Lions Bridge Financial —News To Use

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ROTH RULES CHANGE — 2010 Opportunity

Should you convert to a ROTH IRA from a Traditional IRA? After answering a few questions, you may have a better idea. The final decision to convert all, part, or none of your Traditional IRA or 401(k) balance should only be decided after careful consideration of your total situation and checking with your tax advisor.

The basic difference between the ROTH and TRADITIONAL IRA:

ROTH IRAS—Funds grow & come out tax-free, but contributions receive no income tax deduction. A big plus: no required minimum distributions- no matter your age.

TRADITIONAL IRAS- Receive a tax deduction the year you make a contribution (in most cases), grow tax-free, and are taxed when taken out of the IRA. Required minimum distributions begin at age 70 ½.

Converting to a ROTH IRA may NOT make sense if you: Expect to stop working or work part-time and have no or very little pension income, putting you in a lower tax bracket. Also, if you plan to move to a state with lower or no income taxes or expect to have a mortgage, or a larger mortgage (increasing your deductible interest) or think you may have significant deductible health-care expenses.

Converting to a ROTH may make sense if you: Expect to pay off your mortgage or downsize your home and decrease your deductible interest. If you currently claim dependents you won't be able to claim in retirement or expect to receive significant income from large lump-sum retirement plan payments, IRAs or annuities or if you plan to liquidate taxable investment savings or other assets or move to a state with higher income taxes.

Other factors to consider: Do you have the funds available to pay the taxes you'll owe on the converted amount? Do you plan to leave a legacy to the next generation? ROTHs allow you to maximize transfers and cut taxes to future beneficiaries.*Will tax rates increase in the future? Currently tax rates are at historically low levels. Over the last 80 years taxes have only been at this level or lower 14% of the time* Will you need access to your retirement funds before retirement?

(Continued on page 2)

Inside this issue:

DOES YOUR HOME IMPROVEMENT QUALIFY FOR A TAX CREDIT?

Visit www.energystart.gov. For information on your home improvements that may qualify for tax incentives or refunds including energy efficient windows, insulation, appliances and more, click on the section for "Tax Credits for Energy Incentives" box near the bottom left. You'll find a concise and informative summary along with links to frequently asked questions.

Virginia taxpayers: Have you made home improvements in 2009 to make it more accessible to someone with a handicap or disability (or purchased a new accessible residence)? The program "Virginia Livable Home Tax Credit" offers a state income tax credit up to $500 (lesser of $500 or 25% of the qualifying costs). To qualify, a short application must be submitted

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Here for You, Call Us

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Don't Neglect Your Estate Plan

"Periodically review your estate plan to make sure it fits your current personal and financial situation."

Helena Mock, Esquire

Once you have completed your estate plan, don't put it on a shelf and forget about it. Many don't realize it's important to periodically review your estate planning documents to make sure that they still fit your current personal and financial situation and that there have been no changes in the law that would significantly affect your plan. Although in most cases none of the documents will expire, like a car, an estate plan must have periodic check-ups and be fine-tuned to remain in good operating condition and perform as intended. A change in your financial net worth, the death of a beneficiary or fiduciary, the birth of children or grandchildren, or a substantial change in tax laws may warrant a review . Further, many financial institutions will refuse to honor a power of attorney that is more than five (5) years old. Thus, at a minimum, you should have a new financial power of attorney prepared every 5 years. We recommend that you see your estate planning attorney every 3–5 years to review and update your estate plan in order to ensure it is in fine working condition when you need it.

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Roth Rules Change — 2010 Opportunity

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ROTHs allow some form of flexibility – if you've held your converted ROTH 5 years you can opt to withdraw the conversion amount without taxes or penalty. Is tax-free income in retirement appealing? ROTHs create the option of pulling out income without creating a tax liability. Converting can affect your adjusted gross income by causing social security benefits to be taxable, may negatively impact itemized deductions (like medical bills), phase-out other deductions/exemptions, and disallow tax credits.

