

# EYE ON MONEY

NOV  
DEC  
2009

## 2009 Year-End Tax Planning

Tips to Help Minimize Your  
2009 Taxes!

Plus:

Choosing Your Medicare Options  
Two Ways to Take the Emotion Out of Investing



## U.S. Charitable Giving Exceeded \$307 Billion in 2008

**D**espite a weakening economy, charitable giving in the United States exceeded \$300 billion for the second year in a row in 2008, according to the report *Giving USA 2009*, researched and written by the Center on Philanthropy at Indiana University.

It is estimated that Americans donated

\$307.7 billion in 2008, a 2-percent drop (in actual dollars) from 2007, but still better than some experts expected.

“With the United States mired in a recession throughout 2008, there was no doubt in anyone’s mind that charitable giving would be down,” said (Ms.) Del Martin, chair of Giving USA Foundation. “However, what we find remarkable is that individuals, corporations, and foundations still provided more than \$307 billion to causes they support, despite the economic conditions.”

“It would have been easy to say ‘not this year’ when appeals came their way,” she

### You can research charities online at:

- [www.CharityWatch.org](http://www.CharityWatch.org)
- [www.Give.org](http://www.Give.org)
- [www.GuideStar.org](http://www.GuideStar.org)

added, “and we definitely did see belt-tightening. This drop in giving meant that nonprofits have had to do more with less over the past year, but it could have been a lot worse.”

Human services charities were especially hard hit in 2008, reporting a 12.7 percent drop in contributions at a time when more than half of them saw an increase in the need for their services. ■

If you have questions about how to structure a gift to charity, please talk to your tax and financial advisors before the end of the year.

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## 3 Reasons to Start a Retirement Plan for Your Business

If you are self-employed or own a small business, starting a workplace retirement plan can be a smart move. Plans such as SEP-IRAs, SIMPLE IRAs, and 401(k)s are loaded with tax advantages for you, your business, and your employees. Plus, they are generally easy for a small business to set up and administer.

**1 Higher contribution limits than personal IRAs.** Personal IRAs are great, but a small business retirement plan allows you to sock away much more income each year on a tax-advantaged basis.

The Simplified Employee Pension (SEP-IRA), for example, permits your business to contribute from 0 to 25 percent of an employee's compensation, up to a maximum of \$49,000 in 2009. A personal IRA, in contrast, limits contributions for 2009 to \$5,000 (\$6,000 if you are age 50 or older).

**2 Tax breaks for you personally and your business.** Your tax breaks will depend on the type of retirement plan you choose, but in general...

Contributions that you or your employees make to your own accounts are generally made from pre-tax income. Let's say you contribute \$10,000 of your own compensation to your account—that is \$10,000 you will not have to pay income tax on this year. Taxes will not be due until you withdraw the money from your account.

Contributions that your business makes to your employees' accounts (and your own account) are deductible as a business expense.

Investment earnings grow tax-deferred

until withdrawn. Because earnings are not subject to tax each year, they grow faster than in a taxable account.

A tax credit of up to \$500 per year for the first three years is available to help small businesses defray the cost of setting up and administering a plan.

**3 Attract and retain top-notch employees.** The addition of a retirement plan to your employee benefit package can help your business recruit and retain valuable employees.

### There's still time to start a plan for 2009!

**SEP-IRA:** You have until the due date of your 2009 business tax return (including extensions) to set up and contribute to a SEP-IRA for 2009.

**401(k):** You have until the last day of the tax year (December 31, 2009 for calendar-year employers) to set up a plan for 2009. You can make contributions up to the due date of your 2009 business tax return (including extensions). ■

Talk to your financial advisor about whether setting up a small business retirement plan is a smart move for your business.



## 2 Ways to Help Take the Emotion Out of Investing

Emotions can prompt some investors to make decisions that are not in their best interest—or to stop making decisions at all.

The following investment strategies can help investors remove some emotion from their investment decisions.



### Dollar-Cost Averaging

If market volatility has you frozen on the shore, unsure of when to jump into the market, a strategy known as dollar-cost averaging may make it easier for you to invest by removing the need to jump in all at once

Dollar-cost averaging is simply

investing the same dollar amount in an investment at regular intervals, regardless of price fluctuations.

By investing over an extended period of time instead of trying to time the market, you reduce the risk of investing a large amount when share prices are peaking.

#### How Dollar-Cost Averaging Can Work in a Volatile Market

With dollar-cost averaging, a fixed amount is invested at regular intervals, regardless of the investment's price fluctuations. Because the dollar amount invested remains constant, more shares are purchased when the price is low and fewer shares when the price is high. Over time, the average cost per share to the investor will be less than the average price per share for the period.

Month	Amount Invested	Share Price	Shares Purchased
January	\$1,000	\$20	50.0
February	\$1,000	\$19	52.6
March	\$1,000	\$15	66.7
April	\$1,000	\$17	58.9
May	\$1,000	\$20	50.0
June	\$1,000	\$22	45.5
July	\$1,000	\$25	40.0
August	\$1,000	\$19	52.6
September	\$1,000	\$17	58.8
October	\$1,000	\$15	66.7
November	\$1,000	\$18	55.6
December	\$1,000	\$20	50.0
Amount Invested: <b>\$12,000</b>		Average Price per Share during This Period <b>\$18.92</b>	Shares Purchased: 647.4 Average Cost per Share Paid by Investor: <b>\$18.54</b>

**NOTE:** This example is hypothetical and does not reflect the performance of a specific investment.

**NOTE:** Dollar-cost averaging does not eliminate risk or guarantee a profit. Because dollar-cost averaging involves making continuous investments regardless of fluctuating prices, investors should consider their ability to continue making purchases during market downturns before using this strategy.

## Rebalancing

Over time, market volatility can cause your mix of stocks, bonds, and cash to stray from your target asset allocation. If stocks have performed well and a greater percentage of your portfolio is now invested in stocks as a result, your portfolio has more risk than you intended. On the other hand, if stocks performed poorly and a greater percentage of your portfolio is now invested in bonds and cash, your portfolio may be invested too conservatively for your goals. A strategy known as rebalancing can restore your portfolio to its target asset allocation—the percentages you chose based on your need for growth and your tolerance for risk.

