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CAN I RETIRE?

An accomplished financial advisor, author and speaker, Ken brings over 23 years of professional experience to residents of the Hudson Valley and New York City metropolitan area.

He is the owner of Mahoney Asset Management. Ken's opinions on the world of finance have been published nationally.

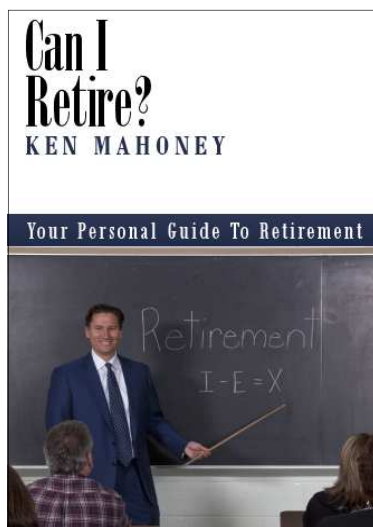
Ken is also the author of *Investing From Within: A Story of Understanding*, which offers investment advice to various personality types and *Now What? A Guide to Retirement During Volatile Times*, which focuses on protecting your capital, making tax efficient distributions, and transferring your wealth in the most economical way. His *Now What?* blog is updated frequently at

<http://kenmahoney.blogspot.com>

Ken's market report can be heard live weekday mornings on WTBQ 1100AM or 99.1FM at 7:15am and on WRCR 1300AM at 9:15am.

Can I Retire?, Ken's latest book, focuses on answering that very

question. This book walks you through the steps on how to retire successfully and offers you plenty of tips, advice and information on how to balance your income, expenses and assets and really make the most of your retirement.



To receive a free copy of Ken's new book "**CAN I RETIRE?**" Contact us at 845/371-0101

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Ken updates his blog weekly at

www.kenmahoney.blogspot.com

To Sign Up For Weekly Updates

Contact our Office at

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Tune in and listen to Ken's financial updates

LIVE weekday mornings at

7:15 AM on WTBQ 1110AM

9:15 AM on WRCR 1300 AM

and WHUD 100.7 FM

Tax-Efficient Investments for the Tax-Averse

Raising taxes is one of many ideas that have been proposed to help reduce mounting federal budget deficits. Yet some taxpayers are already facing the prospect of higher taxes as a result of health-reform legislation passed in 2009.

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We Start Every New Year With a New Beginning

For some, we will diet, for others, we promise to shed a few pounds by exercising. Recent polls show that taking care of our physical well being and health top the list of New Year's Resolutions, second only to appreciating loved ones more and spending more time with family and friends. *Perhaps this is the year where you will take a good look at your financial health as well!*

So often, we want to plan, but then 'life happens'. We are dealing with so many things that often distract us from the big picture.

We have had hundreds and hundreds of people who have called in for the book, Can I Retire? because they wanted to take control of their retirement. It is an excellent first step.

As we mention on the radio, the Can I Retire Projection is like a GPS for your retirement. However, just like that resolution, you need to work a little to get great outcome.

The only way one can answer the question: Can I Retire?, or When Can I Retire? comes down to some 'number crunching', i.e., projections.

I have been doing plans for investors for the past 23 years. What I still find surprising is that most people lose sleep or are very stressed about their retirement. A number of people are concerned about outliving their money. Yet, when we do the projections, 90% of the time the numbers work out fine and should reduce stress.

In this New Year, I encourage you to reach out to us and take advantage of this projection, so you have a GPS for your retirement.

Tax Changes for 2012

**~Please discuss these changes with your accountant or CPA
or contact our office if you have any questions ~**

For tax year 2012, personal exemptions and standard deductions will rise and tax brackets will widen due to inflation, the Internal Revenue Service announced today.

By law, the dollar amounts for a variety of tax provisions, affecting virtually every taxpayer, must be revised each year to keep pace with inflation. New dollar amounts affecting 2012 returns, filed by most taxpayers in early 2013, include the following:

The value of each personal and dependent exemption, available to most taxpayers, is \$3,800, up \$100 from 2011.

The new standard deduction is \$11,900 for married couples filing a joint return, up \$300, \$5,950 for singles and married individuals filing separately, up \$150, and \$8,700 for heads of household, up \$200.

Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.

Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$70,700, up from \$69,000 in 2011.

Credits, deductions, and related phase outs

For tax year 2012, the maximum earned income tax credit (EITC) for low- and moderate-income workers and working families rises to \$5,891, up from \$5,751 in 2011. The maximum income limit for the EITC rises to \$50,270, up from \$49,078 in 2011. The credit varies by family size, filing status and other factors, with the maximum credit going to joint filers with three or more qualifying children.

The foreign earned income deduction rises to \$95,100, an increase of \$2,200 from the maximum deduction for tax year 2011.

The modified adjusted gross income threshold at which the lifetime learning credit begins to phase out is \$104,000 for joint filers, up from \$102,000, and \$52,000 for singles and heads of household, up from \$51,000.

Ken Mahoney is a registered representative and transacts securities business through Aurora Capital LLC, a registered broker dealer and a member of FINRA and SIPC

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Tax Changes for 2012

For 2012, annual deductible amounts for Medical Savings Accounts (MSAs) increased from the tax year 2011 amounts; please see the table below.

