



Geier Financial Group

We're there for you. Keeping you ahead of the game.

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Geier Financial Group

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Hi Everyone,

We hope you enjoy
the attached articles!

Please contact us with
any questions or
concerns!

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The Sandwich Generation: The Pickle in the Middle

If you're helping your parents and trying to meet your own children's needs while looking ahead to your own retirement, you're part of what's called "the sandwich generation." Here's a recipe to help you cope with being jammed in the middle.



Chart the terrain

First, conduct an assessment of your current financial situation and financial goals. Make improvements where you can, and develop a budget you can stick to. Be sure to monitor your finances so you can adjust to changing circumstances.

Then conduct a similar assessment of your parents' finances as well, so that you fully understand their current situation.

Keep your retirement savings plan on track

First and foremost, resist dipping into your current retirement savings, and try to keep your retirement savings plan on track. Make investing in your financial future a priority by maxing out your 401(k) and/or other retirement savings plan; at the least, contribute as much as your employer will match.

Put your child's college education on the front burner

Start saving, and with college tuition soaring, the sooner, the better. There are several college saving options--consider tax-advantaged strategies such as college savings plans, Coverdell education savings accounts, and U.S. savings bonds.

If necessary, look into the wide variety of financial aid programs available during college, such as scholarships, grants, work-study employment, and student and parent loans. Financial aid is based on two things: the cost of a college education and your ability to pay. You'll find an increasing number of families with significant incomes now qualify for aid.

Help your parents manage

If you need to help your parents manage their affairs, you'll need legal authority to do so. Make sure your parents have a durable power of attorney authorizing you to sign checks, pay bills, and make financial decisions.

Also make sure your parents have health-care directives allowing you to make medical care decisions according to their wishes. And be sure your parents have a will that's been updated recently.

If your parents have limited income, talk to them about their options. For example, can your parents sell their home or access the equity they have in it to increase their income? Will they need to move in with you or another family member? If they're not willing to discuss this with you, you may want to suggest they talk with a trusted professional.

Long-term care insurance

Since government programs such as Medicare and Medicaid, traditional health insurance, and disability insurance may not adequately cover the cost of long-term care, look into long-term care insurance. The cost of a long-term care policy will depend primarily on the ages of your parents (in general, the younger they are when the policy is purchased, the lower the premium will be), but it also depends on the benefits you choose.

Get support and advice

If you're feeling the squeeze, you're not alone. There's plenty of help out there, from local programs to national organizations, from books to websites. And consider discussing the specifics of your situation with your financial professional.

529 College Savings Plans vs. Roth IRAs



According to an article in *The Wall Street Journal* ("More Parents Are Becoming 529 Dropouts," November 11, 2009), after the 2008/09 market collapse, some investors--and financial advisors--have reduced their reliance on 529 plans. Some of this pullback can be attributed in part to a broader retreat from the stock market as a whole. But another part can be attributed to parents who have opted to trade the tax benefits of 529 plans for college savings vehicles that don't have a "must-be-used-for-college" restriction. And as parents seek to save for their own retirement too, one such vehicle is a Roth IRA. So, just how does a favorite of the college savings world, a 529 college savings plan, stack up to a favorite of the retirement savings world, a Roth IRA, as an education-funding vehicle?

Tax benefits

Both 529 college savings plans and Roth IRAs offer federal tax-free earnings if certain conditions are met (and most states follow this tax treatment), but only 529 plans offer the possibility of a state tax deduction too.

For 529 plans, earnings are tax free at the federal level if the distribution is used to pay the beneficiary's qualified education expenses--a broad term that includes tuition, fees, room and board, books, and computers--at any accredited college in the United States or abroad. If the distribution is used for any other purpose, earnings are subject to income tax and a 10% federal penalty tax.

For Roth IRAs, earnings are tax free at the federal level if the distribution is "qualified." A distribution is qualified if a five-year holding period requirement is met and one of the following conditions is met: (1) you are at least age 59½; or the distribution is made (2) due to a qualifying disability; (3) to pay certain first-time homebuyer expenses; or (4) by your beneficiary after your death.

If you are younger than age 59½ and you have a taxable distribution, you will also pay a premature distribution tax (also called an early withdrawal penalty) equal to 10% of the earnings portion of the distribution. But there are exceptions to this penalty, and one is if the money withdrawn is used to pay your child's qualified higher education expenses.