There are two main ways to rebalance a portfolio. You can sell some investments in the over-weighted asset class and invest the proceeds in the under-weighted asset classes until your target percentages are restored. Or you can invest new money, either in a lump sum or over time, in the under-weighted asset classes. Before choosing a method, be sure to consider the potential

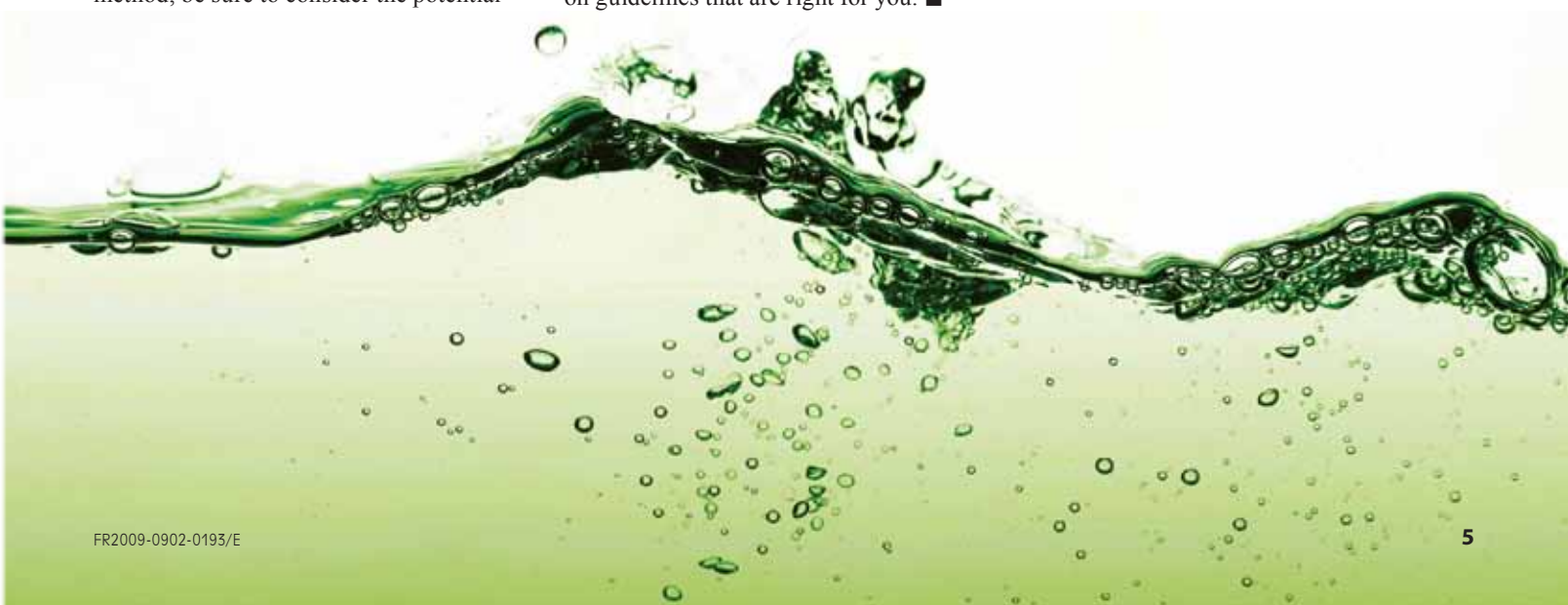
tax consequences. While investments in tax-favored accounts, such as 401(k)s or IRAs, can be traded without tax repercussions, the gains on appreciated investments in taxable accounts will be subject to tax when sold.

Rebalancing can be a tough move for some investors. After all, an investor will be diverting money from the asset class that is performing the best to classes that are not performing as well. But if an investor does not rebalance and historical trends hold true, a portfolio of stocks and bonds will become riskier over time as stocks outperform bonds.

Establishing guidelines in advance as to when you will rebalance can help provide the emotional fortitude to rebalance and rein in risk. Some investors rebalance on pre-determined dates once or twice a year, while others rebalance only when their actual allocation strays outside their target allocation by a certain percentage, such as five percent. Your financial advisor can help you decide on guidelines that are right for you. ■


If the thought of gradually easing into the market appeals to you, ask your financial advisor whether dollar-cost averaging is the right strategy for you.

Also talk to your financial advisor about rebalancing your portfolio. Your advisor can help you determine when and how to rebalance. Plus, your advisor can help you adjust your asset allocation if your financial goals or tolerance for risk have changed since the original allocation was chosen.



# 2009 Year-End Tax Planning





You may be able to reduce your 2009 income taxes if you act soon. There may be actions, such as deferring income, accelerating deductions, and harvesting investment losses, that you can take before the end of the year to help improve your tax situation. This article highlights some year-end strategies for reducing federal income taxes and looks at new federal tax laws and changes that may affect you. For advice on your specific situation, please contact your tax and financial advisors before the end of the year.

## New for 2009

Congress has made many changes to the tax code in the past year—and more changes are likely in the near future. Many of the recent changes have focused on providing tax relief to individuals or industries hurt by the stock market decline or the weakened economy. For example, there are new or enhanced tax breaks:

- **For families paying for college:** A souped-up tax credit, called the American Opportunity Tax Credit, worth up to \$2,500 per year for 2009 and 2010. *(See page 13.)*
- **For first-time homebuyers:** An \$8,000 tax credit for new homes purchased before December 1, 2009. *(See page 12.)*
- **For people who buy a new vehicle:** A sales tax deduction for new vehicles purchased before the end of 2009. *(See page 13.)*
- **For unemployed workers:** The suspension of federal income tax on the first \$2,400 of unemployment compensation received in 2009.
- **For green homeowners:** The return of a tax credit for making energy-efficient improvements to your home in 2009 and 2010. *(See page 12.)*
- **For retirees:** The suspension of required minimum distributions from retirement plans for 2009 to allow savings more time to recover. *(See page 11.)*

## Set to Expire in 2009

Some tax breaks are scheduled to expire at the end of 2009 unless Congress acts to extend them or make them permanent. If the tax breaks are allowed to expire, taxpayers may want to act before the end of 2009 to make the most of the following:

- The deduction for state and local sales taxes.
- The deduction for college tuition and fees.
- The deduction for teachers' classroom expenses.
- Tax-free distributions from IRAs for charitable purposes.



## Changes on the Horizon

The clock is winding down on many of the tax breaks provided by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). For example, lower tax rates on income, capital gains, and qualified dividends are designed to return to the more onerous pre-EGTRRA levels beginning in 2011 unless Congress acts in the interim.

And Congress is expected to act, although the exact nature and timing of the changes remain to be seen. The Obama administration indicated in its revenue proposal for 2010 that it would like to see the EGTRRA tax breaks remain in place through 2010 as planned. After 2010, the administration proposes that the EGTRRA tax rates be permanently extended—but not for everyone. Taxes would increase for single taxpayers with incomes over \$200,000 and married couples filing jointly with incomes over \$250,000. For this group of higher-income taxpayers, the administration proposes:

- Increasing the top two income tax rates (which only affect these taxpayers) to pre-EGTRRA levels of 36 and 39.6 percent (from 33 and 35 percent).
- Reinstating the limitations on itemized deductions and the phase-out of personal exemptions.
- Increasing the maximum rate on capital gains and qualified dividends to 20 percent (from the current 15 percent).

