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FALL 2009 NEWSLETTER

LUESINK FINANCIAL PLANNING LLC

Independent, Fee-Only

Dear Friends,

I saw Holiday decorations appearing in shops and that is a clear sign that the end of 2009 is near. The Fall is the right time to evaluate how well you followed your tax planning and what else should be done before the end of year. No one likes to think about their taxes, so I tried to make it easier. In this Year-End Checklist you will find some tips that may lower your income taxes. Best regards, Anja

RETIREMENT CONTRIBUTIONS

One of the best strategies of reducing your taxes is to add to your retirement savings account, your employer's saving plan or your Individual Retirement Account (IRA). When your employer is matching your contribution, it will even grow faster. Your retirement savings reduce your income tax, they grow tax deferred and may qualify for a Retirement Saver's Tax Credit.

If your combined federal and state marginal income tax rate is 40%, every dollar you contribute to your retirement plan saves you 40 cents of income tax. Your true out-of-pocket cost is only 60 cents.

MAXIMUM CONTRIBUTIONS 2009

Check how much you contributed this year: for 2009 the maximum for 401(k), 403(b), SEP IRA plans is \$16,500 and if you're age 50 and above you can put in an additional \$5,500.

For your IRA and/or ROTH IRA the contributions are combined: the total contribution to both is maximum \$5000 and age 50 and above an additional \$1000. For the deductibility of the IRA or the contribution to the ROTH IRA income limits apply.

FLEXIBLE SPENDING ACCOUNT (FSA)

This is a 'Spend it or Lose it' account. If you contributed to your employer's FSA in the beginning of the year, calculate what you spent this year on dependent care and/or health care. If there is any money left in the FSA spend it.

529 EDUCATION SAVINGS PROGRAM CONTRIBUTIONS

Tax law changes have made 529 plans (Education Savings Program) permanent and made it a much favorable income and estate tax planning tool than custodian accounts for children.

As a New York State resident, you can deduct up to \$5,000 (\$10,000 if filing jointly) on your State Income Tax Return for contributions made to a NYS 529 plan before the end of the year. For a NY 529 plan go to www.NYSaves.org for direct enrollment, which saves you broker fees. Other states have similar 529 plans and the tax advantages and features differ per state. Go to www.SavingforCollege.com to compare 529 plans and read more.

INVESTMENTS - CAPITAL GAINS & LOSSES

MINIMIZE YOUR CAPITAL GAIN TAXES. Consider selling devalued stocks and mutual funds to generate capital loss or offset it to the capital gain. You can deduct up to \$3,000 net capital loss each year. If you still want to own the same stock or mutual funds, you can purchase after 30 days to avoid "wash sale" rules. The capital gain tax rate is expected to go up after 2010; if you have appreciated investment assets, you may consider selling them before the rate goes up.

CHARITABLE CONTRIBUTIONS

Consider donating used clothing, household items, books and toys to qualified charities. It's time for a year-end cleaning and donate unused items. Make sure you get a receipt from the charity. Appreciated stock is a good charitable gift: the charity doesn't pay tax on it and you get a deduction for the whole value.

YOU MIGHT BE ELIGIBLE FOR A TAX CREDIT

CHILD AND DEPENDENT CARE TAX CREDIT

Expenses paid for child care, pre-school, summer day camps and after school classes for children under 13 to allow parents to work may be eligible for classes for children under 13 to allow parents to work may be eligible for DEPENDENT CARE TAX CREDIT. You need to keep the name, address and Tax ID of the care provider for income tax purposes.

EDUCATION EXPENSES

If you paid post-secondary education expenses before year-end, there are various tax benefits available. You may take the "Tuition and fees" deduction or be eligible for a AMERICAN OPPORTUNITY (formerly HOPE) or LIFETIME LEARNING TAX CREDIT. American Opportunity Tax Credit has expanded to cover 4-year college education expenses. Lifetime Learning Tax Credit is not limited to undergraduate or graduate school classes. Classes taken for job training or to improve your job skills are also eligible

CHILD TAX CREDIT

When you have children you might be eligible to the CHILD TAX CREDIT of up to \$1000 per child or for the ADDITIONAL CHILD TAX CREDIT.

FIRST TIME HOME BUYER CREDIT

The existing law gives a first time home buyer (someone who does not own a home in the past 3 years) a \$8,000 TAX CREDIT if the home is purchase before November 30, 2009 and certain conditions are met. Congress may extend and expand this benefit.

NEW CAR SALES TAX DEDUCTION

If you buy a new car before the end of the year, you may be able to deduct the sales tax paid.

ENERGY TAX CREDIT

The following improvements to your principal residence may qualify you for a 30% ENERGY TAX CREDIT of up to \$1,500: Insulation, exterior windows and skylights, exterior doors, roof (asphalt, metal), central air conditioner, advanced main air circulating fan, water heater (natural gas, propane, oil, electric heat pump), hot water boiler (natural gas, propane, oil) and electric heat pump. There is a separate 30% RESIDENTIAL ENERGY EFFICIENT PROPERTY CREDIT and an ALTERNATIVE MOTOR VEHICLE CREDIT.

MAKING WORK PAY CREDIT

A refundable tax credit for individuals of up to \$400 or \$800 for Married Filing Jointly depending on your income.

ABOUT US:

Luesink Financial Planning LLC helps you feel financially secure and grow your wealth.

We provide

- holistic financial planning
- investment management and
- tax returns

Have your tax return prepared and get free tax planning advice for the following year!
Call us for a free introductory session.

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