

# EYE ON MONEY

MAR  
APR  
2011

How to Help  
Prevent a  
**Health Crisis**  
from Turning into  
a **Financial Crisis**

Plus:

3 Ways to Invest Globally

How to Avoid the Penalty  
on Early Retirement Plan  
Withdrawals

Managing an Inherited IRA

## TAX REMINDERS

-\$5,000

### Last chance for a 2010 tax deduction.

Normally, only eligible expenses that you incur in 2010 can be deducted on your 2010 tax return. But when it comes to IRA contributions, **you have until April 18, 2011 to make an IRA contribution for 2010** that may be deductible on your 2010 tax return. Contributions to Traditional IRAs are tax-deductible if you and your spouse are not covered by a retirement plan at work or if your income is under a certain limit.



### Need more time to file?

If you are not able to file your federal tax return by April 18, 2011, you can generally request an automatic **6-month extension of time to file**. The request generally must be made by the regular due date (April 18, 2011) of your tax return. Even if you file for an extension, you still have to pay your taxes by April 18. You will owe interest on any unpaid amount.

*This year, you have until Monday, April 18 to file your tax return, request an extension, or make your 2010 IRA contribution because a holiday observed in the District of Columbia (and by the IRS) falls on Friday, April 15.*



### Where's my refund?

You can check the status of your tax refund by visiting the Internal Revenue Service's web site at **www.irs.gov** and clicking on "Where's my refund?". Your refund status should be available 72 hours after the IRS acknowledges receipt of your e-filed return or 3 to 4 weeks after you mail a paper return. You can also check your refund status by calling the IRS at **1-800-829-4477** for automated refund information.



### Turned 70½ in 2010?

If you have money in a Traditional IRA, you have until **April 1, 2011** to take your required minimum distribution (RMD) for 2010 if you haven't already done so. RMDs must also be taken from 401(k) plans and many other retirement plans beginning at age 70½, although your employer's retirement plan may allow you to postpone RMDs until you retire.



### The IRS is sitting on \$164 million in undeliverable refund checks.

The IRS is holding undeliverable refund checks from earlier years totaling \$164 million and affecting 111,000 taxpayers. If you did not receive a refund you were due, please **update your address** by visiting the IRS web site, [www.irs.gov](http://www.irs.gov), and clicking on "Where's my refund?".

## inside

### UP FRONT

- 2 Tax Reminders**
- 3 \$1,000 May Grow to Something Extraordinary Over Time**
- 4 Donor-Advised Fund:**  
A grant-making, charitable strategy.
- 5 QTIP Trust:**  
An estate-planning strategy for blended families.

### FEATURES

- 6 How to Help Prevent a Health Crisis from Turning Into a Financial Crisis.**  
An introduction to disability, business overhead expense, and long-term care insurances.
- 10 3 Ways to Invest Globally**  
And the reasons why you may want to do so.
- 12 How to Avoid the Penalty on Early Retirement Plan Withdrawals**
- 14 Managing an Inherited IRA**

### FYI

- 16 Stockholm: Swede and Simple**
- 18 Living Color: In Search of Wildflowers**
- 19 2011 Jazz Festivals**
- 19 Quiz: The West**

© 2011 Quinn Communications Inc. This publication was created by Quinn Communications Inc. ([www.quinncom.biz](http://www.quinncom.biz)) for the use of the sender. It is intended to provide general information on the subject matter covered. It is not intended to provide a financial, legal, or other professional service. The information in this publication may not be appropriate for you. Contact a financial or legal professional before making changes to your plans.



**\$1,000** may grow to something extraordinary over time.

**\$1,000** isn't all that much money these days. It's a flat-screen TV or a few other gadgets. It's almost pocket change—until you consider the potential it offers if you invest it.

Let's say you invest an extra \$1,000 this year in a tax-deferred account, earning 7% annually. That \$1,000 will grow to over \$2,000 in 10 years, \$4,000 in 20 years, and \$8,000 in 30 years, before taxes and fees. Although your actual results will vary from this hypothetical example, the point is that even small amounts you invest have the potential to grow exponentially over time, thanks to compound earnings.

So, when deciding how much to invest or whether to break into your retirement savings when you leave a job, be sure to consider what each \$1,000 you invest or leave invested may potentially add up to over time. ■

**How \$1,000 may grow over time.**

	<i>Hypothetical Annual Rate of Return</i>		
	<b>6%</b>	<b>7%</b>	<b>8%</b>
<b>In 10 years</b>	\$1,819	\$2,010	\$2,220
<b>In 20 years</b>	\$3,310	\$4,039	\$4,927
<b>In 30 years</b>	\$6,023	\$8,117	\$10,936
<b>In 40 years</b>	\$10,957	\$16,311	\$24,273

This hypothetical example is for illustrative purposes only. Your results will depend on your investments' actual rates of return and will be higher or lower than shown here. All investments have risk.

Assumptions: \$1,000 invested in a tax-deferred account, compounded monthly, before taxes and fees.

donate **now**  
make grants **later**



A grant-making,  
charitable strategy:

## Donor-Advised Fund

### Who should consider it?

Anyone who wants to fund future grants to charity now.

### What is it?

A charitable giving arrangement that provides you with an immediate tax deduction for your irrevocable gift and the opportunity to make grants later.

### What is the benefit?

The grant-timing flexibility of a private foundation at a lower cost.

**WHETHER YOU HAVE \$5,000 or \$5 million** to donate, a donor-advised fund may be a good choice if you want an immediate tax deduction for your donation and the flexibility to time your grants without the hassle or expense of running your own foundation.

By establishing an account with a donor-advised fund, you can make an irrevocable donation to your account now, claim a tax deduction for it on this year's tax return, and recommend grants from your account to qualified charities later.

Although you will no longer own the assets in your donor-advised-fund account, you can advise the fund how your account is to be invested and distributed. The fund

has final approval over your recommendations, but generally follows them as long as the grant recipients are IRS-qualified charities and fall within the policies of the fund.

While a private foundation offers more control over the grant-making process, if you are willing to give up the control, a donor-advised fund is a simpler, less expensive way to make grants.

