



# Financial Foresights

Practical Insights For Your Financial Goals

June 2009

## Swisher & Walker Financial Grp

David Walker, CFP, EA  
2150 Manchester Road  
Suite 210  
Wheaton, IL 60187  
(630) 510-9500 203  
(866) 501-6579  
dave@swisherwalker.com  
www.swisherwalker.com

Hi Everyone,

I hope you enjoy this month's edition of my newsletter. If you haven't done so already, please schedule your mid-year tax/financial review. It is never a bad idea to get your annual checkup!

Dave

### In this issue:

Social Security: Late Retirement Boosts Benefits

Estate Planning for a Second Marriage

Going to Graduate School: Ways to Pay

What tax credits are available for making homes more energy efficient?

## Social Security: Late Retirement Boosts Benefits

If your retirement savings have taken a beating, you may be wondering how you will make up a monthly retirement shortfall. One option might be to delay receiving Social Security benefits. Although you can receive retirement benefits as early as age 62, the longer you put off retirement, the larger your monthly benefit check will be.

### When can you retire?

How much you'll receive from Social Security every month depends mainly on how old you are when you begin receiving benefits and on your lifetime earnings. Your full retirement age is 65 to 67, depending on the year you were born. The Social Security Administration calculates



your base benefit--the amount you'll receive at full retirement age--using a formula that takes into account your 35 highest earnings years.

If you begin receiving benefits earlier, you'll receive less than you would at full retirement age. If you begin receiving Social Security benefits at age 62, each monthly check you receive will be 25% to 30% less than it would be if you waited until full retirement age.

If you begin receiving benefits later than full retirement age, you'll receive more than you would receive at full retirement age, because you'll earn delayed retirement credits for each month you postpone retirement up until age 70. Delayed retirement credits will increase the amount you receive by 7% annually if you were born in 1939 or 1940, 7.5% if you were born in 1941 or 1942, or 8% if you were born in 1943 or later.

### Retirement benefit illustration

The following chart illustrates how the age you begin receiving benefits can greatly affect the amount of income you receive from Social Security every month. The chart assumes a

full retirement age of 66, and a base benefit at full retirement age of \$2,000 (which is nearly the maximum Social Security benefit an individual can receive).

Social Security Retirement Benefit



In this hypothetical example (your individual situation will be different), the Social Security benefit available at age 62 is \$1,500, which is 25% less than the \$2,000 monthly benefit available at full retirement age. But at age 70, the benefit available is \$2,640, which is 32% more than the monthly benefit available at full retirement age, due to delayed retirement credits. Keep in mind, too, that other factors, including post-retirement earnings and cost-of-living increases, can also affect your monthly benefit check.

You can explore various retirement benefit scenarios by using the Retirement Estimator, or one of the other benefit calculators available at the Social Security Administration's website, [www.ssa.gov](http://www.ssa.gov).

There's no right or wrong time to begin receiving Social Security retirement benefits, and you should determine how retiring at a certain age affects your overall lifetime income, as well as your monthly income. How long retirement is likely to last, the effect on your spouse's income, and your tax situation are also considerations when deciding when to retire.

## Estate Planning for a Second Marriage

They say that love is lovelier the second time around. But for many individuals, remarriage later in life can create some unique estate planning issues.

If you're anything like the typical person contemplating a second (or third) marriage, you're older, you have children, you've accumulated property, and you've been enjoying a standard of living you would like to maintain. Entering into a new marriage can raise many, perhaps conflicting, concerns such as:

- How can you protect assets you already own?
- How can you provide for children from a previous marriage?
- How do you share assets acquired or inherited after the marriage equally or fairly?
- How do you ensure your prospective spouse's future financial security?
- How can you avoid family disharmony?

How should you address these concerns?

### Put your financial cards on the table

Money is a major cause of stress in any marriage, but it can be especially so in a second one. You and your future spouse should discuss and agree on all important financial issues, and formulate plans that, hopefully, everyone can live with. Full disclosure is important, especially if you intend to...

### Protect your assets with a prenuptial or postnuptial agreement

You're probably well aware that life is not a stroll down the primrose path, so while the suggestion of a prenup or postnup may not fan the flames of romance, you should know that this contract is important if you're bringing assets into the marriage. Why? By law, a surviving spouse has the right to take an "elective share" of the deceased spouse's estate, regardless of what is in the will. An elective share is typically one-third or one-half of the estate. An elective estate can include almost all the decedent's property, even property with beneficiary designations and property held in trust. If your surviving spouse takes his or her elective share, this may result in the unintentional disinheritance of your children or other heirs.

