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*About Their
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Wall Street's Wild Ride!

It's been nearly three years since the market began its historic decline resulting in the Dow retreating from a high of approximately 14,000, to a low near 6,500 on March 9, 2009...I'm certain of this date since it was my Fathers 82nd Birthday... Happy Birthday Dad, your day will live in infamy for a long time...we hope. The subsequent market recovery during the last 11 months has been equally spectacular as many of our investors have experienced triple digit gains. So where do we go from here? For those investors utilizing our broadly diversified globally allocated investment portfolio's...the answer is SIMPLE...we continue to do exactly the same things:

1. Continue to invest using the scientifically proven Nobel prize winning investment allocations we've always used which provide

exposure to more than 15,000 stocks in 42 countries around the world.

2. If the recent historical market declines and recovery have taught us anything it's... Don't panic during TEMPORARY market declines.
3. Recognize the stock market is RANDOM and unpredictable.
4. Realize that No One can see the future...and No One can predict market movements.
5. Don't attempt to pick stock's or manager's.
6. Don't attempt to market time... trying to pick the high or the low of the market.
7. Don't attempt to base investing decisions on past performance... refer to #3.

Those who remained disciplined and adhered to the above SIMPLE rules have recovered most if not all

of the paper losses suffered during the TEMPORARY markets decline. Investing doesn't have to be difficult... or frustrating...or time consuming. Simplify and Succeed! To learn more about our proprietary scientific investing strategies contact our office.

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Transferring a custodial account set up under the Uniform Gift to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) to a section 529 college savings plan can potentially result in a number of tax advantages.

UGMA/UTMA accounts are set up for the benefit of a minor. Anyone can contribute to the account, and the custodian (such as the parent or grandparent) retains control of the account until the minor reaches the age of majority. At that time, control passes to the child, and assets in the account can be withdrawn for any purpose. However, earnings on the account are taxed at the child's rate (see below).

Taxes for unearned income in UGMA and UTMA accounts (2010 figures)
Child's age Income Federal tax rate

Child's Age	Income	Federal Tax Rate
Under 18 years	\$0 - \$950	0%
	\$950 - \$1,900	Child's tax rate (usually 10% after deductions related to investment income)
18 or older	More than \$1,900	Parent's marginal tax rate
	\$0 - \$950	0%
	More than \$950	Child's tax rate (usually 10% after deductions related to investment income)

IRS Publication 929

assets from an UGMA/UTMA account. The minor is named as the beneficiary of the 529 plan, and the UGMA/UTMA custodian is considered the owner of the 529 plan until the child reaches the age of majority.

There are some disadvantages to such a transfer. First, investments to a section 529 plan must be made in cash. That means any assets in the UGMA/UTMA account must be sold before you transfer the assets to a 529 account. And if those assets have grown in value, the sale will result in gain that's taxable on the child's tax return.

These disadvantages, however, may be outweighed by the tax benefits of such a transfer. After the transfer, the earnings in the section 529 plan can potentially grow tax-free. That's an advantage if the earnings in the

subject to the parents' tax rate, which is usually higher.

Earnings in the section 529 plan will then be tax-free when withdrawn, provided that the money is used for qualifying higher education expenses. If money is used for other purposes, however, the earnings will be taxable and generally subject to a 10% penalty tax as well.

Finally, remember that as with any investment, section 529 plans offer no guaranteed rate of return. Moreover, out-of-state section 529 plans may have in-state income tax ramifications. Always ask for and carefully read a plan's program description for complete information, including risks, fees and expenses.

We can help you develop a strategy to help achieve your long-term funding goals. Contact our office to find out how transferring assets



Now, thanks to the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), there may be a better option for investors saving for a child's college education: section 529 plans, which are state-sponsored college savings plans.

It's easy to fund most 529 plans with

custodial account were large enough

to result in tax on the minor. In 2010, the first \$950 in income from a minor's investment is free of federal income tax, and the next \$950 is taxed at the lower child's rate (in 2010, typically 0% for dividends and capital gains, and no more than 15% for interest). But investment income over \$1,900 is

from an UGMA/UTMA account to a section 529 plan can benefit you.

This article is not intended to provide tax or legal advice and should not be relied upon as such. It is a summary of our understanding and interpretation of some of the current laws and regulations and is not exhaustive. Investors should

Divorce is prevalent in society. Older couples married for the second time often have their own children from a first marriage. Each of the couple wants to bequest things to their own children. Each in the couple may have his (her) own assets but one main asset might be owned by one of them. More often than not, that's the house they're living in. How can that house owner assure that his house goes to his children of a previous marriage while making sure his present spouse will always have their house to live in?

With the automatic way probate laws work, the spouse who dies earlier may lose all control of where his assets end up. Present spouses may not be on good terms with their spouse's children. So, spousal promises to carry out wishes may wear thin as the years pass beyond a spouse's death.

There is one device, though, by which a spouse can assure that his house will pass to his own children but after his present spouse dies. And that's called

the qualified terminal interest property trust (QTIP). He simply creates the QTIP trust making his own children the ultimate beneficiaries of it. His spouse benefits while she lives but her interest in it is terminated at her death.