Setting up an account with a donor-advised fund is generally as easy as completing an application and transferring the assets. The organization sponsoring the donor-advised fund handles the ongoing administration so you can focus on recommending grants. ■

Your financial advisor can help you choose the giving arrangement that fits your charitable goals and financial objectives.



An estate-planning strategy  
for blended families:

## QTIP Trust

### Who should consider it?

Married individuals with children from a prior marriage.

### What is it?

A trust that helps provide an income to your spouse with the remaining trust assets transferring to your children after your spouse's death.

### What is the benefit?

Ensures your children ultimately inherit your estate by preventing your spouse from changing your beneficiaries.

**INDIVIDUALS IN SECOND MARRIAGES** with children from a prior marriage have a bit of an estate planning dilemma. If they leave everything outright to their current spouse, there is no federal estate tax on what the spouse inherits thanks to the marital deduction, but there is also no guarantee that the children from a prior marriage will ever see a dime of it because the spouse has the right to name his or her own beneficiaries. If they leave everything to the children, then their spouse is left high and dry.

If you are in a second or subsequent marriage, how can you provide financial support for your spouse, make use of the marital deduction, and ensure that your children ultimately receive your estate? One way is to use a qualified terminable interest property trust, or QTIP trust for short.

A QTIP trust is a legal arrangement that can be funded during your lifetime or by

the executor of your estate after your death. Your spouse is immediately entitled to the income from the assets in the trust for his or her lifetime, but cannot touch the principal unless the trust you devised allows for it. Nor can your spouse change the beneficiaries that you chose. After your spouse's death, the assets remaining in the trust are transferred to your beneficiaries, generally your children. Your spouse's estate tax exclusion can be used to reduce or eliminate any federal estate tax on the remaining trust assets—a handy solution if your own estate tax exclusion was already used to transfer other parts of your estate to your children or heirs other than your spouse.

A QTIP trust may also be an appropriate choice when professional management of the trust assets is needed for the surviving spouse, perhaps because the spouse is elderly or not financially sophisticated. ■

Please consult your financial and legal advisors about the best way for you to provide for your spouse and ensure that your assets eventually reach your children.

# How to help prevent a health crisis from turning into a financial crisis.

**H**ealth insurance by itself may not be enough to protect you financially if you become seriously ill or are injured for a long period. Certainly, it is an important tool in helping to prevent a health crisis from turning into a financial crisis, but how will you handle expenses that health insurance does not cover? Like food, mortgage payments, and utilities—your bills will still need to be paid even if you are too ill or injured to work. And if you own a small business, how will you meet the payroll and keep the lights on if you are unable to work? And what about nursing home care? Regular health insurance will not cover it. There are different types of insurance, though, that can help you pay for these other expenses and that, together with health insurance, can help prevent a health crisis from turning into a financial crisis.

## Disability Insurance

If asked to name the greatest threat to your financial security, would you name an illness or injury that prevents you from earning a living? Perhaps not. Yet for many American workers their income is their most valuable financial asset. Without it, their financial security can be quickly undermined if they plow through their savings in an effort to pay for their current living expenses at the expense of their future financial security.

Fortunately, there is a way for American workers to protect their income, and in turn their financial security. Disability insurance. You've probably heard of it. It is the type of insurance that replaces part of your income if you are unable to work due to illness or injury.

What are the odds that you'll ever be disabled to the degree that you will be unable to work? Greater than you may think. Almost one in four individuals entering the workforce today will be disabled before they reach retirement age.<sup>1</sup> Now before you start shaking your head at the improbability

of a quarter of your co-workers being hit by falling file cabinets, remember that a disability does not need to occur at work. It might be a back injury suffered in an accident outside of work. Or it might be cancer. A heart attack. Any number of serious illnesses or injuries that can strike at anytime and prevent you from working.

Unless you have enough financial resources to see you through several years of being unable to work without your future financial security being undermined, you should consider insuring your income with disability insurance.

Here are a few things you should know about disability insurance. First, there are two main types: short-term and long-term.

Short-term disability insurance is designed to replace a portion of your income for a short-period—typically the first three to six months following a disability.

Long-term disability insurance is designed to replace a portion of your income for a longer period, generally after a waiting period of six months or so after a disability. It may provide coverage for a specific number of years or up to retirement age, depending on



**If you were too ill to work for, say, two years, could you afford to pay your living expenses?**

Bills don't stop when illness strikes. Disability insurance can help protect you from a financial disaster by replacing a portion of your income.

the specific policy and the type of disability.

There are several sources of disability insurance. Some employers—typically mid-size to large-size companies—offer workers short-term and long-term disability coverage, sometimes at a cost. If you are covered at work, it is important to evaluate the scope of that coverage.

You may be eligible for benefits under the Social Security Disability Insurance Program. But be aware that Social Security's definition of disability is very strict and more than 50% of the people who apply for benefits are denied.<sup>2</sup> Also, be aware that the average monthly benefit in 2010 was \$1,065<sup>1</sup>—helpful, yes, but not enough to cover most people's living expenses.

You can also purchase an individual disability insurance policy from an insurer. This solution is ideal for self-employed individuals, employees who are not covered at work, or employees who are covered at work and want additional coverage.

When reviewing your workplace disability insurance or shopping for an individual policy, be sure to get the answers to the following questions.

**What is the waiting period?** How long will you have to wait before benefits kick in? Three months? Six months? The longer the waiting period you select, typically the lower the premiums.

**What is the maximum monthly benefit?** Disability insurance typically replaces a portion—say, 60% to 70%—of your salary up to a specific maximum amount per month. Let's say your employer's plan caps the benefit at \$5,000 monthly, or \$60,000 annually. That may be acceptable if your salary is \$100,000 or less, but if your salary is greater, your monthly benefit may not come close to replacing 60% of your salary. If your employer's policy does not meet your needs, consider supplementing it with an individual policy from an insurer.

**Are the benefits based solely on base salary?** Disability insurance benefits are often calculated on base salary alone. If a good portion of your compensation is from performance pay, such as commissions and bonuses, consider supplementing your employer's plan with an individual policy so

that a greater percentage of your compensation is protected.

**What is the maximum benefit period?** Two years? Five years? Until retirement age? The longer the benefit period, typically the greater the premiums. But if you are ever disabled, the difference in premiums may be money well spent.