Bottom line: if you withdraw money before age 59½ to pay your child's college expenses, you'll generally owe income tax on the earnings, but not an early withdrawal penalty. However, you

may not end up owing income tax on the earnings, because Roth IRA distributions generally aren't taxed as earnings until the principal has been fully withdrawn. (By contrast, a distribution from a 529 plan is considered part principal and part earnings.)

Financial aid

There is an important difference here. Under federal financial aid rules, 529 plans are counted as a parent asset (if the parent is the account owner), and 5.6% of all parent assets are deemed available for college costs. By contrast, the federal aid methodology doesn't count retirement assets in determining aid eligibility. So a Roth IRA won't impact the amount of federal aid your child may be eligible for. However, although Uncle Sam doesn't count retirement assets, colleges typically do when awarding their own institutional aid.

Investment choices

Roth IRAs have the edge here--you can choose from a wide range of investments to fund your Roth IRA, and you can buy and sell investments whenever you like. But with a 529 plan, you are limited to the investment options offered by the plan. If you're unhappy with the investment performance of the options you've chosen, most plans let you change the investment options for your future contributions at any time, but for existing contributions, you can only change investment options once per year (twice per year in 2009 only). In 2008 and 2009, this restriction proved costly for many 529 account owners: having reached their limit on investment changes for the year, they were unable to make further changes in response to deteriorating market conditions.

Lump-sum contributions and eligibility

If you have a lump sum to contribute, 529 plans allow individuals to gift up to \$65,000 in 2010 (\$130,000 for married couples) and avoid gift tax if certain conditions are met. By contrast, Roth IRAs have a contribution limit in 2010 of \$5,000 (\$6,000 for individuals age 50 or older). And your ability to contribute to a Roth IRA depends on your income level. But anyone can contribute to a 529 plan--there are no restrictions based on income.

Bottom line

Whether a Roth IRA or a 529 college savings plan is best for your college savings depends on your personal circumstances and the factors discussed here.

Note on 529 plans

Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about 529 plans is available in each issuer's official statement, which should be read carefully before investing. Also, before investing, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits.

Back to Basics: Reviewing Your Budget

Do you ever wonder where your money goes each month? Does it seem like you've gotten sidetracked when it comes to reaching your financial goals? If so, you may want to review and perhaps revise your budget. Doing so can help you determine how you're spending your money, and that might show you what you need to do to get back on track.

"Oh, we don't need a budget," you might be saying. "We have plenty of money." If that's true, great! But if you aren't reaching your financial goals, there's a reason for that. Reviewing (or simply creating) your budget might help you find out what that reason is.

Examine your financial goals

The first part of reviewing your budget should be an examination of your financial goals. After all, planning any trip's itinerary depends in part on knowing where you want to go! Make a list of both your short-term and your long-term goals, and prioritize them. How much will you need to save for each one, and how long will you have to reach them? Should you forestall some of lower priority to reach others of higher priority?

Keeping track

Budgeting is largely about tracking your income and expenses. You can do this with a pen and paper, or you can use one of the many software programs or web-based applications designed for this purpose. The most important element of this process is to do it consistently.

Should you count every penny? Not necessarily, although to some extent you can't control the dollars if you don't track the cents. But focus primarily on meeting the basic expenses of life and then allocating what it will take to meet your goals.

Income and expenses

Much of your income may come from your regular paycheck or (if you're retired) from government benefits such as Social Security, a pension, or retirement account distributions. But don't forget to include all forms of income, such as child support and/or alimony, and even irregular or seasonal income, such as tax refunds, dividends, or interest.

Expenses generally fall into two categories. Fixed expenses are the "have-to" basics: housing, utilities, food, clothing, and transportation. Discretionary expenses are "want-to" items: eating out, entertainment, vacations, and hobbies.

Irregular expenses can't be predicted, but they always occur: car repairs and home maintenance are good examples. Remember to include these types of expenses in your accounting. For example, if you buy tires for your car every 3 years, one-third of the total is your annual expense.

Caution: *While you may find it easy to use your credit card for irregular expenses, do so only as a convenience. Be prepared to pay off the credit card charge with funds you have set aside in your budget for these expenses.*

Finally, prioritize the funds you'll need to meet both your short- and long-term goals as regular expenses in your budget.

And the answer is...

Once you've added up your income and expenses, you'll need to compare the totals. Are you spending exactly what you're making? Congratulations, your budget is perfectly balanced! Even better, if you're spending less than you're making, you have a surplus. If that's the case, you can allocate that surplus to either reaching your goals faster or funding new investment opportunities.