Medical Savings Accounts (MSAs)	Self-only coverage	Family coverage
Minimum annual deductible	\$2,100	\$4,200
Maximum annual deductible	\$3,150	\$6,300
Maximum annual out-of-pocket expenses	\$4,200	\$7,650

The \$2,500 maximum deduction for interest paid on student loans begins to phase out for a married taxpayers filing a joint returns at \$125,000 and phases out completely at \$155,000, an increase of \$5,000 from the phase out limits for tax year 2011. For single taxpayers, the phase out ranges remain at the 2011 levels.

Estate and Gift

For an estate of any decedent dying during calendar year 2012, the basic exclusion from estate tax amount is \$5,120,000, up from \$5,000,000 for calendar year 2011. Also, if the executor chooses to use the special use valuation method for qualified real property, the aggregate decrease in the value of the property resulting from the choice cannot exceed \$1,040,000, up from \$1,020,000 for 2011. The annual exclusion for gifts remains at \$13,000.

Other Items

The monthly limit on the value of qualified transportation benefits exclusion for qualified parking provided by an employer to its employees for 2012 rises to \$240, up \$10 from the limit in 2011. However, the temporary increase in the monthly limit on the value of the qualified transportation benefits exclusion for transportation in a commuter highway vehicle and transit pass provided by an employer to its employees expires and reverts to \$125 for 2012.

Several tax benefits are unchanged in 2012. For example, the additional standard deduction for blind people and senior citizens remains \$1,150 for married individuals and \$1,450 for singles and heads of household.

Details on these inflation adjustments can be found in [Revenue Procedure 2011-52](#), which will be published in Internal Revenue Bulletin 2011-45 on November 7, 2011.

Tags: [2012 Personal Exemptions](#), [2012 Standard Deductions](#), [2012 Tax Benefit Limitations](#), [2012 Tax Law Changes](#)

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[IRS Announces Pension Plan Limitations for 2012](#)

IRS announces Pension Plan Limitations for 2012

The exclusive purpose for the information provided is to disseminate information, and not to provide tax advice.

WASHINGTON — On October 20, 2011 the Internal Revenue Service announced cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for Tax Year 2012. In general, many of the pension plan limitations will change for 2012 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limitations will remain unchanged. Highlights include:

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IRS announces Pension Plan Limitations for 2012

The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from \$16,500 to \$17,000.

The catch-up contribution limit for those aged 50 and over remains unchanged at \$5,500.

The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$58,000 and \$68,000, up from \$56,000 and \$66,000 in 2011. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$92,000 to \$112,000, up from \$90,000 to \$110,000. For an IRA contributor who is not covered by a workplace retirement plan

and is married to someone who is covered, the deduction is phased out if the couple's income is between \$173,000 and \$183,000, up from \$169,000 and \$179,000.

The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$173,000 to \$183,000 for married couples filing jointly, up from \$169,000 to \$179,000 in 2011. For singles and heads of household, the income phase-out range is \$110,000 to \$125,000, up from \$107,000 to \$122,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains \$0 to \$10,000.

The AGI limit for the saver's credit (also known as the retirement savings contributions credit) for low-and moderate-income workers is \$57,500 for married couples filing jointly, up from \$56,500 in 2011; \$43,125 for heads of household, up from \$42,375; and \$28,750 for married individuals filing separately and for singles, up from \$28,250

Tax-Efficient Investments for the Tax-Averse

In 2013, single filers with modified adjusted gross incomes exceeding \$200,000 (\$250,000 for joint filers) will be subject to a 3.8% Medicare unearned income tax on net investment income. The Medicare payroll tax will increase by 0.9% on wages exceeding these thresholds. If you are concerned about higher taxes in the future, it may be a good time to consider the tax advantages associated with municipal bonds and tax-exempt mutual funds.

Investing in Infrastructure: State and local governments sell bonds to finance public-works projects such as roads, sewers, schools, and stadiums. Because government entities have the power to raise taxes and fees to pay the interest, municipal bonds are generally considered higher-quality assets. However, they typically pay less interest than taxable debt.

On the plus side, municipal bond income is generally exempt from federal taxes and may not trigger the Medicare tax mentioned earlier. The interest on a bond issued outside the state in which you reside could be subject to state and local taxes, and some municipal bond interest could be subject to the federal alternative minimum tax.

Tax-Free Fund Options: Tax-exempt mutual funds earn interest from their underlying state and local bonds, so they share the same federal income tax exemption. However, if you sell a municipal bond or tax-exempt fund at a profit, you could incur capital gains taxes. The tax benefits associated with these lower-yielding mutual funds may also make them more suitable for taxable accounts, as opposed to qualified retirement plans and IRAs that allow for tax-deferred growth until the assets are withdrawn. Withdrawals from tax-deferred plans prior to age 59½ may be subject to a 10% federal income tax penalty. The return and principal value of bonds and mutual fund shares fluctuate with changes in market conditions. When redeemed, they may be worth more or less than their original cost. Bond funds are subject to the same inflation, interest-rate, and credit risks associated with their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance.

High Earners May Net More

Investors in the top tax brackets may find that the lower tax-free yields from muni bonds and tax-exempt funds are worth more to them than the after-tax yield from taxable bond investments. For example, a 3% tax-free yield is equivalent to a 4.62% taxable yield for an investor in the 35% federal income tax bracket. Municipal bonds and tax-exempt funds can be a key component of the portfolios of investors with high incomes and/or a relatively low tolerance for risk. If you fall into these categories, you may want to learn more about tax-efficient investment opportunities that could be appropriate for your personal situation.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