The only way to supersede elective share

laws is with a prenup or postnup, in which both parties can waive their rights to the elective share. This way, you can minimize the chance that state law will interfere with your intended estate plans.

### Revise your will and other estate planning documents

Remarriage does not revoke a will (although state law can trump a will, as we have just discussed). It is vital, therefore, that you draft a new will in light of your new circumstances. While you're at it, review and update other estate planning documents, such as your durable power of attorney, health-care directives (e.g., living will, health-care proxy), trusts, and beneficiary designations (for life insurance and retirement plans, for example).

### Providing for your children from a previous marriage

A big concern in many second marriages is providing for the new spouse without disenfranchising children from a prior marriage. Having your assets pass into a "QTIP" trust can be part of the solution. With a QTIP, all trust income is used to support the surviving spouse while the principal is preserved for the children. And there's a bonus: assets passing to a valid QTIP qualify for the marital deduction, helping to minimize potential estate taxes at your death.

### Dealing with wealth disparity

In second marriages, it's not uncommon for one spouse to be wealthier than the other. If estate taxes are a concern, equalizing your estates to take advantage of both spouses' exemptions (\$3.5 million in 2009, subject to change thereafter) may be in order. Without equalization, you may lose valuable tax savings if the less wealthy spouse dies first.

### Apportioning estate taxes

If both spouses have children from a previous marriage, you may want to plan for the payment of estate taxes in such a way that each child will bear the burden equally.

### Conclusion

Each couple entering into a second marriage has unique concerns and goals. It's important to deal with your issues squarely, and create a plan that will optimize dispositions, minimize taxes, and avoid unintended results, family disharmony, or even litigation.



### Giving love another chance:

- 12% of men have married twice
- 13% of women have married twice
- 3% of each have married three or more times

Source: U.S. Census Bureau, 2008.



## Going to Graduate School: Ways to Pay



Are you thinking about going to graduate school? Whether you want to advance in your current field or move your career in a new direction, graduate school might open doors for you. But it isn't cheap. Here are some suggestions on where to look for financial help.

### Loans, loans, loans

Students attending graduate school can borrow from two sources: the federal government and private lenders. Uncle Sam's three major loan programs--the Stafford loan, Perkins loan, and graduate PLUS loan--are all available to graduate students, provided they attend school on at least a half-time basis. The following chart highlights each loan program:

	Stafford	Perkins	PLUS
<b>Based on need?</b>	Subsidized: <sup>1</sup> Yes Unsubsidized: No	Yes	No
<b>Loan limit for 2008/09</b>	Subsidized: \$8,500 Unsubsidized: \$12,000	\$6,000	Up to full cost of education for year
<b>Interest rate</b>	Subsidized: 6.0% <sup>2</sup> Unsubsidized: 6.8%	5%	8.5%

<sup>1</sup> Subsidized means the government pays the interest during school, deferment, and grace periods.

<sup>2</sup> The interest rate on subsidized Stafford loans disbursed on or after July 1, 2009, and before July 1, 2010, is 5.6%.

To apply for federal loans, students should file the government's aid application, the FAFSA. It can be filed online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

Students can also obtain loans from private lenders, though such loans typically carry higher, variable interest rates.

### Scholarships and grants

At the graduate level, most scholarships and grants come from the school itself, rather than outside organizations, and are often awarded on the basis of merit, not need. So it's always a good idea to contact the financial aid office of any school you're considering to see what special scholarships and grants they offer for

graduate students. Many scholarships and grants are awarded at the departmental level, so your chances might depend on what subject you plan to study.

### Employer educational assistance

If you plan to work while you attend graduate school, check to see if your employer offers any educational assistance. The first \$5,250 of such assistance is exempt from federal income tax. But make sure to read your employer's fine print: some may require that you maintain a certain grade, or that you remain at the company for a certain number of years after you obtain your degree.

### Education tax benefits

Education tax benefits may not help you pay the upfront costs of tuition, but they might help defray some of those costs later on when you file your taxes. For more information, see IRS Publication 970, *Tax Benefits for Education*. In 2009, you may qualify for the:

**Lifetime Learning credit**--Is worth up to \$2,000 for tuition and fees if your modified adjusted gross income (MAGI) is below \$50,000 (single) or \$100,000 (married filing jointly).

**Deduction for qualified higher education expenses**--Lets you deduct \$4,000 in tuition and fees if your MAGI is below \$65,000 (single) or \$130,000 (married filing jointly).

**Student loan interest deduction**--Lets you deduct up to \$2,500 of qualifying student loan interest if your income is \$60,000 or less (single) or \$120,000 or less (married filing jointly).