But if you're spending more than you're making, you're running a deficit. You might not feel the pinch if you're very good at juggling or funding it with increasing credit card debt or a home equity line of credit. But even the best of jugglers drop the balls sometimes, and increasing your debt can be dangerous. If that's what you're doing, you're sidetracking your budget into a dead-end spur.

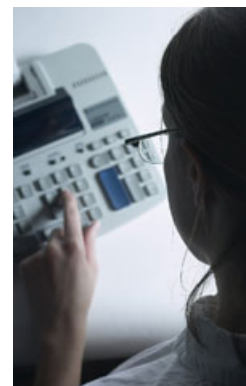
So, to balance your budget and get back on track toward meeting your goals, you'll have to either increase your income or reduce your expenses--or both. As you may have seen while tracking your expenses, it's often your discretionary spending that leads to a derailment when it comes to meeting your goals. Rather than shortchange your goals (you'll only be shortchanging yourself if you do), work on reducing discretionary expenses.

Staying on track

You'll need to monitor your budget to keep it on track. Remember that, like life itself, you'll need to keep your budget as flexible as your changing circumstances may demand.



"The first part of reviewing your budget should be an examination of your financial goals. After all, planning any trip's itinerary depends in part on knowing where you want to go!"



Ask the Experts



Can I buy gold and silver in my IRA?

Yes, but you'll need to establish a self-directed IRA with a trustee/custodian who has experience with precious metals and is able to take physical possession

of the assets. The company you purchase the metals from will generally have a relationship with a trustee/custodian who can set up a precious metals IRA for you.

Under IRS rules, holding certain collectibles, including metals, gems, or coins, in your IRA can result in a prohibited transaction. That doesn't mean you can't do it. But if you do, there can be serious tax consequences--the value of the collectible will be treated as a distribution to you, and will be subject to income tax and a 10% penalty (unless you're 59½ or another exception applies).

However, certain precious metals are specifically excluded from the definition of "collectible." The following are currently permitted as IRA investments:

- American Eagle gold, silver, and platinum bullion coins
- Coins issued by any state

Also allowed is any gold, silver, platinum, or palladium bullion, in coin form or otherwise, that meets certain purity requirements (for example, gold coins and bars must be at least 99.5% pure). Currently this includes:

- Canadian gold, silver, and platinum Maple Leaf coins
- Australian Philharmonic, Kangaroo/Nuggets, Kookaburras, and Koala coins
- Mexican Silver Libertads
- Isle of Man Noble platinum coins
- Gold, silver, platinum, and palladium bars and rounds of specific purity

Of course, you can also buy mining stocks, as well as gold and silver ETFs, in your IRA. For some, this is a more convenient way of adding this asset class to an IRA portfolio.

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Frequently asked questions about 2010 Roth IRA conversions

1. How does the special deferral rule for 2010 conversions work? I've heard that I calculate the conversion tax in 2010, but can pay half in 2011 and half in 2012.

No, this is a common misconception. If you make a conversion in 2010, you will calculate the amount of taxable income in 2010. But then you have a choice: you can either report all of the taxable income on your 2010 tax return, or instead report half of the income on your 2011 return and half on your 2012 return. So, your tax liability will depend on your marginal tax rates in 2010, 2011, and 2012. (Note that tax rates will increase in 2011 if the Bush tax cuts are allowed to expire.)

2. Does the special deferral rule for 2010 apply to distributions I roll over from my 401(k) plan to a Roth IRA in 2010?

Yes. If you receive a distribution of non-Roth funds from your 401(k) plan in 2010 and roll

those funds into a Roth IRA, the taxation is similar to a conversion of a traditional IRA to a Roth IRA. You can report all of the resulting income on your 2010 tax return, or half on your 2011 return and half on your 2012 return.

3. Is it true that anyone can make annual contributions to a Roth IRA beginning in 2010, regardless of how much they earn?

No. You can contribute to a Roth IRA only if your income is within prescribed limits. These limits have not been repealed. What has been repealed are the income limits that used to apply to Roth conversions, beginning in 2010. But even if you can't contribute to a Roth IRA directly in 2010 because of the income limits, there's an easy workaround: you can make your annual contribution first to a traditional IRA (virtually anyone under age 70½ can make nondeductible contributions to a traditional IRA), and then convert that IRA to a Roth. Remember, though, that when you calculate the taxable amount due as a result of the conversion, you need to aggregate all of your traditional IRAs. See IRS Form 8606 for additional details.

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