How Congress will change the tax code had not been determined when this publication went to press in mid-September 2009. Please talk to your tax advisor about whether changes have been made recently that may affect you.

## AMT

**Determine if you will be subject to the alternative minimum tax (AMT)** • Congress has already “patched” the AMT for 2009 by increasing the AMT exemption amount and allowing certain nonrefundable personal credits to offset AMT liability. Estimates suggest that these moves will prevent an additional 26 million families from being subject to the AMT in 2009.

The AMT is an alternative method of calculating taxes that eliminates many of the deductions, credits, and other “tax preferences” allowed when calculating federal income taxes the usual way.

Your tax advisor can review your financial situation to determine whether you will be subject to the AMT in 2009. Essentially, your tax advisor will calculate your taxes both ways: the regular way and the AMT way. Whichever method results in the higher tax is the one you use.

Despite the “patch” for 2009, you may still be subject to the AMT if you:

- Live in areas with high state, local, and real estate taxes
- Realize a large amount of capital gains
- Exercise incentive stock options without selling the stock in the same year
- Use the proceeds from a mortgage or home equity line of credit for purposes other than buying, building, or improving your home
- Claim a large number of exemptions

**Because the AMT does not allow many of the deductions that can be claimed when calculating taxes the regular way, some of the strategies described in this article are not appropriate for the AMT. If you suspect that you may be subject to the AMT, please talk to your tax advisor about ways to minimize or avoid it.**



## Time Income and Deductions

**Defer income** • Given the choice between accepting income this year or next, it is generally a good idea to defer income—and the resulting tax liability—to next year. Of course, if you will be in a higher tax bracket next year, you are usually better off paying tax on it this year. With the possibility of higher federal income tax rates in the future, please check with your tax advisor before shifting income.

**Bunch deductions if you are almost able to itemize** • If your deductible expenses (mortgage interest, taxes, charitable contributions, and so on) are close to exceeding your standard deduction, consider paying some of your 2010 expenses in 2009 so you can itemize deductions and deduct an amount larger than the standard deduction.

### 2009 Standard Deduction

Single or married filing separately	\$5,700
Married filing jointly or qualifying widow(er)	\$11,400
Head of household	\$8,350

If you are age 65 or older or blind, additional amounts are added to your standard deduction.

You may be able to increase your standard deduction if you pay real estate taxes, pay tax on a new vehicle, or have a net disaster loss in a federally declared disaster.

### Take advantage of reduced limits on itemized deductions •

You may have to reduce certain itemized deductions (taxes, mortgage interest, charitable contributions, job expenses, and most miscellaneous deductions) if your income is over \$166,800 (\$83,400 if married filing separately). The amount of the reduction has been decreasing due to EGTRRA, and in 2009 (as in 2008), you can keep two-thirds of the value of your deductions that you would have otherwise lost. If all goes as laid out in EGTRRA, the limitation on itemized deductions for high-income taxpayers will disappear for one year in 2010 (limits on specific deductions will remain) and return in 2011 at the pre-EGTRRA level. The Obama administration has proposed that the limitation on itemized deductions be reinstated in 2011 at the pre-EGTRRA level for single taxpayers with incomes over \$200,000 and married couples filing jointly with incomes over \$250,000. Check with your tax advisor before shifting deductions between years.

## Estate and Gift Taxes

**More change ahead for the federal estate tax** • The amount you can leave your heirs free of the federal estate tax has been increasing since 2001, thanks to EGTRRA. For deaths occurring in 2009, the amount is \$3.5 million, up from \$2 million in 2008.

Also, thanks to EGTRRA, the maximum estate tax rate has been decreasing. In 2009, the top rate is 45 percent, the same as in 2008, but less than before EGTRRA.

EGTRRA was designed to culminate in 2010 with the total repeal of the federal estate tax for that one year. (The gift tax would still apply.) Then in 2011, EGTRRA would sunset and the estate tax would be reinstated at pre-EGTRRA levels: a \$1 million exemption and a top rate of 55 percent. Congress has indicated, though, that it plans to act this year to prevent the estate tax from being repealed in 2010 or returning to earlier levels in 2011. In the Concurrent Resolution on the Budget for 2010, Congress calls for extending the estate tax at 2009 levels: a \$3.5 million exemption and a 45-percent top rate. Although the actual legislation may vary from the budget resolution, Congress will likely act in 2009 to change the course of the federal estate tax.

★ If your estate is worth more than \$1 million, keep your estate documents up-to-date and flexible enough to deal with the changing estate-tax landscape.

**The annual gift tax exclusion for 2009 is \$13,000** • Each year, you are permitted to give up to a certain amount—\$13,000 in 2009 (up from \$12,000 in 2008)—to as many individuals as you choose without your gifts being subject to the federal gift tax or reducing the amount that can be exempted from your federal estate taxes later on.

If you are married, both you and your spouse can separately give up to \$13,000 apiece to someone without your gifts being subject to the federal gift tax. Or one of you can give up to \$26,000 to someone if you and your spouse agree to “split” the gift from a tax perspective.

★ Instead of cash, consider giving gifts of beaten-down assets that you expect to recover. This way, any future appreciation occurs outside of your estate.



## Investors

*The following tips apply only to investments held in taxable accounts. They do not apply to investments held in IRAs, 401(k)s, and other tax-favored accounts.*

**Harvest losses to offset gains** • No one likes to take a loss on an investment, but at least they reduce your tax bill. Consider selling some of your losers so that you can realize the loss and use it to offset gains on your tax returns. If your losses exceed your gains, up to \$3,000 of the excess can be deducted from your ordinary income each year until the losses are fully deducted. Do not sell an investment simply to realize the loss and then buy it right back again. The IRS will not allow you to claim the loss if you or your spouse sell securities at a loss and buy substantially identical securities within 30 days before or after the sale.

★ If you were a victim of a Ponzi-type investment scheme, more favorable rules for claiming the loss apply than described above. Both the net amount you invested and the fictitious income can be deducted as a theft loss in the year the fraud is discovered. The deduction is not subject to the \$3,000-per-year limit mentioned above. Nor is it subject to the 10-percent AGI reduction that applies to many theft loss deductions. Please see your tax advisor for the complete details.

**Take advantage of low tax rates on capital gains and dividends** • The maximum rate on long-term capital gains and qualified dividends is currently 15 percent. Taxpayers in the lowest two income tax brackets (single filers with adjusted gross incomes (AGIs) under \$33,950 and married couples filing jointly with AGIs under \$67,900) enjoy a 0-percent tax rate. These relatively low tax rates are scheduled to remain in place through 2010.

