



Financial Matters

We help clients to maximize their financial well-being through education, communication and service that exceeds expectations.

Summer 2009

Special points of interest:

- First Time Home-buyer Credit ends December 1, 2009.
- Required Minimum Distributions from IRAs and Qualified Plans are waived in 2009.
- Roth Conversion rules made more flexible in 2010.

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Tax Tips for A Recession

In a recession, it's gratifying to find tax strategies that enable you to keep more of what you earn out of Uncle Sam's pockets. To your surprise, you may even find a silver tax lining in the current financial cloud. The down market creates opportunities for you to:

Convert to a Roth. If you have thought about converting your Traditional IRA to a Roth IRA, but you've always balked at paying the taxes due upon conversion, now might be a good time to convert. Why? While you'll still pay income taxes on the amount being converted, lower account values now mean your tax liability on a conversion will be lower. Although taxpayers with modified adjusted gross income of more than \$100,000 are not eligible for conversions in 2009, this limit will be lifted for conversions beginning in 2010. Also, 2010 conversions give you the option to divide the taxes on your federal returns in 2011 and 2012.

Take advantage of first-time home-buyer credits. If you're in the market for your first home, falling real estate prices and low interest rates are obviously good news. Additionally, there's a tax credit of up to \$8,000 for qualified first-time home-buyers who purchase a house after January 1, 2009 and before December 1, 2009.



Dollar-cost average. Designed to reduce market risk, dollar-cost averaging involves investing a fixed dollar amount at predetermined intervals, as you do with your 401(k) plan. Your set contribution buys fewer shares when the market is up and more shares when the market is down. Rather than focus on a sector you perceive as safe, continue to make broad-based contributions on a regular basis to your 401(k) or IRA to enjoy the power of tax deferred growth. (continued on page 3)

Exploring Longevity and Health

Throughout history explorers have set off to discover new lands. From Erik the Red to Marco Polo, the goal was to return home with astonishing treasures, tales of adventure, and superior knowledge of the world. Some explorers were successful; others were not.

Today, many will argue that few frontiers remain to be explored; however, the Blue

Zones™ Longevity Quest team remains undeterred. In an effort worthy of Ponce de Leon, the Blue Zones' team has set forth to discover the secrets behind long lives. Working from the premise that lifestyle habits, rather than genetics, are the most significant determinants of longevity and health, the team is attempting to determine which choices have the greatest impact on lifespan by (continued on page 2)

Exploring Longevity and Health (cont'd.)

traveling to geographic regions that are inhabited by the world's most robust populations.

Where do people live longest?

Around the globe there are places that produce more centenarians, suffer a fraction of the diseases, and enjoy more healthy years of life. They include:

Okinawa, Japan, which has the longest disability-free life expectancy in the world.

The Barbagia region of Sardinia, Italy, which has the highest number of male centenarians in the world.

Loma Linda, California, which has an average life expectancy that is nine to 11 years longer than that of other Americans.

The Nicoya Peninsula in Costa Rica, in which middle-aged residents are about four times more likely than Americans to reach age 90.

The island of Icaria, Greece, on which people live longer and avoid many of the diseases that kill Americans.

What do these cultures have in common?

Dan Buettner, leader of the Blue Zone

team, has said that the longest-lived people in each of these regions have a variety of things in common. They tend to:

- Eat plant-based diets
- Participate in regular, low-intensity activities
- Have an investment in family
- Share a sense of faith

They also have a strong sense of purpose. In many cultures, Buettner reports, the language includes vocabulary for describing a person's sense of purpose or reason for being. In Japanese, the term is 'ikigai,' which translates as the 'reason I wake up.' In Costa Rica, people have a 'plan de vida' or life plan.

Join the adventure

If you're interested in exploring this new frontier – or just finding out how to add a few years to your life – join the Blue Zone Quest. The team uses modern tools, like the Internet, to allow everyone who is interested, including students in classrooms, armchair explorers, or anyone else, to participate in the effort. All you have to do is log on to the Blue Zone website at <http://www.quest.bluezones.com/> to participate.



The longest disability-free life expectancy in the world can be found in Okinawa, Japan.

Dan Buettner said that the longest-lived people have a strong sense of purpose.

