

Monthly Client Newsletter



December 2012

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This month:

- ✓ **Take final year-end actions:**
 - Gifts
 - Capital gains/losses
 - Charitable giving
 - Dividend income
- ✓ **December 8th:**
 - Chanukah Begins
- ✓ **December 25th:**
 - Christmas Day
- ✓ **December 26th:**
 - Kwanzaa Begins
- ✓ **January 15th:**
 - 4th Quarter Estimated Payments Due

I want to take this opportunity to wish you happy and safe holidays.

I thought this information could be useful to you.

Para ver una copia en Español, por favor vaya a:

<http://agservicesusa.com/es/impuestos-y-contabilidad/boletin-de-impuestos/>

Making for a Financially Sane Holiday



For the past 27 years the American Research Group has conducted interviews with Americans to assess planned holiday spending. This year, the average amount of estimated spending for holiday gifts is \$854, up a whopping 32% versus last year! They also found:

- ▶ 40% plan to purchase from catalogs (direct marketers)
- ▶ 45% plan to purchase from the internet
- ▶ 54% plan to wait for sales
- ▶ 40% already started shopping by November 14th

So are you like these fellow Americans? What can you do to ensure your spending does not spiral out of control? Here are some ideas.



Set a limit. Decide what you can afford to spend and stick to it. Perhaps you can provide an incentive for yourself with any amounts you save under your spending limit.



Do the Santa thing. Perhaps Santa got it right when he "makes a list and checks it twice." Your list can be your working tool to try to stay on budget.



Avoid the impulse. A side benefit of making the list is to tie your budget to the items on your list. This matching of budget and list will ensure your spending goal is attainable.



Leave the plastic behind. A simple spending control idea is to go to the stores with the funds you are willing to spend. So consider leaving the credit cards at home. Remember your gifts are for family and friends....not the shareholders of some large bank earning interest paid by you.



Compare, compare, compare. The internet is a great tool to find the right item at the right price. Even if you don't plan to buy the item over the internet, you can shop different retail locations without making the drive. If you do make an internet purchase, don't forget to factor in shipping costs.



Consider something other than "things." One of the best gifts today is the gift of time. Perhaps it is babysitting or doing chores for a friend. Consider a hand-made craft or edible goodie. The gift of love is too often replaced by merchandise from a store.



Save to spend. While it may be too late for this year, consider setting next year's budget based on this year's experience. Then set up a special savings account for next year and start funding it. This can readily reduce your spending stress next year.



Do the Santa thing II. One of the nicest gifts one can give is to reintroduce the "giving" nature of Santa. The mall Santa has long lost this idea in place of getting your little one to tell Santa what gifts they want to "get." Consider purchasing a gift for Toy-for-Tots or other charity and then have your child/grandchild give the gift to the mall Santa for delivery. This little idea can plant the seed for our future generation that consumption should not be the central theme of the holidays. Plus your little one has the joy of knowing they personally

Year-end Tax Moves

More important than ever

Costco recently announces a special \$7 per share dividend payable in December

Legendary basketball coach Bob Knight sells his NCAA championship rings

These are just two examples of moves that are occurring because of imminent changes in the tax code that will occur at the end of this month. While Congress wrestles with what they will do, the rest of us are running out of time to take action prior to yearend. While the tax code changes are vast, a few of them require immediate planning.



1. Dividends are getting a tax increase. A big tax increase. They will go from capital gains tax rates (0 to 15%) to ordinary income tax rates (10% to 39.6%). Plus there is a potential bonus Medicare tax of 3.8% if your income exceeds \$200,000 single and \$250,000 married.

Action to take:

- ✓ If you are a shareholder in a small C corporation, consider taking dividends now. It could save a tremendous amount of federal tax versus 2013 and beyond.

2. Capital Gains tax rates are increasing as well. The maximum long-term capital gains tax rates are scheduled to increase 33% from 15% to 20% unless Congress acts.

Action to take:

- ✓ Review your portfolio and consider the appropriateness of taking long-term gains now versus holding the investment. Remember in 2013, these gains might be subject to the 3.8% Medicare surtax as well.
- ✓ Consider the possibility of delaying capital losses. These losses can offset capital gains. If capital gains tax rates go up, then the value of these losses next month improves when netted against higher taxed gains.

3. Last minute charitable donations. Now is the time to finalize your charitable donations. Remember you must always have a receipt (cash donations are no longer deductible without one) and only donate non-cash items in good or better condition. Donations of \$250 or more also require an acknowledgement from the charitable organization. Also important, in 2013 these same charitable contributions could be subject to itemized deduction phase-out rules for higher income earners.

Action to take:

- ✓ Make any last minute donations and collect all applicable receipts.
- ✓ Consider making donations this year versus next if your itemized deductions were ever phased out in the past.