To qualify for the 15-percent or 0-percent rate on capital gains, you must have owned an investment for longer than one year before selling. Sell it earlier and the gain will be taxed as income. To qualify for the low rate on your qualified dividends, you generally must have owned the stock for at least a 61-day period that includes the stock's ex-dividend date. Keep in mind that not all dividends are qualified; the dividend must be from a U.S. stock or from a foreign stock that pays U.S. tax on its income.

## Retirement Savers

### Max out your retirement plan at work •

Income you contribute to a tax-deferred retirement plan, such as a traditional 401(k) or 403(b) plan, reduces your taxable income and your tax bill for the year. If you are not currently contributing the maximum amount, consider boosting your contributions so that you sock away as much as possible by December 31, 2009. If you are age 50 or older, your plan may permit you to contribute extra amounts, known as catch-up contributions, in addition to regular contributions.

#### 2009 Annual Contribution Limits

	REGULAR	CATCH-UP
401(k) Plans	\$16,500	\$5,500
403(b) Plans	\$16,500	\$5,500
457 Plans	\$16,500	\$5,500
SIMPLE Plans	\$11,500	\$2,500

**Contribute to a personal IRA** • Contributions you make to a traditional IRA may be tax-deductible if you (and your spouse, if married) are not covered by a retirement plan at work or if your income is under certain limits. To take a deduction for 2009, your contribution must be made by April 15, 2010. The most that can be contributed for 2009 is \$5,000; \$6,000 if you are age 50 or older. (Your contribution cannot exceed your taxable compensation for the year. And you must be under age 70½ at the end of 2009 to be eligible to contribute.)

★ You can also contribute to an IRA for your spouse—even if your spouse has little or no taxable compensation—provided you are married, you file a joint return, and the contribution is made from your taxable compensation.



## Families and Individuals

**Apply for Social Security numbers for your new children** • If your family grew this year, be sure to get a Social Security number for your new child so that you can claim the child as your dependent on your 2009 tax returns.

**Use the money in your flexible spending account** • Do your kids need braces? You may want to take care of that expense—or others like it—before the end of the year if you have money left in your health flexible spending account. These accounts that enable you to pay qualified medical and dental expenses from pre-tax income have a use-it-or-lose-it policy. And while many flexible spending plans have extended their use-it-or-lose-it deadline to March 15, some plans still have a December 31 deadline.

**Tally up your medical expenses** • You can only deduct the amount of the medical and dental expenses you pay that exceed 7.5 percent of your adjusted gross income. If you are close to reaching the 7.5-percent threshold, consider moving up some medical appointments into 2009 or buying prescription drugs now that you would normally buy in January. (You must itemize to deduct medical expenses.)

**RMDs suspended for 2009** • If you normally are required to take minimum distributions (RMDs) each year from your IRA or other tax-favored retirement account because you are age 70½ or have inherited the account, you do not have to take a distribution for 2009. RMDs will be required once again in 2010.

## Charitable Donors

**Tax-free rollover from an IRA to charity** • If you are over age 70½, you can transfer up to \$100,000 tax-free from your traditional or Roth IRA to a qualified charity in 2009. In earlier years, this type of rollover counted towards your required minimum distributions (RMDs) for the year, but RMDs are suspended for 2009. Nevertheless, the tax-free nature of a charitable rollover may be attractive to some taxpayers, such as those who cannot deduct charitable gifts because they do not itemize deductions. *This tax break is set to expire after 2009.*

**Donate appreciated assets instead of cash** • If you donate appreciated assets, such as stocks or bonds, that you have owned for longer than one year, you can generally take a charitable deduction for their current fair market value (limits apply) and avoid paying tax on the capital gain. If the asset has depreciated in value, you are generally better off tax-wise selling the investments yourself so that you can claim the loss and then donating the proceeds to charity.

### Know the rules for charitable deductions

- You must itemize on your tax return to claim a charitable deduction.
- All cash donations require written proof, such as a cancelled check or a receipt from the charity.
- Donations of \$250 or more require a written acknowledgement from the charity.
- Clothing and household items you donate must be in good used condition or better, unless you are claiming a deduction for more than \$500 and including a qualified appraisal with your return.
- Get a receipt, if possible, from the charity for all non-cash donations. If you leave a donation at a charity's unattended drop site and cannot get a receipt, be sure to keep your own written records.
- Donations of property worth \$5,000 or more generally require a written appraisal from a qualified appraiser.

★ 2010 may be an optimum time to make a charitable contribution because the limit on itemized deductions for higher-income taxpayers is scheduled to be eliminated for that year.

★ Heads up: Single taxpayers with incomes over \$200,000 and married taxpayers filing jointly with incomes over \$250,000 may see the value of their charitable deductions reduced in 2011 if the Obama administration's proposal to reinstate the limit on itemized deductions for this group becomes law.



## Homeowners

**Enhanced first-time homebuyer credit** • First-time homebuyers who purchase a home in 2009 before December may be eligible to claim a credit for 10-percent of the purchase price, up to \$8,000 (\$4,000 if you are married filing separately). Unlike 2008's version of the credit, 2009's enhanced version does not need to be repaid unless you stop using the home as your main residence within three years after the purchase. The credit is fully refundable, meaning that if the credit reduces your tax liability below zero, you will receive a refund for the amount below zero. The only fly in the ointment is that this credit phases out for taxpayers with modified AGIs between \$75,000 and \$95,000 (\$150,000 and \$170,000 for joint filers).

★ You may qualify for the first-time homebuyer credit even if you owned a home previously. Anyone who has not owned a principal residence in the past three years is considered a first-time homebuyer.

★ You can amend your 2008 return and claim this credit now rather than waiting until you file your 2009 return. This flexibility has the added benefit of enabling homeowners whose income was above the limit for one of the two years to choose the year in which their income was at an eligible level.

**Deduction for mortgage insurance premiums** • Homeowners who enter into a mortgage insurance contract after 2006 and before 2011 may be eligible to deduct their premiums if they itemize deductions. The deduction phases out for taxpayers with adjusted gross incomes between \$100,000 and \$109,000 (\$50,000 and \$54,500, if married filing separately).

**Standard deduction for property taxes** • Homeowners who do not itemize can claim an additional standard deduction of up to \$500 (\$1,000 for joint filers) for real estate taxes they paid in 2009. *This deduction is set to expire after 2009.*

★ If this deduction is not extended beyond 2009 and your property taxes are less than the deduction limit, consider paying your 2010 property taxes before the end of 2009 so you can deduct the maximum amount allowed.

