

Muldowney Money Matters



A Publication of David M. Muldowney, Jr., CPA



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2012

Important Dates

Jan. 16 - Dr. Martin Luther King, Jr. Day
Feb. 2 - Groundhog Day
Feb. 12 - Lincoln's Birthday
Feb. 14 - Valentine's Day
Feb. 20 - President's Day
Feb. 22 - Ash Wednesday
Washington's Birthday
March 11- Daylight Savings
March 17- St. Patrick's Day
March 20- Spring Begins

Quote of the Month

Freedom is never more than one generation away from extinction. We didn't pass it to our children in the blood-stream. It must be fought for, protected, and handed on for them to do the same.

...Ronald Reagan

ASK KEVIN

Do you have a question you need answered? Then give us a call, send us a quick note or email your question to Kevin at info@muldowneycpa.com

Our role is to make our clients more knowledgeable, more secure and wealthier by providing them with information they need and must have about their business and financial affairs.



From the Desk of Dave Muldowney, Jr.



Even though I have been in the public accounting field for over 30 years, 2012 marks the 10th Anniversary of this current chapter of my career. I would like to start the New Year by thanking all of our clients, friends, and associates for making 2011 our Best Year yet! Not only were we recognized as Company of the Year by the Irish Business

Association (IBA) and "One of the Best" in the Asbury Park Press Readers' Choice Awards, we had our highest sales year yet, due mostly to the referrals from our incredible clients.

2012 also marks a HUGE tax planning year as many of the Bush tax cuts are set to expire at year's end. Rest assured

this will be a major topic of the upcoming presidential election... so please pay attention.

Again, Thank You for making 2011 our Best Year yet and let's continue this positive trend in 2012.

...till next time

Supplement Your Retirement Income

Many of us want to retire and enjoy the relaxation that comes with that retirement. For others, they want to stay active and keep working, and for some it's a necessity to earn extra money. Whether you want to work or have to work, there are many options available to help you find jobs, extra income or even second careers. Retirees have many job skills to offer an employer, but many also have the expertise to start their own business, to finally follow that dream they've put off or create an entirely new work path. Here are a few ideas to get you started.

Think Like You're 20

If you're looking for extra income, want to interact with people or just need to get out of the house, then act like a kid. Most young adults today work two, three and sometimes four part-time jobs while juggling classes. These jobs are usually minimum wage, require only a few hours a week and give you many opportunities to try different occupations. These part-time jobs also give you the option of working as many or as few hours as you want. They also don't require the same time commitment as

a full-time job, and give you flexibility to do other things.

Be a Consultant

You've probably worked at several occupations over the course of your working career. Use that accumulated knowledge to your advantage. One of the first places you might look for opportunities is the company you retired from, they now have an opening. You might suggest to them that you'd like to return to the company as a consultant on a contract or part-time ba-

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How 4 Years of Work Might Make or Break Retirement

Are you thinking of retiring early this year? Generally speaking, if people continue to retire early, they are going to face a severe decline in their living standards. The reasons for this decline are twofold. First, retirement needs are increasing – people are living longer and facing rapidly rising health care costs and the prospect of uninsured long-term care costs. Second, the retirement system is contracting – Social Security will replace less of pre-retirement income even under current law, retirees will be increasingly dependent on 401(k)s with modest balances, and people have seen a sharp drop in the value of their homes.

Asking people to save more on their own simply will not work. People save through institutionalized savings methods such as employer-sponsored plans or paying off their mortgage; they accumulate very little outside their pensions or their house.

For most people, the most potent antidote to reductions in retirement income and rising health care costs is to work longer. Each additional year in the workforce increases income directly through earnings from work and investments. It also increases monthly Social Security benefits. The age at which full Social Security benefits are paid is currently 66 and will reach 67 in 2022. Reduced benefits can be claimed at age 62 and, after the full retirement age, are actuarially increased until age 70. Because of

the actuarial increases, monthly Social Security benefits at age 70 are 76% higher than benefits at age 62. A delay in tapping 401(k) plans allows balances to increase commensurately.

Clearly, only two additional years of work are needed to compensate for the increase in the full retirement age from 65 to 67. An additional two years will compensate for rising Medicare premiums, increased taxation of Social Security benefits, and other factors contributing to the deteriorating outlook. If you add on four years, the arithmetic dramatically changes. Instead of roughly two years of work for each year in retirement, adding four years to work life and subtracting four years from retirement changes that ratio to three to one.



US Money History



- The Massachusetts Bay Colony was the first to issue paper money in the American colonies in 1690.
- The Bureau of Engraving and Printing of the Department of the Treasury didn't become the sole producer of currency until 1877.
- In 1894, the production of postage stamps was added to the responsibilities of the Bureau of Engraving and Printing.
- The Mint didn't become part of the Department of the Treasury until 1873, before that they reported directly to the President.
- The Mint is responsible for producing military medals (such as the Silver and Bronze Stars, the Purple Heart and the Navy Cross) as well as the Congressional Medals.
- In 1865, the Secret Service Division of the Treasury Department was created to suppress counterfeit currency. Two years later, their mandate was expanded to include "detecting persons perpetrating frauds against the government."
- *As an aside:* the Secret Service didn't start informally protecting Presidents until Grover Cleveland in 1894. They officially began protecting Presidents until 1913 though they received funding (they received funding and began protection Presidents as far back as William McKinley in 1907).
- Legal tender refers to how currency can be used to satisfy "debts, public charges, taxes, and dues" but no one is **required** by law to accept it.