**How is "disabled" defined?** The definition will differ among policies. Does it mean that you are no longer able to work in your occupation—or does it mean that you are no longer able to work in *any* occupation? That's a big difference in meaning, and one you should investigate fully.

Talk to your financial advisor about the best way to protect your income. Your advisor can help you determine whether disability insurance should be part of your financial plan. Your advisor can also help you review any workplace disability insurance coverage you may have to determine whether additional coverage is needed in your situation.

## Business Overhead Expense Insurance

If you own a business, you may be concerned about more than just replacing a portion of your personal income if you become disabled—you have a business to keep afloat!

Business overhead expense (BOE) insurance can help keep your business open by reimbursing you for overhead expenses incurred while you are disabled. Covered expenses might include employee salaries and benefits, rent, utilities, insurance, and even the salary of someone to temporarily replace you. This last one is especially important for owners, such as physicians, dentists, and lawyers, who may be personally responsible for generating most of the business's revenue.

Talk to your financial advisor about how insurance can help keep your business open in the event you are disabled.

## Long-term Care Insurance

If you ever need care in a nursing home or your home, could you afford to pay for it out of your personal savings without harming your financial security and your family's security? If your answer is no, you should give serious thought to purchasing long-term care insurance.

Long-term care insurance is designed to help you pay for the care you may need if you ever need help with eating, bathing, dressing, and other activities of daily living due to a long-term illness or injury. It can also help pay for care if you develop a cognitive impairment, such as Alzheimer's disease.

What are the chances that you will ever need long-term care services? Rather high. According to the U.S. Department of

Health and Human Services, about 70% of individuals over age 65 will need long-term care services at some point. Over 40% will need care in a nursing home. And the average length of time that you may need long-term care services? For someone age 65 today, the average is three years.

Long-term care is not generally covered by regular health insurance or Medicare. It is covered by Medicaid, but to be eligible your income must be very low and your resources very limited. To help protect your assets and the security they represent to you and your family, it is generally a good idea to purchase long-term care insurance.

Long-term care insurance may be available to you from a few sources. You may be eligible for group coverage from your employer, union, or trade group. Group coverage can be attractive, particularly if your employer helps pay for it. Be sure to carefully evaluate the coverage to determine whether it is sufficient to meet your specific needs.

You can also purchase an individual long-term care insurance policy from an insurer. An individual policy is a good option if you are not employed, are self-employed, work for a company that does not offer long-term care insurance, or are not satisfied with your workplace coverage options.

Long-term care policies can differ greatly so it is a good idea to review them closely. Before deciding on a policy, you should get answers to the following questions.

**What settings are covered?** Long-term care services are offered in more than just nursing homes. Depending on the policy, care may be covered in nursing homes, your home, assisted living facilities, and adult daycare centers. If your goal is to remain in your home, make certain that the policy covers that setting, as well as others.

**What is the maximum amount the policy will pay per day?** When setting up your coverage, you will generally be asked to select a maximum daily benefit. This is the maximum amount the policy will pay for care in one day. The maximum daily benefit can vary based on the type of care. For example, a policy may feature a higher daily benefit for nursing home care than for in-home care.

Your choices will typically range from \$50 to \$500 a day. It is a good idea to investigate the cost of care in your area before deciding how much coverage you may need. The costs can vary dramatically. For example, while the average cost for a private room in a nursing home was \$219 per day in 2009<sup>3</sup>, the cost in some areas was closer to \$400 per day.

You are responsible for paying any costs not paid or reimbursed by insurance.

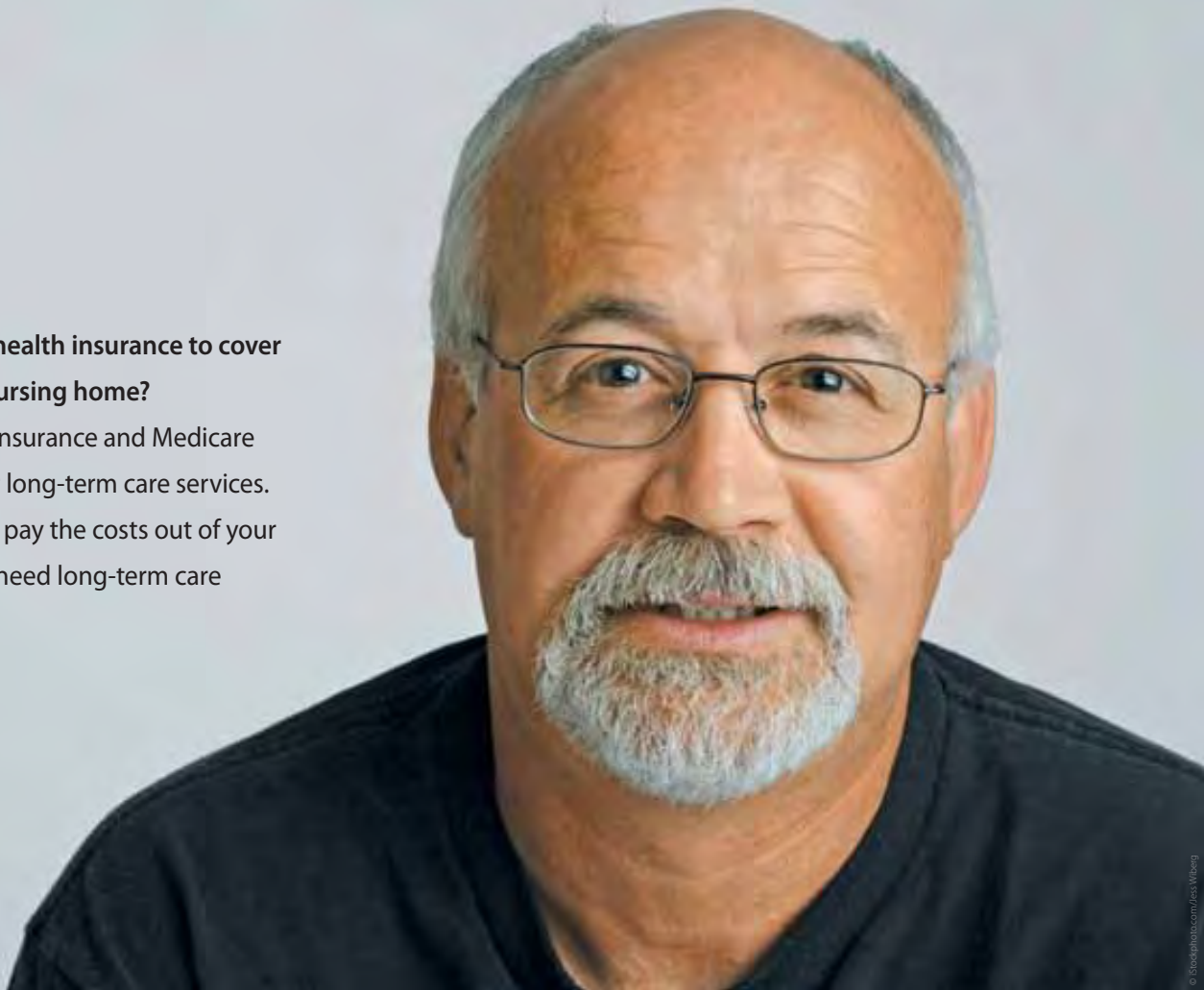
**How long will benefits be paid?** The benefit period you select will determine how long benefits may be paid. For example, you may have a choice of two years, three years, five years, or unlimited years of benefits. As you might expect, the longer the benefit period you select, the higher your premiums will be.