## Energy-Saving Home Improvements

**Solar, small wind, geothermal, and fuel cell equipment** • If you add these types of energy-generating equipment to your home, you can take a credit for 30 percent of the cost of qualifying equipment and installation. The credit, known as the Credit for Residential Energy Efficient Property, is not capped except for fuel cell property that is limited to \$500 for each 0.5 kilowatt hour of capacity.

**Energy-saving home improvements** • You can claim a 30-percent tax credit for adding any of the items listed below to your home, provided they meet specific energy-efficiency standards. The credit, known as the Credit for Nonbusiness Energy Property, is limited to a total of \$1,500 for 2009 and 2010.

- Asphalt roofs with cooling granules
- Biomass fuel stoves
- Central air conditioners
- Electric heat pumps
- Exterior windows, doors, and skylights
- Furnaces (natural gas, propane, or oil)
- Hot water boilers (natural gas, propane, or oil)
- Insulation
- Main air circulating fans
- Metal roofs
- Water heaters (natural gas, propane, oil, or electric heat pump)

★ Even if you claimed the Credit for Nonbusiness Energy Property in earlier years, you can claim up to \$1,500 in new purchases you make in 2009 and 2010.



## Higher Education

**American Opportunity Tax Credit** • The Hope Credit has been expanded and renamed the American Opportunity Tax Credit for 2009 and 2010. What's new?

- Eligible taxpayers may claim a credit for up to \$2,500 for the first four years of post-secondary education, instead of \$1,800 for the first two years.
- More middle-income families may qualify thanks to an increase in the income limits. The credit now phases out for taxpayers with modified AGIs between \$80,000 and \$90,000 (\$160,000 and \$180,000 for joint filers).
- 40 percent of the credit is refundable.

*If your income is under certain limits, you may be able to claim a:*

**Lifetime Learning Credit** • A credit of up to \$2,000 for higher education expenses you paid—even if it is just for a course or two.

**Tuition and fees deduction** • Deduct up to \$2,000 or \$4,000 (the limit depends on your income) of higher education expenses you paid. *This deduction is set to expire after 2009.*

**Student loan interest deduction** • Deduct up to \$2,500 of the interest you paid on qualified student loans.

★ Many higher-income taxpayers cannot take advantage of tax credits and deductions for higher education because of income limits. They can, however, save for higher education in a tax-favored manner. See your financial advisor for details.

## Buying a Vehicle

**Deduct taxes on a new vehicle purchase** •

If you purchase a new car, light truck, motorcycle, or motor home after February 16, 2009 and before the end of 2009, you may be able to deduct the sales or excise tax you paid. If you live in a state without sales tax, you may be able to deduct other state and local fees and taxes associated with the purchase. The deduction is limited to fees and taxes paid on up to \$49,500 of the purchase price. The deduction phases out for taxpayers with modified AGIs between \$125,000 and \$135,000 (\$250,000 and \$260,000 for joint filers).

**Credit for hybrid and clean diesel vehicles**

• You can subtract up to \$3,000 from your taxes if you purchase a qualifying new hybrid or clean diesel vehicle. The Alternative Motor Vehicle Credit cannot be claimed for Toyota or Honda vehicles purchased this year.

**Credits for plug-in electric vehicles** • New

tax credits were created this year to help purchasers of plug-in electric drive motorcycles, three-wheeled vehicles, low-speed vehicles, and conversion kits defray part of the cost of going green. If you purchase a qualifying motorcycle, three-wheeled vehicle, or low-speed vehicle after February 17, 2009 and before 2012, you can claim a tax credit for 10 percent of the cost, up to a maximum credit of \$2,500. If you convert a vehicle to plug-in electric drive and place it in service after February 17, 2009 and before 2012, you can claim a credit for 10 percent of the conversion cost, up to a maximum credit of \$4,000. ■

## Consult a Pro

You may be able to reduce your 2009 taxes if you act soon. The first step is to contact your tax and financial advisors before the end of the year. Your advisors can review your financial situation in light of the latest tax laws (which may have changed after this publication went to press in mid-September) and suggest financial moves that may help minimize your federal and state taxes.

## Choosing Your Medicare Options

If you are about to turn age 65—the age when most Americans become eligible for Medicare—it is time to choose how you will get your Medicare health and prescription drug coverage.

**D**id health insurance before retirement strike you as complex and expensive? Well, brace yourself. Medicare offers more coverage options than you probably ever had with an employer or on your own. And your out-of-pocket costs have the potential to skyrocket despite the fact that the Federal government partially foots the bill. But with careful consideration and planning, you can assemble Medicare coverage that suits your needs and helps keep a lid on your out-of-pocket expenses. Here are some of your Medicare options and some considerations for choosing them.

### Your Main Options

When you sign up for Medicare, you must enroll first in Original Medicare, which provides hospital and medical benefits directly from the federal government. If you decide to remain in Original Medicare, you may want to help fill the coverage gaps with Supplement Insurance and a Medicare prescription drug plan from private insurers. If you decide not to remain in Original Medicare, you can switch to a Medicare Advantage plan offered by a private insurer. Medicare Advantage plans combine hospital, medical, and usually prescription drug benefits in one plan.

Here's a closer look at your main options.

### Original Medicare

Most people age 65 or older remain with Original Medicare, which is made up of two parts: A and B.

Part A, hospital insurance, helps pay for inpatient care in a hospital or skilled nursing facility, as well as hospice and home health care. You usually will not have to pay a premium for Part A if you or your spouse paid Medicare taxes while working. However, Medicare, like any other type of health insurance, will expect you to foot part of the bill for services you receive. For example, an annual deductible (\$1,068 in 2009) must be paid before Medicare begins to pay for your hospital costs. And you may have to pay a share of the costs (this is known as coinsurance) if your stay extends beyond a certain number of days in a single benefit period. For example, you will generally have to pay \$267 per day (the 2009 amount) beginning on day 61 of a hospital stay. On day 91, the amount jumps to \$534 per day. Exceed 150 days in a hospital in a single benefit period, and all the costs after 150 days are yours to pay.

Part B, medical insurance, helps pay for doctors' visits, outpatient care, and some preventative services. You will pay

a monthly premium (most people paid \$96 per month in 2009) for part B coverage, as well as the first \$135 (2009 amount) of Part B services for the year. You will also generally pay coinsurance on the services you receive. For example, you will pay 20 percent of the cost for most doctors' services.

Original Medicare has its advantages: you can use any doctor or any health care facility across the nation that is enrolled in the Medicare program and you do not need a referral to see a specialist.

Original Medicare also has its drawbacks. For example, Original Medicare does not generally cover the cost of prescription drugs (unless they are provided in a hospital). Nor does it cover certain health care services, like vision care, dental care, and routine annual physicals. It does not usually cover health care received in a foreign country. And Original Medicare does not set a limit on your annual out-of-pocket expenses. If you use extensive health care services, your costs have the potential to soar. Fortunately, the next two coverage options can help address some of these drawbacks.