Longevity Myth Quiz

Test your knowledge of longevity lore with this quiz:

1. Legend has it that anyone drinking from this cup would be granted an extraordinarily long life. a.) Fountain of Youth b.) Holy Grail c.) Ardagh Chalice d.) World Cup
2. Tibetan Buddhists have taught of a peaceful kingdom secluded in the Himalayan Mountains where happiness, health, and a long life abound. It is called: a.) Atlantis b.) Shangri La c.) Shambhala d.) Nirvana
3. Shangri La was created in a 1933 novel, written by James Hilton. The book was called *Lost Horizon*. Many people believe the location described in the book was based on a real place called: a.) Hunza Valley, Pakistan b.) Halabjah, Iraq c.) Goreme, Turkey d.) Aspen, Colorado.
4. The Bible says that this person lived to be 969 years old. Who was it? A.) Noah b.) Adam c.) Methuselah d.) Gilgamesh.

Answers can be found on the back page.

Tax Tips for A Recession (cont'd.)

Skip Required IRA distributions in 2009. On December 11, 2008, Congress passed the Worker, Retiree and Employer Recovery Act of 2008. Much of the legislation relates to pension plan funding requirements. However, one of the most significant provisions in the legislation is the temporary suspension of Required Minimum Distributions (RMDs) for 2009 from IRAs and employer plans. By skipping the distribution you won't be paying regular income tax on the distribution. In 2010 you will need to resume or begin taking Required Minimum Distributions if you are age 70 1/2 or over. If you are 70 1/2 or older and are retired or are a 5% or greater owner of the business, you will also need to take distributions from your employer plan.

Contribute to your favorite charity. Talk about win/win. Writing a check reduces your taxable income and funds a cause you care about. However, if you have appreciated stock that you've held for more than one year, donating the stock instead of cash delivers a double bonus. You'll avoid paying tax on the appreciation, but will be able to deduct the full value of the stock.

Use Education Tax Credits. Tax credits are more valuable than deductions. The **Hope Scholarship Credit** gives parents

a tax credit for 100% of the first \$1,200 and 50% of the next \$1,200 of a dependent child's college tuition and mandatory fees for a maximum \$1,800 annual tax credit per child. The **Hope Credit** is for students attending a degree program at least half-time and who have not completed their first two years of academic study before the beginning of the taxable year. This Credit cannot be claimed in more than two tax years for any one student. The **Lifetime Learning Credit** is a tax credit for 20% of up to \$10,000 in combined tuition and mandatory fees. There's no requirement that students be studying towards a degree or enrolled at least half-time, and there is no limit on the number of years the credit may be taken. You can claim just one of these credits during any particular year. For tax year 2008, these credits are phased out for incomes between \$48,000 and \$58,000 and between \$96,000 and \$116,000 for married taxpayers filing jointly.

A new president and potential law changes always introduces doubt into tax planning and this year's uncertain market only exacerbates investors' anxieties. To ensure you're taking advantage of these credits and write-offs, consult with your tax advisor..



Education tax credits can help cut your tax bill.

“One of the most significant provisions in the new legislation is the temporary suspension of Required Minimum Distributions for 2009 from IRAs and Qualified Plans.”

Summer Blues or Rally?

You have probably heard the investment quote “sell in May and go away.” So, how has the market historically performed during the summer months (May 31st to August 31st)?

The S&P 500 has had a winning summer 57% of the time since 1932. The average summertime rate of return since then is .3%. During summers when the S&P 500 posted positive gains, the rate of

return was 5%. The average loss in losing summers was -6%.

The Dow Jones Industrial average has had a winning summer 63% of the time since 1896 with an average rate of return of 2.8%. During summers when the Dow had a positive gain, it was up an average of 8.3%. The average loss in losing summers was -6.4%.





Margaret O'Meara

"Far away there in the sunshine are my highest aspirations. I may not reach them, but I can look up and see their beauty, believe in them, and try to follow where they lead."

Louisa May Alcott

1832-1888, Author

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The O'Meara Financial Group, Inc. is committed to maximizing our clients' financial well-being through education, communication and service that exceeds expectations. We provide personalized wealth planning and investment management services for individual investors and corporate retirement plans.

Fascinating Financial Facts

According to the Investment Company Institute, assets in domestic Money Market funds hit an all time high of \$3.9 Trillion earlier this year. At the S & P high of 1565 in October 2007 money market levels were \$1 Trillion less.

The Tax Foundation said that Americans will work 103 days in 2009 to pay taxes. This is down from 111 days in 2008,

The average home costs 2.8 times household income. This is the lowest since 1986. During the height of the housing bubble, the average home

cost 4 times household income according to MarketWatch

An average acre of Napa Valley Vineyard Land is \$100,000 according to Tiburon.

AARP says that 71% of Americans have cut back on spending in the last 12 Months.

Quiz Answers

1. B=Holy Grail; 2. C=Shambhala
3. A=Hunza Valley, Pakistan
4. C=Methuselah