**How long must you wait before benefits begin?** When setting up coverage, you will choose a waiting or elimination period, generally ranging from 0 to 180 days. This is the number of days you must receive long-term care before benefits kick in. For example, if you choose a 30-day waiting period, you pay for the first 30 days of care with benefits beginning on the 31st day.

**How long must you wait before a pre-existing condition is covered?** You may have to wait six months or so after the policy becomes effective before benefits will be paid relating to your pre-existing condition.

**Are you counting on health insurance to cover the cost of care in a nursing home?**

Don't. Regular health insurance and Medicare generally do not cover long-term care services. If you cannot afford to pay the costs out of your own pocket, you may need long-term care insurance.



**Is there an inflation protection option?** Like most things in life, the cost of long-term care is on the rise. The maximum daily benefit you select originally may not be enough to cover higher long-term care costs in the future. For this reason, you may want to add an inflation adjustment feature to your policy that bumps up the daily benefit amount every year by a specified rate, such as 4% or 5%.

**What does the policy cost?** The premiums for long-term care insurance can vary widely, depending on the coverage options you select, such as the maximum daily benefit, the benefit period, the waiting period before benefits can begin, and any inflation adjustment you add to the policy.

Your age when you purchase a policy is also a factor in determining the premiums you will pay. Typically, the younger you are when you purchase long-term care

insurance, the lower the premiums.

When making a decision about whether you can afford long-term care insurance, keep in mind that premiums may increase over time. In most states, an increase in rates will need to be approved by the state's Department of Insurance before it can be enacted.

You should consider whether you will be able to afford the premiums, not just now, but throughout retirement when your financial resources may be more limited. If you stop paying the premiums, generally the policy can be cancelled.

Long-term care insurance can help protect your financial security should you ever need long-term care services. Talk to your financial advisor about whether this type of insurance is right for you. If it is, your advisor can help you choose a policy that fits your needs and your budget. ■

There are several ways to help prevent a health crisis from turning into a financial crisis. Talk to your financial advisor about the best way for you to go about it.

- 1 Social Security Factsheet 2010
- 2 Annual Statistical Report on the Social Security Disability Insurance Program, 2009
- 3 The U.S. Department of Health and Human Services web site, [www.longtermcare.gov](http://www.longtermcare.gov)

# 3 Ways to Invest GLOBALLY



Expanding global markets offer many investment opportunities to U.S. investors who venture beyond our borders. Here are three ways to add international investments to your portfolio and the reasons why you may want to do so.

## 1 Individual Stocks

Many foreign-based securities trade on U.S. exchanges, making them accessible to the average U.S. investor. Think Nokia, Sony, Honda...all prominent non-U.S. companies trading right here in the U.S.

However, it's not shares of stock that are typically traded, but what are known as American Depositary Receipts, or ADRs for short. An ADR is a receipt issued by a depositary bank for non-U.S. shares being held by a custodian. Each ADR represents ownership of a specific number of underlying shares in the foreign company. The beauty of ADRs is that they are quoted and traded in U.S. dollars rather than the company's home currency, dividends are paid in U.S. dollars, and shareholder communications are in English. (While the use of U.S. dollars simplifies matters for investors, it does not eliminate currency risk.)

You may also be able to purchase ordinary shares of foreign-based companies through U.S. brokers that are associated with exchanges in the companies' home markets.

## 2 Mutual Funds

Mutual funds are one of the easiest ways to invest globally because you leave the security-picking to professional fund managers. Plus, mutual funds typically offer a level of diversification that is difficult for investors to achieve buying individual securities on their own.

Investors can choose from a wide array of mutual funds that invest in stocks, bonds, and real estate from around the world.

Mutual funds slice and dice markets in many ways. For example, international funds invest only outside of the United States, while global funds may include the United States in the mix. Regional funds concentrate in a particular region of the world, such as Europe or Latin America. Country-specific funds zero in on a single country, such as Canada or Brazil. Emerging market funds invest in less developed markets that may offer the potential for greater growth than more established markets, although at a greater risk.



### 3 ETFs

Exchange-traded funds (ETFs) are also a great way to invest globally. Like mutual funds, ETFs generally offer a level of diversification not easily achieved by investors buying individual securities. And like their cousin, the index mutual fund, ETFs are passively managed. As a result of their passive management style, international ETFs and index funds generally have lower expense ratios than actively managed mutual funds focused on international markets.

ETFs and index funds track the composition and performance of a variety of indexes that measure the market performance of specific countries, regions, sectors, and market capitalizations. They offer investors exposure to equity, bond, and real estate markets from around the world.

## Why invest globally?

Adding international investments to your portfolio offers two potential benefits: diversification and growth.

**Diversification.** Because U.S. and international markets sometimes experience ups and downs at different times, combining U.S. investments with international investments may help reduce your portfolio's volatility and improve its potential returns. When U.S. stocks are down, stocks in another part of the world may be up; helping to lessen the impact of declining U.S. share prices. Although diversification may help reduce a portfolio's volatility, it does not ensure a profit or protect against loss in declining markets.