### Supplemental Coverage

Supplement Insurance can help you pay Original Medicare's deductibles, copayments, and

coinsurance. It may also pay for certain services that are not covered by Original Medicare. If you are still working or eligible for retiree health benefits from your former employer, the employer's health plan can generally be used to supplement your Original Medicare coverage. Or you can purchase a Medicare Supplement Insurance policy—also known as a Medigap policy—from a private insurance company.

Overall, there are 12 standard Medigap plans, typically labeled A through L. Not all Medigap plans are available in all states or from all insurance companies. (Plans in Massachusetts, Minnesota, and Wisconsin are standardized differently than described here.)

Each Medigap plan must offer the same basic benefits, regardless of which insurance company sells it. For example, regardless of which insurance company offers it, Medigap Plan A must cover 100 percent of Medicare Part A coinsurance and all costs after hospital benefits are exhausted. Although the basic benefits are standardized, price can vary widely among different insurance companies for exactly the same coverage.

Depending on the plan you choose, Medigap may cover most of the out-of-pocket expenses—deductibles, co-pays, and coinsurance—you might incur with Original Medicare. Your Medigap plan may also provide coverage for foreign travel emergencies, at-home recovery, and preventive care not covered by Medicare. Medigap plans, however, do not cover long-term care, vision care, and dental care. Nor do new Medigap policies cover prescription drugs.

### Prescription Drug Coverage

If you do not have prescription drug coverage from a current or former employer or union, consider purchasing a Medicare Prescription Drug Plan from a private insurance company.

Prescription Drug Plans vary in cost and drugs covered so it is important to carefully review the plans available in your area to determine which suits your needs best. These plans usually have monthly

premiums, annual deductibles, and co-payments or coinsurance. They also usually have coverage

gaps—periods after you and the plan spend a certain amount on drugs when you are responsible for all drug costs until another amount is met.

### Medicare Advantage Plans

Rather than assembling your Medicare coverage from multiple sources, you can choose a Medicare Advantage plan from a private insurance company that combines hospital insurance (Part A), medical insurance (Part B), and usually prescription drug benefits in one plan. Many Medicare Advantage plans provide a broader range of benefits than Original Medicare. This might include vision care, dental care, routine annual physicals, and coverage for medical emergencies that occur outside of the United States.

Several different types of Medicare Advantage plans are available. They include Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and Private Fee-for-Service (PFFS) plans.

Depending on the type of plan you choose, you may need a referral to see a specialist and your out-of-pocket costs may increase if you use a health care provider outside of the plan's network.

You will pay a monthly premium for a Medicare Advantage plan; the federal government will also pay your insurer to provide your Medicare coverage. Most plans will also require you to make co-pay-

ments for the services you use; some may require coinsurance and deductibles. Because

coverage varies from plan to plan, costs vary as well, so it is important to shop around.

### What to Consider When Choosing Your Coverage

**Doctors and Hospitals** • Are the doctors and hospitals you use covered by the plan? Original Medicare offers the flexibility to choose any health care provider in the United States that is enrolled in the Medicare program and accepting new Medicare patients. This flexibility can be advantageous if you spend part of the year in another area of the country. Some Medicare Advantage plans limit coverage to health care providers in their network. Services you receive outside of the network may cost you more.

**Benefits** • Medicare Advantage Plans must provide all of the same benefits as Original Medicare. Frequently, they offer extra benefits as well. Are these extra benefits of value to you?

**Prescription Drugs** • When choosing a Prescription Drug Plan or a Medicare Advantage

plan, determine whether your drugs are covered and how much you will have to pay for them. Also, consider signing up for prescription drug coverage as soon as you are eligible for Medicare even if you do not currently need it. If you delay beginning drug coverage, you will generally pay higher premiums when you do start unless you have been covered by a creditable drug plan, perhaps from your employer, during the interval.

**Cost** • Medicare costs have the potential to be staggering—take steps to protect yourself! If you choose Original Medicare, add a Medigap plan (unless you have supplemental coverage from an employer or union) to help cover the costs that Original Medicare does not cover. If you choose a Medicare Advantage plan instead, be sure to choose wisely. While the premiums may be less than you would pay for Original Medicare and a Medigap plan, your out-of-pocket costs for services may be greater with some Medicare Advantage plans. ■

Experts' estimate that a 65-year-old man with Original Medicare, Medigap Plan F, and a Prescription Drug Plan may need as much as \$177,000 in current savings to have a 90 percent chance of covering retiree health costs; he'll need more than \$177,000 if he uses more than the median amount of drugs. A woman might need \$221,000 due to longer life expectancy.

Please talk to your financial advisor as your retirement approaches. Your advisor can help you create a financial plan to help meet your retiree health care costs, as well as your other expenses.

You can search for and compare Medigap plans, prescription drug plans, and Medicare Advantage plans from Medicare's home page, [www.medicare.gov](http://www.medicare.gov).



## Jaisalmer: India's Fairytale City

BY BRIAN JOHNSTON

If you want to go to Jaisalmer, go on a camel. It will take you days, lurching along on a saddle designed to make every bone in your body ache. You'll choke on dust and faint in the heat of a fierce desert sun that beats down from a jaundiced sky. You won't see much: the landscape is flat and forbidding, punctuated only by straggly thorn trees. In the distance, you might see a woman with a billowing pink sari, surrounded in dust, walking with a bronze pot on her head. Then more emptiness, just a litter of stones yellowed as old teeth that your camel will pick its way through for hours, sneering in disdain.

And then comes the moment that makes it all worth it: the medieval citadel of Jaisalmer appears on the horizon. You approach it on your swaying camel just as traders did in times gone by, across a hostile desert, dreaming of comfort. Then, like a magic trick, you see its massive ramparts and golden sandstone towers, exotic and beautiful. As the sun sets, its walls and turrets turn to honey, then orange, before sinking into a purple desert evening. The moment you enter the gates you're swallowed up in a labyrinth of latticed houses

where tailors embroider silken hangings and silversmiths work on glittering jewelry. A spice seller mutters in the growing darkness behind his pyramid of chilies. Soldiers swagger past, puffing on cheroots. Ladies' ankles tinkle with bells, and men in red turbans twirl the ends of their moustaches in satisfaction.

Travel to Jaisalmer and you arrive in a story told by Scheherazade. This vast fortress in the Thar Desert of India's far west is really an entire town, crowded with houses and a hundred towers, all built of the same honey-colored stone. While many of the fortresses of Rajasthan now stand abandoned, Jaisalmer is a lively and attractive place, still inhabited by artisans and camel traders and ladies in silk. True, these silken ladies pull mobile phones from the folds of their pink shawls, and the soldiers careen around in jeeps reeking of petrol fumes. True, an ugly concrete town now rises below the ramparts, and turrets complete with a forest of TV antenna. But Jaisalmer is still pure Rajasthan, medieval and brooding and utterly brilliant.

