

Life Plan

GUIDING YOU THERE

Tax Tips for 2011

June 2011

As we near the half-way mark for 2011, we think this is a great time to provide you with some tax tips.

Retirement Contribution Limits:

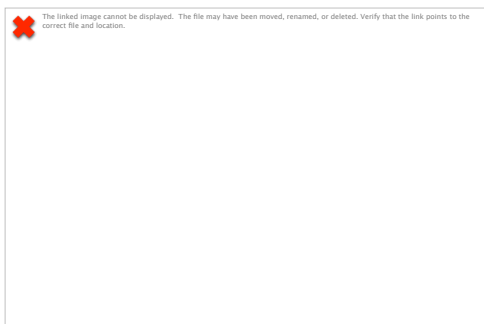
In 2011 the maximum 401(k) and 403(b) employee contribution limits are \$16,500. Taxpayers who are 50 or older by the end of 2011 can increase their contribution by \$5,500, for a total investment of \$22,000.

For those who have a SIMPLE IRA program available through their employer, the maximum employee contribution is \$11,500. Taxpayers 50 and older can increase their contribution by \$2,500, for a total investment of \$14,000.

Traditional and Roth IRA Contributions:

You are eligible to contribute to a Traditional or Roth IRA if your modified adjusted gross income (MAGI) does not exceed \$169,000 for joint filers (partial contribution for MAGI up to \$179,000) or \$107,000 for single filers (partial contribution for MAGI up to \$122,000).

In 2011, the maximum contribution to a Traditional or Roth IRA is \$5,000. Taxpayers who are 50 or older can increase their contribution by \$1,000, for a total contribution of \$6,000.



Income Limits on Deductible IRAs:

If you are covered by a retirement plan at work, you

your modified adjusted gross income is less than \$90,000 (married filing jointly) or \$56,000 (single or head of household).

If you get a paycheck, you are getting a pay increase in 2011!

As an employee, your wages are subject to Social Security tax. In 2010, wages up to \$106,800 were subject to a 6.2% Social Security tax. For 2011, the tax rate has been lowered to 4.2%. This tax cut is equivalent to a 2% raise! Sadly this reduction is temporary. Starting in 2012, the old rate (6.2%) will apply.

Capital Gain Rates:

A capital gain is income from the sale of a capital asset, such as a stock or mutual fund. In 2011 you will **not** be subject to capital gain tax if you are in the 10% and 15% tax brackets. For those of you in the 25% and higher tax brackets, you are subject to a long term capital gain tax rate of 15%. Long term rates apply to assets held one year or longer.

Dividend Rates for Stock and Other Investments:

When you own stock in a company, the company may pay some of their profits to shareholders, usually quarterly. When this occurs, you receive dividends and a tax bill. For 2011 you will **not** be subject to taxes on dividends if you are in the 10% and 15% tax brackets. If you are in the 25% or higher tax brackets, you are subject to a tax rate of 15% on dividends.

Gifting Limits:

You can gift up to \$13,000 to an individual without paying gift taxes (married couples can give \$26,000; \$13,000 each). Gifting lowers the value of your estate and distributes your wealth while you are living. Gifting made to your heirs is not tax-deductible.

529 Plan College Savings Plans:

In 2011, up to \$13,000 (\$26,000 for married couples) per child can be contributed to a 529 plan without gift consequences. Withdrawals for qualified higher education expenses are free from federal tax. If you

contributions to the Michigan 529 Plan (MESP) you are also eligible for a state tax deduction on contributions up to \$10,000.

There are no income limits with 529 plans. You can contribute no matter how much you earn.

Estate Tax Exemption Limit: For 2011, the first \$5 million you leave to your heirs is exempt from federal

estate tax. Anything above 5 million is subject to a 35% tax rate.

We hope this information is beneficial to you. Please don't hesitate to call us should you have any questions or wish to discuss this in more detail.

This information is current as of 06/30/11, subject to legislative changes and is not intended to be legal or tax advice. Consult a qualified tax advisor regarding specific circumstances.



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