**Growth.** Investing internationally offers you the chance to participate in markets that are growing faster than the U.S. market. Of course, you probably already have some exposure to international markets if you invest in U.S. companies that do business outside of the U.S. That exposure can be supplemented by investing in foreign stocks and international mutual funds and ETFs.

## What you should know before you invest abroad.

While all investing involves risk, investing outside your home country involves additional risks. For instance, currency fluctuations will affect the dollar value of your foreign investments. A weakening U.S. dollar will boost their value, and a strengthening U.S. dollar will decrease their value. Other risks include custody arrangements made for foreign holdings, political risks, differences in accounting procedures and the lesser degree of public information required to be provided by non-US companies. These risks are greater in emerging markets than in established markets.

There are steps you can take to help manage the risks. One step is to add international investments to your portfolio only in the proportion that is appropriate for your financial objectives, the length of time before you will need the money, and your tolerance for risk. Don't let past stellar emerging-market returns tempt you into overloading on international investments. Another step is to diversify your international investments. Loading up on one hot country magnifies risk, while spreading your investments broadly across geographic areas can help tamp down risk.

Talk to your financial advisor about the role that international investments should play in your portfolio and whether individual stocks, mutual funds, or ETFs (or all three) are best suited for your needs. ■

---

#### PLEASE NOTE

- Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.
- Investing in emerging markets involves greater risk than investing in more established markets. Such risks include exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity, and the potential lack of strict financial and accounting controls and standards.
- Bonds are subject to interest rate risk. When interest rates rise, bond prices fall.
- Investors cannot invest directly in an index.
- Asset allocation and diversification do not ensure a profit or protect against loss in declining markets.



# How to Avoid the Penalty on Early Retirement Plan Withdrawals

Normally, you are slapped with a 10% tax penalty if you withdraw money before age 59½—unless you are eligible for one of these exceptions.

If you withdraw savings from an IRA or 401(k) plan before age 59½, you generally have to pay a 10% federal tax penalty, in addition to income tax, on any part of the withdrawal not already taxed. The tax penalty is the IRS's way of discouraging you from dipping into your retirement savings before retirement.

There are exceptions to the age 59½ rule, though, that may allow you to withdraw assets early without penalty. For example, your withdrawals may be penalty-free if you are disabled or if you use the money to pay certain medical expenses or to buy your first home.

Not all exceptions, though, apply to all types of retirement plans. IRAs and qualified retirement plans, such as 401(k) and 403(b) plans, have several exceptions in common, but there are other exceptions that apply only to IRAs or only to qualified retirement plans other than IRAs. The graphic on the next page spells out which exceptions apply to which types of plans.

Early retirees may find a couple of the exceptions especially helpful in accessing their savings before age 59½. Let's say you plan to retire at age 57 and will need money from your 401(k) as soon as you retire. There is an exception that says as long as you leave your job in or after the year you reach age 55, withdrawals you make from that employer's retirement plan after you leave will be penalty-free. The age drops to 50 for qualified public service employees,

such as firefighters and police. This exception can only be used with non-IRA retirement plans.

There is an exception, however, that early retirees may find helpful and that can be used with both IRA and non-IRA plans. You can avoid the 10% penalty if your withdrawals are made as part of a series of substantially equal periodic payments. The exact amount you must withdraw each year is calculated using one of three IRS-approved methods. You must leave your job before you can use this exception with a non-IRA retirement plan, such as a 401(k).

Before you withdraw assets from a retirement plan, be sure you know the rules so that you are not surprised by the resulting tax bill. For example, there is an extra hitch in qualifying for a penalty-free withdrawal from a Roth IRA. Not only must you be older than age 59½, the account must have been open for at least five years. If you withdraw too early and don't qualify for an exception, the earnings portion of your withdrawal will be subject to the 10% tax penalty, as well as income tax.

And SIMPLE-IRAs have an unpleasant surprise in store for unwary investors who withdraw money before age 59½—the tax penalty jumps to 25% for withdrawals made during the first two years that you participate in a SIMPLE-IRA plan. ■

Please consult your tax and financial advisors if you need to withdraw money from a retirement plan before age 59½.

Includes 401(k) and 403(b) plans, among others

## Exceptions to the age 59½ rule.

You can avoid the 10% federal tax penalty on early retirement plan withdrawals if one of these exceptions applies to your situation and your type of retirement plan.

	Exceptions that apply to IRAs	Exceptions that apply to qualified retirement plans other than IRAs
<b>Beneficiary.</b> You can make withdrawals without penalty from a retirement plan you inherit. However, if you inherit a plan from your spouse and choose to treat it as your own, withdrawals prior to age 59½ are generally subject to the penalty.	✓	✓
<b>Disability.</b> You can make withdrawals without penalty if you are totally and permanently disabled.	✓	✓
<b>Unreimbursed medical expenses.</b> Money can be withdrawn penalty-free for the portion of your unreimbursed medical expenses that exceeds 7.5 percent of your adjusted gross income.	✓	✓
<b>Substantially equal periodic payments.</b> You can avoid the penalty by withdrawing assets in a series of substantially equal periodic payments. You must receive at least one payment per year for five years or until you reach age 59½, whichever is longer.	✓	✓ Only an option after you leave your job.
<b>Qualified reservist.</b> Members of a reserve, such as the Army Reserve, can make withdrawals without penalty if they were called to active duty after September 11, 2001 and meet other requirements.	✓	✓
<b>IRS levy.</b> Distributions due to an IRS levy are penalty-free.	✓	✓
<b>Higher education expenses.</b> In general, withdrawals used to pay qualified higher education expenses for yourself, your spouse, your children, your grandchildren, or your spouse's children or grandchildren are penalty-free.	✓	
<b>First home.</b> You can generally withdraw up to \$10,000 without penalty if the funds are used to buy, build, or rebuild a main home for a first-time homebuyer, including yourself, your spouse, or a child, grandchild, parent, or ancestor of you or your spouse. Even if you have previously owned a home, you may qualify as a first-time homebuyer if you (and your spouse, if you are married) have not owned a main home in the past two years.	✓	
<b>Medical insurance premiums if you are unemployed.</b> You can withdraw money without penalty to pay your medical insurance premiums if you have received unemployment compensation for 12 consecutive weeks and meet a few other requirements.	✓	
<b>Leaving a job after a certain age.</b> If you leave a job in or after the year you reach age 55 (age 50 if you are a qualified public safety employee), withdrawals made from that employer's retirement plan after you leave are penalty-free.		✓
<b>Qualified domestic relations order.</b> Distributions to an alternative payee under a qualified domestic relations order are penalty-free.		✓
<b>Dividends from an employee stock ownership plan.</b>		✓