It always has been. A Rajput chieftain founded Jaisalmer in 1156 on a defensive

ridge served by a rare oasis—and conveniently lying on overland trade routes between India and the Middle East. His successors grew rich by taxing the passing trade and filled their palace with furniture of beaten silver. The centuries that followed were full of intrigue and treachery. After one siege in 1294 the entire town, fuelled by opium and wearing sacrificial orange, went to their deaths by fire and the sword, preferring to die rather than be conquered. And still the trade continued. Caravans of camels arrived weekly from Persia and Afghanistan laden with silk, spices, indigo, and opium. Jaisalmer itself produced silver jewelry, carpets, and heavy cloth embroidered with sequins and mirrors. The rich merchants of the town built elaborate mansions, latticed and sculpted like giant wedding cakes, and all glowing in rich golden sandstone.

And then it all ended: sea trade opened up and Bombay took over. Jaisalmer was suddenly a remote place lost in the desert, mourning a proud past. With no more income, it preserved itself like a fly in amber: the medieval streets, the golden houses, the turrets and towers. And like

The medieval citadel of Jaisalmer, left, rises above the modern-day town. The sandstone facade of an haveli, below, is covered with ornate carvings.

some place in a fairytale where time stands still, the people barely changed. Walk the streets of Jaisalmer and the locals are still beating silver and selling spices, scooped into pyramidal piles of orange turmeric and black mustard seed. Handicrafts are still produced here: browse for wooden Rajput puppets, flamboyant quilts, marble inlay and traditional paintings just like the traders of yesteryear. Villagers still come in from the desert in red and orange, peacock feathers in their turbans. Old men with cracked glasses and silver-topped walking sticks shuffle past, cannily eyeing the goods in the marketplace.

Jaisalmer's decline is now its savior. Its fine state of preservation attracts tourists from around the world, drawn to its exquisite architecture. Most of the merchants' mansions—known as havelis and built around a central courtyard—have survived intact from the eighteenth and nineteenth centuries, and indeed most are still inhabited. They face each other across streets so narrow that their balconies almost touch in places. The sandstone facades of the havelis are superbly carved and ornamented with latticework screens, delicate rooftop pavilions, fragile balconies, and other sculptured filigree. Every haveli is different: some have doors carved with geometric designs, some have guardian elephants carved with elaborate trappings and tusks, others are studded with stone flowers and vines. The haveli of a former prime minister has roof brackets carved in the form of peacocks, tails spread. (The prime minister built his mansion taller than the maharaja's palace, but the offended maharaja had the top two stories summarily removed.) Perhaps the most magnificent building in Jaisalmer is the Patwon-ki haveli, whose entire facade is covered with intricate latticework, Rajput balconies, and gabled windows.

Hidden in the center of the old town, and quite different from the surrounding

sandstone mansions, lies a group of Jain temples. Wander the warren of chambers and passageways and you'll find them lined with pillars sculpted with statues in white marble, with eyes of glowing precious stones. The effect is rather dark and eerie, and Jain priests lurk in the shadows, flapping their bony hands in hope of a donation. Saints and bare-bosomed maidens



and animals sprout in marble from the walls, and in the vaults devotees circulate with offerings of sweet cakes and sandalwood. This too is a timeless scene: parts of the temple complex date right back to the twelfth century and the founding of Jaisalmer itself.

Despite its fantastic and sometimes unnerving medieval feel, Jaisalmer's flamboyant and often violent history is now barely apparent. Indeed, overall the old town has a rather appealing domesticity. The air smells of burning cow dung, strange spices, and wet marigolds, floating in buckets before being threaded together as offering garlands. Cows wander the streets, ragged children pester dogs with sticks, tailors teeter past on bicycles balancing bolts of fabric. Ascetics draped in beaded necklaces sit cross-legged in the shade, while store owners gather on steps to sip tiny cups of tea. A camel ambles past, decorated in tinsel and red trappings. In the marketplaces, vegetable sellers pile their wares into color-

ful pyramids, shouting at passing donkeys intent on stealing a mouthful of spinach. Traders sell sandals and clothes, sticky sweets and deep-fried samosas. Jaisalmer's havelis might be magnificent, but it's the daily spectacle of street life that provides hours of entertainment.

Follow the stream of people heading out of the city gates and eventually you'll end up at the oasis that was once the town's main water supply. The waters were collected in a vast holding tank that now forms a miniature lake, reflecting the small temples and shrines erected around its edge. These are like havelis in miniature, made of the same sandstone and just as intricately detailed, topped by domes and pavilion roofs. At the entrance to the complex stands a beautifully decorated archway said to have been erected by a famous courtesan. The maharaja of the day objected to passing down to the tank under an arch provided by a prostitute, but the wily courtesan quickly added a temple of Krishna on its summit. The arch was saved: even the maharaja couldn't have risked offended Hinduism's most important god by having the structure pulled down.

The blue water of the tank is striking: all around lies the arid desert from whose stony embrace Jaisalmer rises like a hallucination. A few small villages punctuate the wasteland in a huddle of rounded, white-washed cottages. Occasionally a nomadic group passes by, dressed in red and black with silver ornaments flashing from wrist and ankle. The flat and stony landscape itself is of little interest, but some thirty kilometers out from Jaisalmer magnificent desert dunes take over, their windswept sands sculpted like abstract art. Come here at sunset, when the colors flame in red and orange, bold and beautiful. Ride a camel, and lose yourself again in the timeless landscapes of Jaisalmer as the sun sinks into the desert, and the stars come out. ■

# MUSEUMS



The main exhibition hall of Hermitage Amsterdam. ▲

Photo by Roos Aldershoff



Celebrating music at the GRAMMY Museum in L.A. ▲

Photo © Ryan Miller/Capture Imaging



A replica of a Harley-Davidson dealer window display from 1951. ▲

Photo courtesy of the Harley-Davidson Museum

## Amsterdam, Netherlands

### Hermitage Amsterdam

The Hermitage Amsterdam, a satellite branch of the renowned State Hermitage Museum of St. Petersburg, Russia, opened the doors to its new home in Amsterdam in June 2009. The new facility is located in an elegant 17th-century building in the historic heart of Amsterdam and boasts ten times more space than the Museum's previous Amsterdam location.

