

Newsletter

JANUARY 2012

IRS releases 2012 tax numbers

Each year the IRS adjusts certain tax numbers for inflation and tax law changes. Here are some of the adjusted numbers you'll need for your 2012 tax planning.

- **STANDARD MILEAGE RATE** for business driving remains at 55.5¢ a mile. Rate for medical and moving mileage decreases to 23¢ a mile. Rate for charitable driving remains at 14¢ a mile.
- **SECTION 179** maximum deduction decreases to \$139,000, with a phase-out threshold of \$560,000.
- **TRANSPORTATION FRINGE BENEFIT** limit decreases to \$125 for vehicle/transit passes and increases to \$240 for qualified parking.
- **SOCIAL SECURITY** taxable wage limit increases to \$110,100. Retirees under full retirement age can earn up to \$14,640 without losing benefits.
- **KIDDIE TAX** threshold remains at \$1,900 and applies up to age 19 (up to age 24 for full-time students).
- **NANNY TAX** threshold increases to \$1,800.
- **HSA CONTRIBUTION** limit increases to \$3,100 for individuals and to \$6,250 for families. An additional \$1,000 may be contributed by those 55 or older.
- **401(k)** maximum salary deferral increases to \$17,000 (\$22,500 for 50 and older).
- **SIMPLE** maximum salary deferral remains at \$11,500 (\$14,000 for 50 and older).
- **IRA** contribution limit remains at \$5,000 (\$6,000 for 50 and older).
- **ESTATE TAX** top rate remains at 35%, and the exemption amount increases to \$5,120,000.
- The **ANNUAL GIFT TAX EXCLUSION** remains at \$13,000.
- **ADOPTION TAX CREDIT** decreases to \$12,650 for adoption of an eligible child.

Penny L. Wasem, CPA, CFP, PFS · 109 East Main Street, Suite 328 · Lancaster, OH 43130 · 740-653-6339

This newsletter provides business, financial, and tax information to clients and friends of my firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact me.

Lifetime Financial Planning Solutions, LLC

9 Ways to Keep Your Financial Resolutions

By FPA member Catherine M. Seeber, CFP® (Reprinted from FPA Tip of the Week)



The frustration of frequent gym goers with the “newbies” setting unrealistic goals and non-sustaining commitments of changing bad behavior overnight have waned. What are some ways to avoid defeat and stay motivated, not just for the New Year, but all year long?

1. **Stop fantasizing.** You may not become the next Jessica Alba or Matthew McConaughey, so realize that up front. Set aside, for a moment, the dream of owning a 42-foot yacht with an assortment of servants. It just may never happen and such senselessness only paralyzes one to institute a plan and inhibits progress.
2. **Resist the fear of commitment.** Ah, the “C” word. Up at dawn, leaving the confines of your warm bed to join a group of others equally as unenthusiastic. No one is asking you to pigeon hole yourself into an unhealthy situation or fall into an abyss of no return. The reality is, however, you need to decide how much time you are willing to spend on developing and implementing a financial plan and calendar yourself the required meetings so the expectations are outlined in advance. Change takes time and time requires a commitment.
3. **Begin by getting your house in order.** The last thing you want to do is begin an exercise routine with a lycra spandex outfit two sizes too small and set yourself up for embarrassment and failure right from the starting line. Set out practical clothing and buy comfortable shoes. Organize all debt and expenses, listing all balances, required minimum payments and interest rates. Run a credit report and review your Fair Isaac Corporation (FICO) score. Take inventory of all sources of potential income.
4. **Forget about miracles for a moment.** Do you recognize the phrase “you can lose weight in just five minutes a day”? Well, if you and everyone else could do it, then the statistic of more than two-thirds of U.S. adults being overweight or obese is grossly overstated. Financial stability requires developing a strategy and adhering to a non-emotional discipline.
5. **Ignore the headlines.** Stop reading the diet stories in the tabloids and stop listening to Jim Kramer’s Mad Money. This will only result in failed results and fictitious speculation. These suggestions come from a great belief that there is a glimmering pot of gold at the end of the rainbow awaiting us all.
6. **Don’t be afraid to ask for help.** Personal trainers and financial planners have the knowledge and skill to alleviate the possibility of a strained groin muscle or a risky Bernie Madoff hedge fund investment. Check with the SEC, appropriate state agencies, your local Better Business Bureau and CFP Board to determine if complaints have been filed against the planner you are considering.
7. **No one said you had to do this alone.** Be sure to invite a friend to join your gym routine (a little competition doesn’t hurt). Make the effort to share the responsibilities of all financial decisions when it affects the lifestyle objectives of someone else.
8. **Deviating from the plan is not an excuse to quit.** There is nothing shameful in rewarding yourself: you can eat that chocolate chip cookie or buy yourself that special bauble. Just make sure you return to your path and avoid falling back into bad eating and spending habits.

Penny L. Wasem, CPA, CFP, PFS · 109 East Main Street, Suite 328 · Lancaster, OH 43130 · 740-653-6339

This newsletter provides business, financial, and tax information to clients and friends of my firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact me.

Lifetime Financial Planning Solutions, LLC

9. **Don't ignore the warning signs.** Similar to not taking care of your body, if you overlook the warning signs of fiscally irresponsible behavior, the cost has a snowball effect. Credit card companies will begin to charge higher interest rates, which will make it more difficult to meet the minimum payment, which will result in late charges that significantly increase your outstanding balance.

Becoming financially fit is not a once a year endeavor and requires an entirely new way of living to accomplish lifelong sustainable results. Good habits begin to morph into a new way of life. If you eat it, you wear it; if you don't have it, don't spend it. It's that simple.

Payroll tax cut extended for two months

After weeks of partisan bickering, Congress finally approved a two-month extension of the payroll tax cut for American workers. President Obama signed the "Temporary Payroll Tax Cut Continuation Act" on December 23, 2011. Though both Democrats and Republicans wanted a one-year extension of the tax cut, they could not agree on how to pay for a year-long extension and settled on a paid-for two-month extension.

The new law extends the 4.2% social security tax on wages through February 29, 2012. Without this extension, the employee tax rate would have gone to 6.2% on the first \$110,100 of wages earned in 2012.

The law also extends benefits for the long-term unemployed for two months and prevents a scheduled cut in fees paid to Medicare providers from taking effect January 1, 2012.

These extensions will be paid for by an increase in fees charged by government-backed mortgage companies (Fannie Mae and Freddie Mac) for new home loans.

Included in the agreement is a requirement that President Obama make a decision within 60 days on the construction of the 1,700 mile Keystone oil pipeline.

Finally, the law calls for a House-Senate conference committee to negotiate an agreement that would extend the payroll tax cut through the end of 2012, extend unemployment benefits, and prevent cuts in payments to Medicare doctors.

*We will open the book. Its pages are blank. We are going to put words on them ourselves.
The book is called Opportunity and its first chapter is New Year's Day.
by Edith Lovejoy Pierce*

Looking forward to working with you again this year!
Client referrals are always appreciated.

Penny L. Wasem, CPA, CFP, PFS · 109 East Main Street, Suite 328 · Lancaster, OH 43130 · 740-653-6339

This newsletter provides business, financial, and tax information to clients and friends of my firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact me.