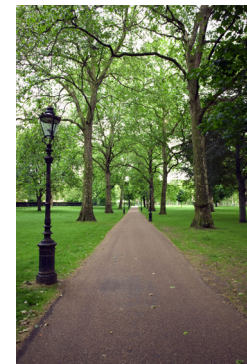
A partial credit/deduction is available for each of these tax benefits for filers with slightly higher incomes than those listed.

### Look before you leap



Finally, before you make that first tuition payment, ask yourself whether a graduate degree makes sense for your long-term career goals. Will you be more marketable after getting your degree?

Will the return on your investment be worthwhile? Do you plan to stay in this career going forward? Assuming the answers to these questions are yes, the expense of graduate school might be a worthwhile investment for you.



### Graduate school numbers heading up

*Many colleges have seen graduate school applications rise 10% to 20% over last year, and applications are expected to grow even more next year, because graduate school enrollment is typically a lagging indicator of the economy.*

*Source: Council of Graduate Schools, Washington, D.C.*



**Swisher & Walker  
Financial Grp**

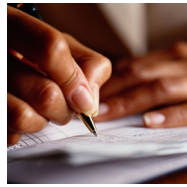
David Walker, CFP, EA  
2150 Manchester Road  
Suite 210  
Wheaton, IL 60187  
(630) 510-9500 203  
(866) 501-6579  
dave@swisherwalker.com  
www.swisherwalker.com

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Securities offered through Waterstone Financial group., Member FINRA/SIPC

Prepared by Forefield Inc,  
Copyright 2009

## Ask the Experts



### What tax credits are available for making homes more energy efficient?

To encourage energy savings, the American Recovery and Reinvestment Act of 2009 expanded the tax credits related to energy-efficient home improvements.

For 2009 and 2010, you may be able to claim a tax credit equal to 30% of the cost of energy-efficient property that you install in your principal residence. Qualified products can include new windows, doors (exterior and storm), insulation, roofing, HVAC systems, nonsolar water heaters, and biomass stoves (e.g., those that use plant-derived fuels, including wood and wood pellets) for your existing principal residence. (Note that installation costs are covered for HVAC, biomass stoves, and nonsolar water heaters, but not for the other products listed here.) A total combined credit cap of \$1,500 applies to all 2009 and 2010 improvements.

For property placed in service in 2009 through 2016, you may be able to claim a separate tax credit for 30% of the cost of buying and

installing qualified geothermal heat pumps, solar panels, solar water heaters (pool or hot tub heaters do not qualify), small wind energy systems, and fuel cell power systems (limited to \$500 per 0.5kW of power capacity); generally, no cap applies to these improvements. This tax credit is available for products installed in both new and existing homes. With the exception of fuel cell systems (which, to qualify, must be used in a home that is or will be your principal residence), these products may be used in a second or vacation home as well.

Only products that meet very high energy-efficiency standards qualify, so you'll need to carefully check the manufacturer's certification. It will tell you whether or not the product qualifies for a tax credit. Keep a copy of the statement, and receipts, for your tax records. A tax professional can give you more information about these tax credits. You can also visit the Energy Star website, [www.energystar.gov](http://www.energystar.gov), to find out more about energy-efficiency standards and products.

### I'm buying my first home, but I already own an investment property. Will I qualify for the first-time homebuyer's tax credit?

Even though you already own an investment property, you may be able to qualify for the first-time homebuyer's credit that was included in the American Recovery and Reinvestment Act of 2009. For the purposes of qualifying for the credit, a first-time homebuyer is defined as someone who has not owned a principal residence during the three-year period prior to the home's purchase. Your investment property is not considered to be your principal residence, so you may still be eligible for the first-time homebuyer's credit, assuming you meet other requirements.

One requirement is that you must purchase a home on or after January 1 and before December 1, 2009. You must also meet certain income limits. To qualify for the full credit, which is equal to 10% of the home's purchase price (up to a maximum credit of \$8,000), your modified adjusted gross income must be no greater than \$75,000 if you're single, or \$150,000 if you're married. The credit is

reduced if your income exceeds these amounts, and is eliminated if your modified adjusted gross income exceeds \$95,000 (\$170,000 if you're married filing jointly).

If you're married, and your spouse has owned a principal residence within the past three years even if you have not, neither of you will qualify for the credit. But if you're single, and are buying a home with someone else who has owned a principal residence within the last three years, you may still qualify, even though the other buyer will not.



Note that if the home you're buying ceases to be the principal residence of you and your spouse within 36 months of the purchase date, you'll have to pay back the credit. For more details, visit the IRS website, [www.irs.gov](http://www.irs.gov).