# Managing an Inherited IRA

There are choices to be made when you inherit an individual retirement account (IRA)—choices that will impact how much of your inheritance may go to income taxes and how much may go to you. The rules regarding these choices are complex, even by IRS standards. We'll touch on some of the general options and considerations here, but we strongly recommend that you consult your tax and financial advisors before making any decisions regarding your inheritance.

**YOUR MAIN CHOICE** when you inherit an IRA is whether you will keep the assets in an IRA or withdraw all of the assets at once in a lump sum.

Unless you need all of the money now, it is generally a good idea to keep the assets in an IRA so the assets can continue to grow tax-deferred—or tax-free in the case of a Roth IRA—until they are withdrawn from the IRA. Because taxation is deferred, the assets will compound more quickly in an IRA than in a taxable account.

Withdrawing the assets all at once will result in you paying income tax all at once on the taxable portion of the withdrawal. If you inherit a Traditional IRA, the whole account may be subject to income taxes. By keeping the assets in an IRA, you can stretch out the withdrawals and tax payments over many years, which may result in lower overall taxes if the withdrawals are small enough to prevent you from bumping up into higher tax brackets.

If you inherit a Roth IRA, income taxes may not be an issue because withdrawals are generally income-tax-free if the original IRA has been open for at least five years. The drawback, though, to withdrawing all of the assets at once from a Roth IRA is that they lose their potential for future tax-free growth after they are withdrawn from the IRA.

## If You Inherit an IRA from Someone Other Than Your Spouse

You must follow the rules for a beneficiary if you inherit an IRA from someone other than your spouse. If you decide to keep the assets in an IRA, you can transfer the assets using a trustee-to-trustee transfer to an inherited IRA. It is important that the inherited IRA be maintained in the deceased owner's name (not your name) for the benefit of you as the beneficiary.

Beneficiaries generally must withdraw minimum amounts, known as required minimum distributions (RMDs), annually from their inherited IRAs. You can withdraw more than the minimum amount at any time. As a beneficiary, your withdrawals are not subject to the 10% early withdrawal penalty that account owners under age 59½ generally face.

## If You Inherit an IRA from Your Spouse

If you inherit an IRA from your spouse, you can generally choose to treat yourself as a beneficiary or the account owner. Treating yourself as a beneficiary can be a good choice if you are under age 59½ and want to withdraw money now without the early withdrawal penalty that applies to account owners. You can switch your status to account owner later if you wish.

Treating yourself as the account owner enables you to follow the same IRA distribution rules as the original account owner. This means you can postpone RMDs from a Traditional IRA until you reach age 70½—a great benefit for younger spouses who want to leave the assets in the IRA for as long as possible to compound tax-deferred. And if you inherit a Roth IRA, you do not need to take RMDs—ever. RMDs are required from Roth IRAs, however, if you treat yourself as a beneficiary. ■

## The Tax Impact

### Traditional IRA and Income Taxes

You will owe income tax on the assets as they are withdrawn from a Traditional IRA. The earnings and deductible contributions you withdraw will be added to your gross income for the year and will be subject to ordinary federal and state income taxes. Non-deductible contributions can be withdrawn income-tax-free.

### Roth IRA and Income Taxes

Assets can be withdrawn free from income taxes after the original Roth IRA has been open for five years. If the IRA has been open less than five years, contributions can be withdrawn income-tax-free, but earnings will be subject to ordinary income taxes.

### Estate Tax






Assets you inherit from your spouse, including IRAs, are generally not subject to the federal estate tax.

If you inherit an IRA from someone other than your spouse, the IRA is considered part of the deceased owner's estate and may be subject to federal and state estate taxes.

These are just a few of the options and considerations for inherited IRAs. Please consult with your tax and financial advisors about how to manage an inherited IRA in your situation.

## Your choices if you inherit an IRA.

Your choices depend on whether you inherit the IRA from your spouse or someone else.

	<b>If you inherit from YOUR SPOUSE</b>	<b>If you inherit from someone OTHER THAN YOUR SPOUSE</b>
<p><b>Treat yourself as the account owner</b> if you are the sole primary beneficiary and your spouse was the original account owner.</p> <ul style="list-style-type: none"> <li>• <b>You can transfer the assets to your own IRA.</b> This option allows the assets to continue to grow tax-deferred while in the IRA. <ul style="list-style-type: none"> <li>• You can make additional contributions to the IRA. (Normal contribution limits and rules apply.)</li> <li>• You can postpone required minimum distributions (RMDs) from a Traditional IRA until you reach age 70½.</li> <li>• You do not have to take RMDs from a Roth IRA at any age.</li> <li>• Withdrawals before you reach age 59½ are generally subject to a 10% early withdrawal penalty.</li> </ul> </li> </ul>		
<p><b>Treat yourself as the beneficiary.</b></p> <ul style="list-style-type: none"> <li>• <b>You can open an inherited IRA</b> in the name of the deceased owner for the benefit of you as the beneficiary. This option allows you to stretch out withdrawals so the assets can continue to grow tax-deferred in the IRA for as long as possible. <ul style="list-style-type: none"> <li>• Assets may only be transferred to the inherited IRA using a trustee-to-trustee transfer. Do not withdraw the assets yourself from the original IRA.</li> <li>• You may not make additional contributions to the inherited IRA.</li> <li>• You generally must take RMDs annually. You can withdraw more than the required amount at any time. (If you are the account owner's spouse and sole primary beneficiary, you do not need to begin RMDs until the year your spouse would have reached age 70½.)</li> <li>• You may have the option to skip RMDs if you withdraw all of the assets from the IRA by the end of the fifth year following the year of the account owner's death. This is only an option if you inherit a Roth IRA or if you inherit a Traditional IRA from someone who died before his or her required beginning date for RMDs (April 1st of the year following the year in which the account owner reached age 70½).</li> </ul> </li> <li>• <b>You can withdraw the assets in a lump sum.</b> This option will result in you paying income tax all at once on the taxable portion of the withdrawal. Plus, the assets lose their potential for future tax-deferred growth.</li> <li>• Both beneficiary options allow withdrawals at any age without a 10% early withdrawal penalty.</li> </ul>		
<p><b>Disclaim the IRA.</b></p> <ul style="list-style-type: none"> <li>• <b>You can refuse to accept ownership of all or part of your inheritance.</b> The assets then pass to the IRA's other beneficiaries.</li> </ul>		