Last-minute 2011 Deal Reached on Payroll Tax Cut

On December 23, 2011, Congress finally approved a two-month extension of the payroll tax cut for American workers. The agreement was reached after weeks of partisan bickering. 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.

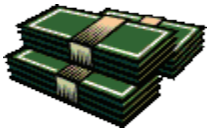
The new law extends the 4.2% social security tax on wages through February 29, 2012. Without this extension, the tax rate would have gone to 6.2% on the first \$110,100 of wages earned in 2012. The law also extends benefits for the long-term

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 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.

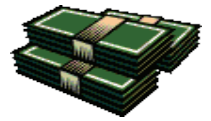
Under the terms negotiated by Congress, the law also includes a new "recapture" provision, which applies only to those employees who receive more than \$18,350 in wages during the two-month period (the Social Se-

curity wage base for 2012 is \$110,100, and \$18,350 represents two months of the full-year amount). This provision imposes an additional income tax on these higher-income employees in an amount equal to 2 percent of the amount of wages they receive during the two-month period in excess of \$18,350 (and not greater than \$110,100).

Finally, the agreement 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.



KEVIN'S KORNER



"Above the line" vs. "below the line" – what is this line and why does it matter?

The line that is being referred to is the line on the tax return for Adjusted Gross Income (AGI). While it may seem insignificant, this one little line could have a pretty substantial effect on the result of your return. AGI consists of all income (wages, investment income, rental income, etc.) with adjustments for deductible IRA contributions, self-employed health insurance and retirement contributions, among others. The reason that this AGI number is so important is because certain deductions and credits are based on this number. For example, if you have a child under 17 years old and your AGI was greater than \$110,000 (2011) if married filing jointly (\$75,000 single) then you are unable to claim the child tax credit. Other credits that are limited by your AGI are those dealing with education expenses. The tuition

and fees deduction along with the Lifetime Learning and American Opportunity Credits are unavailable above certain AGIs.

A very common deduction that is related to your AGI is the medical expense deduction on Schedule A. The amount of medical expenses must exceed 7.5% of your AGI in order to come into play on your return. For example, if a married couple's AGI is \$100,000, their medical expenses would have to exceed \$7,500 in order to receive even a \$1 deduction. Medical expenses aren't the only itemized deductions where AGI comes into play. Unreimbursed employee expenses must exceed 2% of AGI. The same couple with AGI of \$100,000 would have to have more than \$2,000 of unreimbursed employee expenses – travel expenses, certain uniforms, job-search expenses, etc. – to see any benefit. Another area where an AGI limit comes into play is for a contribution to a Roth IRA. For 2011 the Roth IRA contribution amount was

\$5,000. However, this amount would start to diminish with an AGI between \$169,000 and \$179,000. Anything above \$179,000 would eliminate your ability to contribute to a Roth IRA altogether. As I mentioned before, these are just a few of the areas where the AGI limitation comes into play. There are many other categories where a deduction is either phased out or completely eliminated due to AGI.

This being said, it is always better to take a deduction "above the line" due to the fact that it might lead to an increased deduction or credit than a "below the line" deduction. Any questions regarding the reduction of itemized deductions or personal exemptions, please contact our office.



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sis. You are already familiar with the company, its product and its operations so you'd be a perfect consultant.

Temporary Agencies

According to the Bureau of Labor Statistics, temporary employment accounts for approximately 3.1 million jobs. Traditionally, when the economy sees a resurgence, corporations hire temporary workers first, and then create permanent jobs when their confidence in the economy rises.

This is also a great place for retirees to find jobs. Temporary agencies receive requests for hundreds of different occupations. Many agencies specialize according to employment field, so you may have to research them to find a good fit. This could be your best opportunity to "re-enter" the job market after retirement. It is flexible, you can choose the type of job you want, and decide if you want it to continue to be only temporary or if you'd like additional hours.

Health, Child Care and Social Security

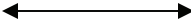
These are "booming" fields and always in need of good, caring workers. If you're a retired nurse or health care worker, chances are your skills are still needed. Consider returning to work on a part-time basis or if money is not an issue, as a volunteer. Child care workers are in huge demand, and most retirees have children and grandchildren that have provided you with years of experience. Opportunities can be found at YMCAs, child care facilities, churches and after-school programs that provide care for working parents.

The Bottom Line

Whether you need to work to supplement your retirement income or you are enthusiastic about a second career, the opportunities are there. Many times it just takes imagination, a positive attitude and sometimes just asking for an opportunity to get the job you are seeking.

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Match The Quote To It's Author

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|---|---|--|
| <p>A. Ralph Waldo Emerson</p> <p>B. John F. Kennedy</p> <p>C. Oscar Wilde</p> |  | <p>1. A nation that is afraid to let its people judge the truth and falsehood in an open market is a nation that is afraid of its people.</p> <p>2. A thing is not necessarily true because a man dies for it.</p> <p>3. Do not go where the path may lead, go instead where there is no path and leave a trail.</p> |
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Answers: A 3
 C 2
 B 1

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