The house-owning spouse funds the QTIP trust with assets that qualify for the unlimited marital deduction. This would include the house as well as anything else he chooses. Any income that is generated in the trust must be paid to his surviving spouse – and only to her or else the marital deduction (i.e. what is put into the QTIP trust) would be disallowed. Use of the house would obviously be the surviving spouse's right in this regard too.

Finally at the surviving spouse's death,

the assets in the trust (i.e. the house) are considered part of her estate for purposes of calculating any estate tax that may be due upon her death. Nevertheless, all QTIP trust assets are paid to his children.

Because the QTIP trust assets are part of the surviving spouse's estate, they get a step-up tax basis. This means their tax basis immediately jumps from what it was previously to their fair market value on the surviving spouse's date of death. If the children decided to sell the house upon receipt of it, they'd have no capital gains tax on it because the tax basis would then be equal to its sales price.

Lastly, since the QTIP is a trust, it bypasses probate at the surviving spouse death. Although currently the Federal Estate Tax has expired for 2010 it is scheduled to be reinstated in 2011.

Contact our office so we can help you with a QTIP trust.

Refinance Your Rental Property for More Retirement Income

Need more retirement income? Tap into your rental property without selling it. Selling means paying taxes and losing your rental's income and your future appreciation. If your rental's value has appreciated since you bought it, you can get more money out of it two ways through refinancing. You will pay no taxes and maintain your property's worth to you.

Lower interest rates since buying property

If interest rates have dropped since you originally bought or last mortgaged the property, you can refinance that loan in two ways. First, suppose you refinance only the present balance so that your monthly mortgage payments are reduced under a reduced rate. This reduces your rental monthly expense, giving you an increased net income for your retirement needs.

Second, you refinance but increase your mortgage balance so the new monthly payments are the same as the old payments. Of course, you can take

the net increase of the new mortgage balance over the old one for cash, and your monthly expense remains the same. Since this money comes from borrowing, it triggers no taxes. It is yours to spend or reinvest elsewhere – as in bonds – for more monthly income.

Higher rental income for improvements

Even if interest rates are about the same as for your present mortgage, you can create more money from higher rents by improving or refurbishing your rental property. You still need to refinance your rental to a higher mortgage balance. If interest rates are the same, this will increase your monthly payments. But if you use the excess loan money to improve the property, you can justify increasing the rents.

Depending on your situation, the increased rents may more than offset the extra mortgage payments, giving you a net increase in income. Or, you may not have had to use all the excess

mortgage balance for improvements. In that case, your increased mortgage payments may be balanced by the increased rent you charge. So you can pocket the cash from the leftover loan balance – after paying off the improvements and the old mortgage.

Of course, if the refinancing interest rates in this second scenario are lower than the original loan, you will have all that much more money to use.

In each of these cases, you have increased your cash or income, yet maintained your rental property for its future appreciation and future rental income. Note that refinances will incur fees and commissions and refinancing for more than your current balance will increase your debt, which may not be appropriate

Contact our office so we can show you current mortgage rates and how you may take advantage of your property's equity.

Imagine an investment account that grows tax free and you can take as much or as little out of it for as long as you live. That's what a Roth IRA is! Unlike a traditional IRA, though, you can only put money that has already been taxed into a Roth IRA.

A Roth IRA gives you a few benefits over a traditional IRA. First, you are not subject to the minimum required distribution rules of the traditional IRA, which is geared to depleting it while you live. Second, having to take money out for you traditional IRA undermines the compounding growth of what you have invested in it. Third, because you do not have to take anything out of a Roth IRA, it is an ideal long-term saving vehicle for tax-free growth of your investment. And fourth, whatever you take out of it is tax free forever.

The chart shows how fast a \$100,000 investment can grow in a tax-free account for two hypothetical annual growth rates of 5% and 7% annually over 20 years. The illustration is hypothetical in nature, does not represent any specific investment, does not account for any fees or expenses associated with an actual investment, but if it had, returns would be lower and must be included.

These benefits mean that if you can delay taking money out of it for a number of years – as the chart shows – you can take advantage of the tax-free growth it can give you. Then take tax-free use of the money when either you or your spouse wishes.

And it can grow tax-free even for your designated Roth IRA beneficiary. When he receives it, he will be required to take a minimum amount out each year based on his life expectancy, but it will still be a tax-free distribution.

What is the price for this benefit? You need to pay tax on any money you put into it. You can convert your IRA holding – as much as you wish – to a Roth IRA, but you need to pay the tax on what you roll into the Roth. While the conversion to a Roth was previously limited to those with an adjusted gross income of \$100,000 or less, as of 2010, there is no limit and anyone may carry out a Roth Conversion.

According to IRA single life expectancy, you have statistically 21 years left when you are 65. The chart shows that an untaxed investment only takes 10 years to double under a hypothetical 7% annual growth rate. The trade off between converting your traditional

IRA to a Roth or leaving it alone until you're 70½ and then paying the tax on your distributions, depends on your retirement income level and your ability to defer your Roth investment for later use.

Contact our office so we can help you decide if converting to a Roth IRA is best for you.

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At www.terrencemcmullen.com, our regularly updated newsletter also provides timely articles to help you achieve your financial goals.