## Stockholm: Swede and Simple

BY BRIAN JOHNSTON

**PICTURE THE IDEAL CITY** in your imagination and you might well come up with a place that resembles Stockholm. The Swedish capital sprawls across a dozen or more islands, all intimately linked to each other by bridges and ferries. At every turn, stretches of water mirror rows of elegant old buildings. The only skyscrapers are the spires of churches and the towers of Renaissance townhouses, and the only traffic congestion is out on the harbor, where steamers and yachts jostle for space.

With its superb network of cycleways, the only traffic hazard is likely to be an old lady pedaling home from the corner shop or a couple of joggers running along the waterfront. There's also an efficient public transport system, including an excellent subway network. Some of the stations have simply been left in their natural state: huge

caverns of rough rock that seem to dwarf the puny escalators and commuters. After a while I realize just how Swedish these train stations are: under the streets you seem to be commuting through caves, while above people live and work surrounded by water and trees.

The best place to begin an exploration of Stockholm is where it all began, on three little islands at the heart of the city. The Gamla Stan (Old Town) is a maze of winding, cobbled lanes that have scarcely changed since the Middle Ages. Anyone wandering around is likely to get pleasantly lost, but eventually all streets lead to the central Stortorget or Great Square, surrounded by tall houses painted pink and bedecked in geraniums.

These houses once belonged to rich fifteenth-century merchants who helped

Sweden become a leading trading nation. Most of the merchants' homes have now been converted into cafés, antique shops, and art galleries. Stortorget is also home to the Swedish Academy, renowned for its association with the Nobel Prizes. The nearby House of the Nobility, meanwhile, is another monument to Sweden's finest hour, with the crests of aristocratic families that rose to fortune through trade emblazoned along its facade.

A large section of Gamla Stan is taken up by the massive bulk of the royal palace. The original burnt down in 1697, and the current building is strikingly different in style from most of the medieval streets that surround it. Dating from the mid-eighteenth century, its pinkish Italian baroque front stretches along the water's edge. Visitors should stop to see the fabulous

Stockholm sprawls over a dozen or so islands, with Gamla Stan (Old Town), left, at the heart of the city. The Drottningholm Palace, top right, is home to Sweden's royal family, as well as a tourist destination. Some of Stockholm's subway stations are simply caverns of rough-hewn rock, bottom right, this one brightened up with paint.

collection of crown jewels, as well as the noon-time Changing of the Guard.

Since the thirteenth century members of the Swedish royal family have been christened, married, and crowned in Storkyrkan, the Great Church, which lies just opposite the palace. The cathedral is the oldest building in Stockholm, dating from around 1250, and its tower dominates the old town. The interior has very fine works of art, including a magnificent medieval sculpture of St George and the Dragon. Organ recitals, held here every Saturday, are a fine way of passing an hour or so.

A final Old Town building with royal associations is Riddarholm Church, which for the last four centuries has been the place of burial for Sweden's monarchs; the last to be laid to rest here was Gustav V in 1950. Some of the royal sarcophagi, although centuries old, are strangely reminiscent of modern Swedish furniture, all tubes and steel. Even Charles XII, Sweden's great warrior king, has a modest, unadorned marble sarcophagus with nothing more elaborate than a gold crown on its lid.

Apart from the Old Town, visitors will want to spend time on the island of Djurgården to the east of the city. One of the most charming areas is the open-air museum of nearly 150 buildings that have been relocated from all over the country and placed here in tranquil rural settings, only a short bus ride away from downtown. An eighteenth-century church, windmills, farmyards with gaggles of geese, traditional barns, homes from Lapland, and merchants' dwellings have all been reconstructed here among meadows and trees. Handicrafts and traditional skills are also showcased, such as glass-blowing, folk dancing, weaving, and butter churning.

One of Djurgården's not-to-be-missed museums is that housing the royal flagship Vasa, which in its day was built to be the most powerful fighting vessel in the Baltic. The state-of-the-art man-of-war sank in Stockholm harbor on its maiden voyage in 1628, in front of the assembled court

and townspeople. It was salvaged in 1961 in a triumph of engineering, and is now considered the world's oldest identified and complete ship. Carefully restored, the ship has a dazzling collection of sculptures of gargoyles, lion's heads, and mermaid-shaped creatures still covered with original paint and gilt. Also on display are coins, candlesticks, pewter tableware, carpenters' tools, seamen's chests, and even sailors' trousers, giving a fascinating picture of life on board.

A final highlight of any visit to Stockholm has to be its world-famous Stadshuset or City Hall on the island of Kungsholmen. The building exhibits elements of traditional Swedish castle architecture, to which have been added an Italianate tower, Byzantine-style windows, and oriental spires, all topped with pale green roofs and minarets. The tallest tower sports three gold crowns, the symbol of Sweden and the national coat-of-arms. The tower provides superb views across the city, particularly of Gamla Stan and the surrounding waterways.

City Hall is famously associated with the Nobel Prize ceremonies. You can visit the interior on a guided tour and see the Blue Hall, where royal banquets are held for the occasion in early December each year. The walls of the Golden Hall are covered in a stunning set of mosaics made up of eighteen million small pieces.

City Hall is the place to catch a ferry river to Drottningholm, the residence of the current King Carl XVI Gustaf and his family, which in typical Swedish democratic style is nonetheless open to the public. The palace was designed in the baroque style in the seventeenth century—it is sometimes nicknamed the Versailles of Sweden—and the building, together with its grounds, is now World Heritage listed.

