

# DOUGLASBRADLEY'S MoneyWise News Flash

## December 2008

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This month in brief:

Retirement Savings Plan contribution limits are increasing in 2009 to \$16,500 (\$22,000 for those age 50 and above). Make changes now to spread the additional contributions over the entire year.

Take advantage of depressed stock and mutual fund prices to maximize your gifting to the next generation.

Health Savings Account limits increase in 2009 to \$3,000 and \$5,950 for singles and families, respectively.

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### Some Year End Planning Items

#### **Employee Retirement Savings Plans**

It goes without saying that over the last 20 years, it has become more and more important for Americans to save for retirement. The bottom line is that Social Security retirement benefits are a pittance and pensions are going the way of the dinosaur. Employer sponsored retirement plans are the best way to save for retirement and in almost all cases should be funded first before utilizing IRAs or other savings vehicles. The government has realized this and routinely has increased the amount employees can save for their future. There are no compensation or income limits preventing someone from contributing to a retirement plan and since the contributions go in pre-tax, they reduce your taxable income.

If you matched up your monthly contributions to reach the maximum last year, be aware that you may need to review your contribution amount over the next couple of weeks.

- 2009 Employee Pre-tax Contribution Limit - \$16,500
- 2009 Employee Pre-tax Contribution Limit (age 50 and older) - \$22,000

We frequently set-up 401(k)s for our self-employed clients (real estate agents, consultants, etc...), and they are able to contribute not only the pre-tax monies listed above, but also up to 25% of their salary in profit sharing. The combination of all contributions cannot exceed \$46,000 for 2008, which is increasing to \$49,000 in

2009. This is a phenomenal opportunity for these persons to shelter a substantial portion of their revenue from income taxes and save for retirement. It costs nothing to open or maintain these plans.

Some small employers set-up SIMPLE plans. These savings plans have different contribution limits than 401(k)s and 403(b)s. In 2009, the pre-tax contribution limit will be \$11,500 (\$14,000 for those at least age 50).

### **Personal Savings Plans**

Contribution limits for Traditional and Roth IRAs remain at \$5,000 for 2009 (\$6,000 for those age 50 or older).

Roth IRAs grow tax deferred and the earnings can be withdrawn tax free in retirement. You receive no tax deduction for the money contributed. Because of the tax-free withdrawals, the government phases-out the ability to contribute for higher earners.

- Single Taxpayers - In 2009, the phase-out begins at \$105,000 in Adjusted Gross Income (AGI) until no contributions are allowed over \$120,000 AGI.
- Married Taxpayers - In 2009, the phase-out begins at \$166,000 in AGI until no contributions are allowed over \$176,000 AGI.
- AGI is the sum total of your income, additions and subtractions from the front page of your federal income tax return (Form 1040). It is the bottom line on the first page.

You can contribute to an IRA for 2008 up until April 15, 2009. Since income can fluctuate from year to year, you should check whether you're below the phase-out limit to see if you could make a Roth IRA contribution for the year.

### **Gifting**

The annual gift exclusion rises to \$13,000 in 2009 - up from \$12,000 in 2008. This is the amount one person can give to another person without triggering gift tax implications for either party. In the case of couples, they can each give \$13,000 each for a combined total of \$26,000.

Gifting is a very simple way to transfer wealth from one generation to the next. And with stock so depressed right now, it's the perfect time to gift shares of stock or mutual funds. Be aware that when you gift, the new owner "inherits" your cost basis (what you paid for the security).

### **Health Savings Accounts (HSAs)**

Health Savings Accounts (HSA) are gaining in popularity now that they've been around a few years. And the contribution restrictions were removed last year. In

order to contribute to an HSA, you have to have a qualifying High Deductible Health Plan (HDHP).

For 2009, the maximum annual HSA contribution will rise to \$3,000 for individual coverage (up from \$2,850 in 2008) and \$5,950 for family coverage (up from \$5,800 in 2008). Catch up contribution for individual who are age 50 or older is increased to \$1,000 for 2009. Also for 2009, the maximum annual out-of-pocket amount for self-only coverage HDHPs increases to \$5,800 and the maximum annual out-of-pocket amount for HDHP family coverage is twice that at \$11,600. For 2009, the minimum deductible for HDHPs increases to \$1,150 (from \$1,100) for self-only coverage and \$2,300 (from \$2,200) for family coverage.

DouglasBradley's principles utilize HSAs for their family's health care needs and are well versed in how they work. Feel free to give us a call if you'd like to learn more about these innovative health care solutions.

Using our proprietary SecureRetirement program we can tell you how much you need to save to reach your retirement goals. Give us a call if you don't know exactly what you need to do to achieve a SecureRetirement.

We know that the markets have people a little awe-struck and unsure how to act. But it's never too late to get on the right track. We are available to you and those you care about for consultations during these stressful times. We are available by phone or e-mail (see contact info below). We're here to help.

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