The inaugural exhibition, *At the Russian Court*, explores the opulent culture, elaborate social hierarchy, and rich traditions of the Tsarist court at its height in the 19th century. More than 1,800 treasures—ball gowns and other costumes, court paintings, furniture, jewelry, and dinner services—from the State Hermitage Museum in St. Petersburg help recreate life at the Russian Court. This exhibition will remain on display through January 31, 2010, after which Hermitage Amsterdam plans to stage two large-scale, temporary exhibitions each year, drawing on the collections and scholarship of Russia's museums. For more information, please visit [www.hermitage.nl](http://www.hermitage.nl).

## Los Angeles, CA

### The GRAMMY Museum

Opened in December 2008, the GRAMMY Museum explores and celebrates all forms of music, the creative process, the technology of the recording process, and the history of the GRAMMY Award.

Visitors begin their tour on the fourth floor of the 30,000-square-foot facility. A tunnel of bold graphics and GRAMMY-award-winning music opens to a gallery space filled with films, artifacts, and interactive exhibits exploring how recorded music intertwines with social and cultural history. The third-floor welcomes visitors behind the scenes of the recording process with an interactive, in-studio experience. The 200-seat GRAMMY Sound Stage on the second floor features a film capturing the backstage world of the 50th Annual GRAMMY Awards. The second floor also houses the Museum's Special Exhibit Gallery.

The GRAMMY Museum is located adjacent to the STAPLES Center in the downtown Los Angeles sports, entertainment, and residential district known as L.A. Live. For more information about the museum and its programs, visit [www.grammymuseum.org](http://www.grammymuseum.org).

## Milwaukee, WI

### Harley-Davidson Museum

The Harley-Davidson Museum opened its doors to the public on July 12, 2009. Visitors to the new 130,000-square-foot museum can explore exhibits that tell the stories of the people, motorcycles, history, and culture of Harley-Davidson. In addition to the motorcycle collection, the stories are told through photographs, videos, apparel, and other artifacts. Visitors can also peek into a portion of the previously private Archives, home to hundreds of motorcycles and thousands of other artifacts. In the Experience Gallery, visitors can sit on Harley-Davidson motorcycles while watching a video of great America riding roads. For more information, visit [www.hdmuseum.com](http://www.hdmuseum.com). ■

# BROADWAY OPENINGS FALL 2009

## Brighton Beach Memoirs Broadway Bound

Two classic Neil Simon plays return to Broadway this fall at the Nederlander Theater. *Brighton Beach Memoirs*, based loosely on Simon's teenage years, opens on October 25. *Broadway Bound*, based on Simon's early career, begins previews on November 18 and opens on December 10.

## Bye Bye Birdie

The exuberant rock-n-roll musical that satirizes the 1950's pop culture returns to Broadway for a limited engagement at Henry Miller's Theatre. John Stamos stars as songwriter/manager Albert Peterson with Gina Gershon playing the role of his girlfriend, Rose Alvarez.

## Memphis

Memphis during the early days of rock'n'roll is the setting for this musical about a black singer and a white radio disk jockey. At the Shubert Theatre.

## Race

David Mamet's new play *Race* will officially open at the Ethel Barrymore Theatre on December 6, with previews beginning on November 17. The cast is expected to include David Alan Grier, Richard Thomas, James Spader, and Kerry Washington.

## Ragtime

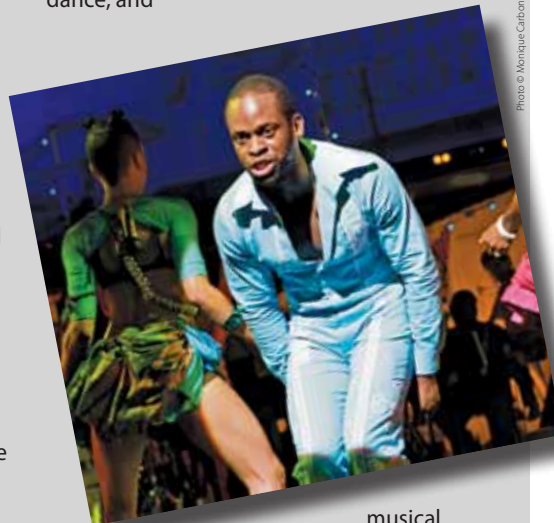
The musical *Ragtime* will open at the Neil Simon Theatre on November 15. Based on the E.L. Doctorow novel, *Ragtime* interweaves the stories of a Harlem jazz pianist, a poor Jewish immigrant, and an affluent family in early-20th-century America.

## The Royal Family

This classic comedy, written by George S. Kaufman and Edna Ferber, follows the famous theatrical Cavendish family as they struggle to understand why a member of their family wishes to leave the acting profession for marriage. The cast includes Danny Glover, Rosemary Harris, and Jan Maxwell. At the Samuel J. Friedman Theatre.

## Fela!

*Fela!*, a highly acclaimed new musical based on the life of Afrobeat musician Fela Anikulapo-Kuti, moved to Broadway this October, with an official opening set for November 23. Using his pioneering music (a blend of jazz, funk, and African rhythm and harmonies), *Fela!* explores Kuti's controversial life as artist, political activist, and revolutionary musician. Featuring many of Kuti's most captivating songs and Bill T. Jones's imaginative staging, *Fela!* is a provocative hybrid of concert, dance, and



musical theater. Sahr Ngaujah (shown here) returns in the title role for which he received an Obie Award for his performance in the Off-Broadway production of *Fela!*. The renowned Antibalas and other members of the NYC Afrobeat community will perform Kuti's rousing music live onstage. At the Eugene O'Neill Theatre.

## CHICAGO WORLD PREMIERE

### Chicago, IL

#### The Addams Family

A new musical about the macabre Addams family—Gomez (Nathan Lane), Morticia (Bebe Neuwirth), Wednesday, Pugsley, Fester, and the whole gang—will have its pre-Broadway tryout from November 13 through January 10 at Chicago's Oriental Theatre before moving to Broadway on March 4, 2010. ■

## QUIZ

# Art history 101

- Who painted the famous 16th-century portrait, the *Mona Lisa*?  
A. Leonardo da Vinci  
B. Titian
- Which artist is considered an Impressionist?  
A. Claude Monet  
B. Thomas Gainsborough
- Which American painter is known for dripping paint on canvas and is the subject of a 2000 movie?  
A. Frank Stella  
B. Jackson Pollack
- Who painted the ceiling of the Sistine Chapel in Rome?  
A. Sandro Botticelli  
B. Michelangelo
- Pablo Picasso and Georges Braque founded which art movement?  
A. Cubism  
B. Realism
- Who painted *The Starry Night* and a series of Sunflower paintings?  
A. Rembrandt van Rijn  
B. Vincent van Gogh
- Which pop artist became known for paintings and silkscreens of everyday products, such as Campbell's soup cans, and celebrities, such as Marilyn Monroe?  
A. Andy Warhol  
B. Robert Motherwell



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