Again, it's worth having the discussion to see if your situation makes sense for staying status-quo or converting. Also, another tidbit, investors have until the date their tax return is due to change their mind and undo a conversion without paying any taxes or penalties. IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a Conversion from a Traditional IRA to a Roth IRA, or a Re-Characterization of a Roth IRA to a Traditional IRA. Prior to using such a strategy, please see your financial and/or Tax Advisor.

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This information is not intended as tax or legal advice. You should consult with the appropriate tax or legal professional before making any investment or conversion decisions.

"THE (NEW) BILL APPROVING AN EXTENSION OF THE $8,000 NEW HOME BUYER TAX CREDIT WILL GO UNTIL APRIL 30, 2010…"

Home Buyer Tax Credit — Big Breaks May Be Available

President Obama has signed off on the bill approving an extension of the $8,000 new home buyer tax credit until April 30, 2010 until the end of 2010 in a phased out fashion. New provisions in the extension are NOT retroactive. Here's a summary of the updated provisions and their impact :

First-time home buyers who bought after January 1, 2009 (*original date of credit start*) and close before April 1, 2010, would get the **full** $8,000. For homes purchased after April 1st 2010 to December 31, 2010 the credit is still available, but its value would be reduced by $2,000 in each successive quarter until expiring at the end of 2010. This is an update from the original November 30, 2009 deadline.

Income qualification limits:
(Continued on page 3)

Home Buyer Tax Credit — Big Breaks May Be Available *Continued from 2*

- $125,000, or $250,000 for couples, up from $75,000 for individuals and $150,000 for couples under the original rules. Higher income limits only for homes purchased after Nov. 6, 2009. That is, the existing MAGI phase-outs of $75,000 to $95,000 or $150,000 to $170,000 for joint filers still apply to purchases on or before Nov. 6, 2009.
- The approved extension would extend the credit, due to expire Nov. 30, to home purchases under contract by April 30, 2010, with borrowers allowed another 60 days to close the sale.
- ***NEW*** Current Homeowners looking for a replacement primary residence could also qualify for a $6,500 (up to $3,250 for a married individual filing separately). They must have lived in the same principal residence for any five-consecutive year period during the eight-year period that ended on the date the replacement home is purchased. This new provision also only applies to homes purchased after Nov. 6th 2009.
- **Claiming the new home buyer credit:** Unless you've already claimed it, the credit can now only be claimed when filing next year's tax return (in 2010). For qualifying purchases in 2010, taxpayers can claim the credit on either their 2009 or 2010 return. A new Form 5405, First-Time Homebuyer Credit, will be on the IRS website soon. A tax-payer purchasing after Nov. 6 must use the new form to claim the credit. Likewise, taxpayers claiming the credit on their 2009 returns, no matter when the house was purchased, must also use the new version of Form 5405.
- Taxpayers who claim the credit on their 2009 tax return **will not be able to file electronically** but will need to file a paper return. A taxpayer who purchased a home on or before Nov. 6 and chooses to claim the credit on an original or amended 2008 return may continue to use the current version of Form 5405.
- If you and your spouse claim the credit on a joint return (both of you must meet the income and past ownership criteria to qualify), **each spouse is treated as having been allowed half of the credit** for purposes of repaying the credit. So the total amount claimable is still only $8000 (up to April 30th 2010).
- The new $8000 credit can be used towards the down payment of a house bought in the credit qualifying period. You need to work with your lender to take advantage of this provision.
- Tax Credit Exclusions: **Homes costing more than $800,000 aren't eligible for the credit** and you must be over 18 years old to claim the credit.
- **Those who sell their new home or stop using it as their main residence within three years would have to repay the credit. You cannot claim the credit if you acquired your home by gift or inheritance OR if you acquired your home from a related person.** If two or more unmarried individuals buy a main home, they can allocate the credit among the individual owners using any reasonable method. The total amount allocated cannot exceed the smaller of $8,000 or 10% of the purchase price. The purchase date is how you decide which credit you are eligible for.