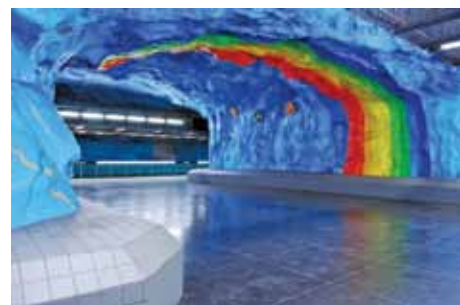
It makes a fine half-day excursion from the city, starting with a pleasant boat ride through Stockholm's suburbs. The palace's interior displays royal furnishings and Gobelin tapestries, while the surrounding parkland is filled with stands of trees, fountains, and pavilions. The Chinese Pavilion

is a superb example of Rococo interpreted with a Chinoiserie influence. The Court Theatre, also in the grounds, is considered the best-preserved eighteenth-century theatre in the world, and the original stage machinery is still used during performances of baroque plays throughout the summer.

Back on the ferry, you return from the royal residence to the city center along canals and waterways overhung with willow and birch trees. Lily pads brush past the stern of the boat. Local families laze around on the water, trimming the sails of their yachts or picnicking from rowboats. In the distance the Old Town and City Hall seem to float on magical islands out of a fairytale: turrets and towers and gables caught between blue expanses of sea and sky. ■



© iStockphoto.com/Above: Anna Yu, Below: Roman Radionov



# living color

## in search of wildflowers

### Arizona

#### Arizona State Parks

Depending on the late-autumn rains, the deserts of Arizona may be awash with colorful wildflowers—daisies, desert asters, desert marigolds, poppies, penstemons, and more—in March and April. Some of the best places to view the wildflowers include the Boyce Thompson Arboretum State Park, Dead Horse Ranch State Park, and Picacho Peak State Park. The Arizona State Parks' web site ([www.azstateparks.com](http://www.azstateparks.com)) includes a "Ranger Cam" during wildflower season to help you track what's blooming and where.

### California

#### Antelope Valley California Poppy Reserve

The State Natural Reserve in Antelope Valley can be a prime spot to see a landscape ablaze in wildflowers, generally from mid-February through mid-May. Eight miles of trails wind through gently rolling hills of desert grasslands where poppies, lupine, owl's clover, gold-field, cream cups, and coreopsis bloom. The preserve is located in the western Mojave Desert.

### California

#### Death Valley National Park

Although spectacular displays of wildflowers are the exception, not the rule, at Death Valley National Park, given the right conditions—

periodic rains, warmth, and a lack of drying winds—the park can erupt into a sea of gold, purple, pink, and white flowers. Wildflowers generally bloom in the lower elevations from mid-February through mid-April and at higher elevations from early April through mid-July.

### North Carolina and Tennessee

#### Great Smoky Mountains National Park

This national park is sometimes referred to as "Wildflower National Park" due to its wide diversity of flowering plants. Spring ephemerals, such as trillium, lady slipper orchids, and crested dwarf iris, emerge during February, March, and April. The peak spring wildflower blooming period generally occurs in mid-to-late April at lower elevations and a few weeks later at higher elevations. The park is also famous for its flowering shrubs, such as azaleas (blooming in April and May), mountain laurel (blooming May through June), and rhododendrons (blooming in June and July). For five days each April, the park hosts a week-long festival, known as the Spring Wildflower Pilgrimage.

### Texas

#### State Roadsides

The roadsides in Texas unfold with color each spring, thanks in part to the Texas Department of Transportation, which sows more than 30,000 pounds of wildflower seed each year. If it's bluebonnets you're after, the time to be on the road is generally early April. ■

2011

# jazz

## FESTIVALS

2011 offers many opportunities to celebrate America's indigenous music—jazz—at festivals around the country. Here are just a few of the jazz festivals awaiting you this year.

### Reading, PA • Berks Jazz Fest

March 25–April 3, 2011

For 10 days this spring, jazz shares the spotlight with blues, fusion, gospel, and world music at major venues, clubs, and restaurants throughout Pennsylvania's Berks County. Among the 130 musical events scheduled for this year's Fest are The Dave Brubek Quartet, Al Jarreau and the George Duke Trio, and Al Di Meola's World Sinfonia.

### New Orleans, LA • Jazz & Heritage Festival

April 29–May 1, 2011 and May 5–May 8, 2011

The New Orleans Jazz & Heritage Festival (also known as Jazz Fest) celebrates the indigenous music—jazz, gospel, Cajun, zydeco, blues, R&B, rock, Afro-Caribbean, folk, and much more—and culture of New Orleans and Louisiana.

### Atlanta, GA • Atlanta Jazz Festival

May 28–30, 2011

The nation's largest free jazz festival takes place this Memorial Day weekend in Atlanta's Piedmont Park.

### Columbia, MD • The Capital Jazz Fest

June 3–5, 2011

Tens of thousands of music lovers head to the Merriweather Post Pavilion in the suburbs of Washington, D.C. each year for a weekend of jazz and soul.

### Newport, RI • Newport Jazz Festival

August 5–7, 2011

As it has for more than 50 years, the Newport Jazz Festival will play host to legendary jazz performers and a myriad of fans for a weekend this August. ■

## QUIZ

### The West

- The Mission where the Battle of the Alamo (1836) occurred is located in which Texas city?
  - Houston
  - San Antonio
- Which four western states meet at their corners?
  - Utah, Colorado, New Mexico, Arizona
  - Nevada, California, Arizona, Utah
- The peak referred to in the Gold Rush slogan, "Pikes Peak or Bust", is located in:
  - California
  - Colorado
- Which river carved out the Grand Canyon?
  - The Colorado River
  - The Rio Grande River
- The most populous city today in the West is:
  - Los Angeles
  - Phoenix
- El Capitan, a 3,000-foot rock formation, is located in which national park?
  - Yellowstone National Park
  - Yosemite National Park
- The Lewis and Clark expedition (1805) came down which river (shown below) to reach the west coast of North America?
  - Columbia River
  - Sacramento River

ANSWERS: 1-B, 2-A, 3-B, 4-A, 5-A, 6-B, 7-A.

