, for example, 1,700 artists from 44 states and 21 countries participated in the competition. Their work was presented in 192 Grand Rapids' venues, ranging from city parks to rooftops and from museums to restaurants. More than 250,000 visitors cast votes via mobile devices or the Internet to narrow the field to the top 10 artists and then to the top single artist.

The field for the 2011 competition is set, with artists having registered in April, May, and June and having hooked up with specific venues in June. The web site, ArtPrize.org, acts as a matching service between artists and venues, but it is ultimately the venues that choose the artists who will exhibit in their spaces.

Although the event runs from September 21 through October 9, 2011, voting is limited to specific periods. Voting to determine the top 10 artists runs from September 21 through September 28. The voters then have until October 5 to choose the top artist from among the top 10 artists. To vote, you must register in person at a registration site in downtown Grand Rapids. ■

QUIZ

Lost and Found Cities

1. Entered through a winding narrow gorge with towering rock walls, this rose-red city (shown above) in Jordan is known for its architecture built from and carved into the rock.

   A. Petra
   B. Amman

2. This one-time capital of the Middle and New Kingdoms of Egypt is home to the great temples of Luxor and Karnak.

   A. Thebes
   B. Giza

3. Abandoned in the early 10th century, this Mayan city in Honduras was excavated in the 19th century, revealing temples, plazas, alter complexes, and ball courts.

   A. Tegucigalpa
   B. Copán

4. With parts of the city still buried under drifting sands, this ancient port city in Libya was founded by the Phoenicians and later gained prominence when Roman Emperor Septimius Severus transformed it into one of the most beautiful cities of its time.

   A. Leptis Magna
   B. Tripoli

5. Perched high in the Peruvian Andes, this 15th-century Incan city was unknown to outsiders until 1911 when American historian Hiram Bingham rediscovered it.

   A. Mesa Verde
   B. Machu Picchu

6. According to legend, the Greeks defeated this ancient city on the Aegean with a deceptive peace offering—a huge wooden horse with Greek warriors hidden inside who waited until the horse was pulled inside the city's walls before escaping to open the city's gates to the Greek army waiting outside.

   A. Rhodes
   B. Troy

7. This Roman city lay buried under volcanic ash for about 1700 years as a result of an eruption of Mount Vesuvius in 79 A.D.

   A. Pompeii
   B. Milan

8. The main plaza of this Mayan city on Mexico's Yucatán Peninsula is dominated by a stepped pyramid, known as El Castillo or Kukulkan.

   A. Chichen Itza
   B. Xanadu

©iStockphoto.com/Petra: Robert Van Beets, heiroglyph: Simon Podgorsek

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

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