

OAST & HOOK

Offices in
Portsmouth and
Virginia Beach, Virginia
Tel: 757-399-7506
Fax: 757-397-1267
Web: www.oasthook.com



MEMBER

Member, National Academy
of Elder Law Attorneys

INSIDE THIS ISSUE

- Year-End Tax Planning Tips
- Correction
- Announcement
- Oast & Hook
- Disbribution of this Newsletter

Editor
Sandra L. Smith
Attorney at Law

YEAR-END TAX PLANNING TIPS

Although it's a bit early to start thinking about the holidays, it's not too early to do some planning that can help reduce your tax bill this year.

Contributing to your retirement plan is a fast and easy way to cut your taxes, while building your nest egg. The federal limit for 401(k) contributions this year is \$15,000 if you're under 50, or \$20,000 if you are 50 or older. You should check with your employer to see if your employer has different contribution limits. If your employer matches contributions, then you should try to contribute at least enough to receive the matching funds. Contributions must be made on or before December 31, 2006.

A traditional or Roth IRA is another way to save for retirement and possibly reduce your taxes this year. The maximum contribution to an IRA for 2006 is \$4,000 for those under 50, and \$5,000 for those 50 or older. Your contributions to a traditional IRA may be deductible, depending on whether you are covered by a retirement plan at work and your adjusted gross income. Your adjusted gross income may permit you to contribute to a Roth IRA. If you do not qualify for a Roth IRA because your income is too high, then you may open a nondeductible traditional IRA now, and under the new laws passed earlier this year, you may pay taxes on any earnings in that IRA, and convert it to a Roth IRA in 2010. Your Roth IRA will continue to grow tax-free, and withdrawals may be tax-free if you follow the Roth IRA rules. You have until April 15, 2007, to open and contribute to a traditional or Roth IRA.

Charitable giving has always been a source of deductions on your tax return. You must keep good records that show the value of the items you are donating to charity. If you donate a car, the value of the deduction will depend on what the charity receives when it sells it. Taxpayers who are 70 ½ or older may give away as much as \$100,000 annually from their IRAs directly to qualified charities. These contributions count toward the required minimum distribution for the year. Taxpayers get an exclusion from their

gross income for the distribution, although they may not take a charitable deduction for the contribution to charity. This tax break is available in 2006 and 2007.

New energy tax breaks include credits for up to 10% (maximum \$500) lifetime for energy-efficient improvements to your home. These improvements include installing insulation, efficient windows, or energy-efficient appliances. Credits of up to \$3,400 may be available when you purchase a hybrid car. The amount of the credit varies by car, and for popular cars, the amount of the credit is reduced after 60,000 cars are sold.

There are several more traditional ways to reduce your taxes this year. If you have gains on investment income, then now is the time to offset some of those gains with losses on the investments you have been considering selling. If you have no gains to offset, then you may use up to \$3,000 of loss to reduce taxes on ordinary income, and carry forward the extra loss into future tax years. On another investment note, changes in the "kiddie tax" rules means that a child's unearned income over \$1,700 is taxed at the parent's rate until the child reaches age 18, when the unearned income is taxed at the child's rate. Previously, some of the child's unearned income was taxed at the parent's rate until the child turned age 14, and then the unearned income was taxed at the child's rate. Parents facing this issue should consider investments for children that produce little or no current income, such as U.S. savings bonds and index funds. With respect to your home, you may want to make your January mortgage payment in December and deduct the interest in 2006. You may also be able to pay taxes, such as property taxes, that aren't ordinarily due until 2007.

Before you use tax-saving strategies, be sure you consider the effect of the alternative minimum tax (AMT). If you have not yet been affected by the alternative minimum tax, then this could be the year that it catches up with you if you are not careful. Some accountants say strategies such as using home equity to cover credit card debt could push you into the higher tax calculations of the AMT. You or your accountant should run a quick calculation before moving forward with some of the tax-saving strategies.

Oast & Hook assists clients with integrated estate, tax, and financial plans to help provide optimum solutions to the many challenges clients face.

Correction

Last week the *Elder Law News* incorrectly stated the amount of the 2001 Medicare Part A deductible. The correct 2001 Medicare Part A deductible is \$792.

Announcement

The Hampton Roads Caregivers' Coalition's 13th Annual Fall Festival for Caregivers will be held Friday, October 27, 2006, at Grand Affairs in Virginia Beach from 8:30a.m. to 2:30 p.m. It will offer practical caregiving information and support for individuals providing care in the home and community. The keynote speaker will be Ms. Teepa Snow, Director for Educational Programs for the Eastern North Carolina Chapter of the Alzheimer's Association. Ms Snow's presentation, "Caregiver Stress: Reducing Distress by Building Skills and Knowledge," will help caregivers learn how to better handle the challenging behaviors and demands of those in their care. She will present realistic ideas that will apply to many caregiving situations, not just those involving dementia.

Reservations must be made and paid for by check in advance and no payment will be allowed at the door. The fee, which includes continental breakfast, lunch, and the program, is \$25 for professionals (those whose paid work involves caregiving or healthcare services) and \$15 for non-professionals (unpaid family members, students, and volunteers.) To request a registration brochure or for more information, please call Mary Catherine Dzedziak at 757-420-5448 or e-mail her at marycdz@verizon.net. The registration deadline is October 19, 2006. Please join us for a day of education, support, and fellowship.

Oast & Hook

Oast & Hook is an elder law firm. We represent older persons, disabled persons, their families, and their advocates. The practice of elder law includes estate planning, investment and insurance advice, estate and trust administration, powers of attorney, advance medical directives, titling of assets and designations of beneficiaries, guardianships, conservatorships, and public entitlements such as Medicaid, Medicare, Social Security, and SSI, disability planning, income tax planning and preparation, bill paying, account management and reporting, care management, and fiduciary services. We also handle litigation involving these issues, such as will contests and estate administration disputes. For more information about Oast & Hook, please visit our website at www.oasthook.com.

Distribution of This Newsletter

Oast & Hook encourages you to share this newsletter with anyone who is interested in issues pertaining to the elderly, the disabled and their advocates. The information in this newsletter may be copied and distributed, without charge and without permission, but with appropriate citation to Oast & Hook, P.C. If you are interested in a free subscription to the *Elder Law News*, then please e-mail us at eln@oasthook.com, telephone us at 757-399-7506, or fax us at 757-397-1267.

Please visit us on the world wide web at:

www.oasthook.com

Our website contains information about Oast & Hook and an archive of our newsletters and other estate planning, estate administration, and elder law articles in searchable form at.

Copyright © 2006 by Oast & Hook, P.C.

This newsletter is not intended as a substitute for legal counsel. While every precaution has been taken to make this newsletter accurate, we assume no responsibility for errors, omissions, or damages resulting from the use of the information in this newsletter.

This newsletter is produced to be sent electronically. If we currently fax you a copy of the Elder Law News but you prefer to receive it by e-mail, then please contact us at: eln@oasthook.com.

If you would like to be removed from our Elder Law News distribution list, please e-mail us at eln@oasthook.com, telephone us at 757-399-7506, or fax us at 757-397-1267.