4. Don't forget the year-end "basics." Just because there is tremendous uncertainty in the tax code, don't forego the normal discipline of review prior to December 31st. Spend a minute going over the following list.

Action to take now

- ✓ Take your Required Minimum Distribution from retirement accounts if over the age of 70 ½.
- ✓ Rebalance your investment portfolios as necessary

- ✓ Review any medical and dependent care spending accounts to ensure you do not lose any unspent funds
- ✓ Make contributions to your retirement savings accounts, especially if you are self-employed
- ✓ Consider last minute retirement conversions if appropriate
- ✓ Consider donating appreciated stock versus writing a check to a favorite charity
- ✓ Estimate your tax liability and make any required estimated tax payments
- ✓ Make any final gift payments while being aware of the annual gift giving limits
- ✓ Start collecting and organizing your tax records

While there are many scheduled changes and much uncertainty, none of us has a crystal ball. Hopefully, Congress will act to help provide clarity sooner versus later. In the meantime, should you have any questions or concerns please feel free to call.

New 2013 Mileage Rates Announced

The IRS recently announced mileage rates to be used for travel in 2013. The Business, Medical, and Moving mileage rates increase one cent versus 2012. Unfortunately, the rate to be used for Charitable travel is unchanged because updates in this area require Congressional action. Remember to create and keep a detailed log of your applicable mileage for your qualified business, medical, moving and charitable driving. Without this documentation, your qualified deduction could be disallowed.

2013 Mileage Rates	
Mileage	2013 Rate/Mile
Business Travel	56.5¢
Medical/Moving	24.0¢
Charitable Work	14.0¢



Here are 2012 rates for your reference as well.

2012 Mileage Rates	
Standard Mileage Rates	
Mileage	2012 Rate/Mile
Business Travel	55.5¢
Medical/Moving	23.0¢
Charitable Work	14.0¢



A Charitable Giving Surprise

You may be creating a junk mail bonanza

As year-end approaches the mailbox begins to fill with last minute appeals from various charities. Little did you realize that much of these last minute appeals are the harvest of seeds you planted much earlier.

What is happening?

Charitable organizations are usually exempt from junk mail and unwanted solicitation laws. When you donate money to a charitable organization, they generally resell your information to other non-profits to allow them to solicit to you as well. You soon become an "easy



mark," not unlike the technique used by hobos to mark a building of someone willing to give a hand out.

What can you do?

So how does a bleeding heart avoid being bled to death? Here are some suggestions.



Be selective. Create a budget and limit your target list of worthy charities. Say no to anyone not on your list this year. This will dramatically decrease your junk mail and unwanted emails/phone calls.



Give to Quality. There are a number of web sites that rank charities for their quality and effective use of donations. Here are a couple of the more popular:

- CharityWatch Charity Rating Guide www.charitywatch.org
- and www.charitynavigator.org.



Opt out. When you send a check or other donation, request that your name not be resold or given to any other organizations. Most charities will honor your request.



Create a blind mark. Want to know which charities are the worst junk proliferators? Blind mark your name with a fake middle initial or surname. Keep track of who you gave the blind mark to and then you'll know which charities are renting your name based on seeing this code on future solicitations.



Contact your current charities. Tell them to stop sending you correspondence. Tell them they will still get their money and they can save on mailing expenses. If the charity ignores your request, warn them that perhaps a more efficient charity can make better use of your giving.



Reduce the appeals. While non-profits are exempt from using "do not call" and "do not mail" lists, many do adhere to the requests. Here are some of the major resources to help reduce the solicitations.

- National "Do Not Call" list. www.donotcall.gov
- Contact DMA (Direct Marketing Association) Mail Preference Service Direct Marketing Association; PO Box 643, Carmel, NY 10512 OR for telemarketing: Telephone Preference Service Direct Marketing Association, PO Box 1559, Carmel, NY 10512



Be mindful of fraud. Never give money over the phone. Get information about the organization, conduct your own research, and then give a donation. Often phone donations are less efficient for the non-profit because the telemarketing firm takes a percentage of the amount you give.



Get their name technique. When an unsolicited telephone call or junk mail is received, tell the organization to take you off their list. But thank them, because you only had a small amount left available to give to a few charities and by receiving their unsolicited marketing you can now eliminate them from your giving list this year.

There is a tale about a little girl on a beach full of thousands upon thousands of trapped and floundering minnows. An old gentleman approaches the little girl and says, "*What are you doing? You can't possibly save all these minnows!*" "*You're right,*" the little girl says as she throws another minnow back in the water, "*but I sure made a difference for that one.*"

By taking control of your giving you not only reduce unwanted solicitations, your money will also be more efficiently spent on causes you care about.

As always, should you have any questions or concerns regarding your situation please feel free to call.

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