Source: http://www.savingtoinvest.com/2009/02/15000-first-home-buyer-tax-credit-in.html Provided by: **Tony Woodward**, Mortgage Officer, Fulton Mortgage Company, 735 Thimble Shoals Blvd. Suite 150, Newport News, VA 23606.
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Deductions for Home Improvements *Continued from page 1*

to the Virginia Department of Housing and Community Development by the last day of February of 2010 (for 2009 improvements). More information at: www.dhcd.gov.virginia/housingpreservationrehabilitation/tax_credit_program.htm

Circular 230 Disclosure. The following disclosure is required pursuant to IRS Circular 230 and applicable state and local tax provisions, the regulations that govern the practice of tax advisors. Any advice concerning Federal, state and local tax issues contained in this written communication (and any attachments) has not been written nor is it intended by the author or Goodman & Company, L.L.P. to be used, and cannot be used, for the purpose of (i) avoiding federal, state or local tax penalties that may be imposed by the Internal Revenue Service or applicable state or local tax provisions, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein. If a formal covered opinion intended to provide such protection is desired, please contact us to discuss the issues and costs involved in preparation of such a covered opinion.

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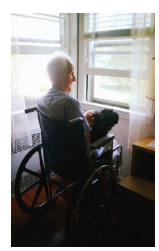

"Virginia Livable Home Tax Credit" a tax credit of as much as $500 (the lesser of $500 or 25% of the qualifying costs).

Estate Tax Reform Bill Passes House, Moves to Senate

Dec. 3, the House passed the Permanent Estate Tax Relief for Families, Farmers, and Small Businesses Act of 2009 (H.R. 4154). With time running short, the bill now moves to the Senate, where straight passage of it is uncertain, and passage of any estate tax legislation is anything but assured.

At first glance, the failure of Congress to plug the 2010 estate tax loophole appears to be good news for children of ailing rich parents — and of little consequence to everyone else. But in fact, by letting the tax lapse, Congress has created a bunch of unintended consequences and increased the chances that you will owe taxes on an inheritance.

Yes, the perverse result of the disappearing estate tax is that some people of lesser means may owe capital gains taxes on inherited assets. What's more, since many wills and trusts are written on the assumption that the estate tax exists, a will that made sense last year (or any other year, for that matter) could result in your surviving spouse getting shut out of your estate.

Most estate planners expect Congress to restore the taxes retroactively, and to put back in place the system that applied in 2009: a $3.5 million exemption for estate tax and generation-skipping transfer tax, with a 45 percent rate for these two taxes as well as the gift tax.

Robert P. Miller, Director/Administrator, NICEP, 2125 West Zartman Road, Kokomo, Indiana 46902
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And "What You Need to Know about the Estate Tax in 2010" Deborah Jacobs, MoneyWatch

Good to Know

Want to know the best time to buy things, do things or go places? Here are some winter-related examples from the recently released book by Mark Di Vincenzo ***Buy Ketchup in May and Fly at Noon: A Guide to the Best Time to Buy This, Do That and Go There***:

January is the best month to…
Buy a bicycle. Some stores discount bikes after the holiday shopping season, in part to make room for new products that arrive in stores in February and March.
Buy a TV. New TV models, announced at the national Consumer Electronics Show in January, arrive in stores in August and September. Retailers often drop prices for new TVs a few months later, and they also knock down prices on older models.
Buy a house. Fewer buyers are willing to trudge through nasty weather looking at houses, so there's less competition and few, if any, bidding wars. And in January sellers tend to be more motivated to sell and more willing to accept a lower offer than in the spring, when there are more serious buyers. Why? Two reasons: 1) They may have just received their credit card bills from Christmas and feeling financially insecure. 2) Sellers not waiting for spring to put homes on the market often means they're willing to risk listing during a time of the year when their properties won't show as well.
More Winter best times...
Buy a camera. Camera makers often release new models in winter, particularly January and February, when the biggest trade shows of the year occur. Unless you must have the latest and greatest, February is a good time to camera shop. Wait for the Presidents Day sales.
Buy a winter coat. Coats and winter clothes go on sale in January and February. The longer you wait, the lower the prices -- retailers will need to make room for spring clothing. But the longer you wait, the worse the selection will get.
Celebrate weddings. If you're all about saving money, forget about that June wedding, when demand for halls, flowers and other wedding-related needs are high – and so are the prices. Try the winter, when demand and prices are lower.
Buy a boat. Manufacturers say dealers typically offer their best prices during the winter boat show season, when attendees who are already thinking about buying a boat can be convinced by a good price.
Go to Vegas. Airfare and hotel prices tend to drop after the end-of-the-year holidays, in January and February, as well as in July and August, when Las Vegas is unbearably hot.
Buy fruits and vegetables. Cranberries, grapefruit, oranges, cabbage, cauliflower and rhubarb are in season in January and February, when they're plentiful and reasonably priced.

Life Insurance News to Use

Insurance Strategies to Help You Protect Your Business. Insurance strategies available to business owners to help protect the business, their families and themselves against financial loss due to illness, disability or death.

Top 10 Tips to Prepare for Your Upcoming Medical Exam. 10 easy to follow "tips" that may improve the examination results and possibly lower the cost of insurance.

Which Life Insurance is Right for You? Covers four major types of life insurance: Term, Whole, Universal, and Variable Universal Life; it also illustrates a side-by-side comparison chart.

Is it Time to Convert Your Term Policy to a Permanent Insurance Policy? Understand the benefits of converting a term policy into a permanent insurance policy.

The Benefits of an Irrevocable Life Insurance Trust. Takes you through four common scenarios where an Irrevocable Life Insurance Trust may make sense for your estate plan.

Online Life Insurance Review. Our online tool allows us to review older insurance policies and determine if a new policy will better help meet your long-term insurance goals.

Call or email to request any of these articles on LIFE INSURANCE

Recipe Corner— *Share Your Favorite*

I love to cook and enjoy tasty, healthy food, but like many of you, am often rushed at dinnertime to get something thrown together that everyone will enjoy. Here's my recipe for Speedy Spicy Clam Sauce. I like to experiment with this basic recipe depending on what's in season (ripe tomatoes, fresh spices) and what we have on hand (adding shrimp or mushrooms) and will alter the sauce slightly depending on what we have, so experiment a little and let me know if you discover a twist that you find works well.

Speedy Spicy Clam Sauce

Ingredients:

1 can of minced or whole baby clams

1 8 oz. can of diced tomatoes with green chilies

2-3 tablespoons olive oil

1/3-1/2 cup white wine *(optional)*

Dash of pepper and salt

2 gloves of garlic chopped

1/2 cup sliced olives

1/3 cup chopped onion

1/4 cup fresh cilantro to top *(optional)*

1-2 teaspoons of dried Italian seasoning or a few shakes of oregano, basil, thyme, and marjoram. If using fresh spices flavor to your liking.

In saucepan heat clams and olive oil to boil. Add garlic, onions and spices. Stir and reduce heat, simmer about 5 minutes. Add can of tomatoes, olives, and stir to mix flavors (if adding wine, do so now) and heat another 5-10 minutes.

Spoon over your favorite pasta— we like linguine with this sauce, and enjoy with someone you love!

2010 CONTRIBUTION LIMITS

Retirement Plan Type	49 Years of Age & Under	50+ Years of Age
Traditional and ROTH IRA	$5,000	$6,000
SIMPLE IRA	$11,500	$14,000
401(k), 403(b), 457 Plans	$16,500	$22,000
Other Retirement Plans	**Maximum Contribution Amount**	**Maximum Compensation Considered**
Defined Contribution Plans	$49,000	up to $245,000
SEP IRA	$49,000	up to $245,000

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