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As always we hope you find this newsletter of interest. Please let us know any topics that you think would be of interest to others.

For more articles about you and your wealth, we post frequent updates on our CIA Access app from the Appstore and Google Play.

As a reminder, we believe in helping families and if you are a client, we consider your direct family members clients too, even if they are below our investment minimums. (And don't worry, everything remains confidential unless you give us written permission to share with family members).

July 2014

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Financial Intelligence

The Human Genome and Your Retirement

For those with healthy balances in their retirement plan, this article is for you. On July 1, 2014, the US Treasury issued new rules that might positively affect your retirement goals. It is impossible to give you the entire set of regulations here, but we can give you some information that will help you understand the impact of these rules.

Retirement plans have two phases, accumulation and distribution. During the accumulation phase, if you or your employer are contributing funds on a regular basis, volatility can be your friend. When markets decline, your account purchases more shares of your selected investments and when the market recovers those shares increase in value. It is a form of dollar cost averaging.

During the distribution phase, that same volatility can be destructive. The reverse happens when you sell shares in a declining market. Your retirement fund decreases because of the withdrawals. That is further magnified as more shares need to be sold at a lower price to provide your income than would have been required if the market were steady or increasing. Unfortunately, with qualified retirement plans, one has no choice because of Required Minimum Distributions.

Takeaway: Required minimum distributions when markets are declining can be a pitfall to your future income.

The human genome project was recently completed. The purpose was to map ones genetic structure as to predict susceptibility to illnesses. The science that allowed us to do this is closing in on the ability to modify the genes that we have that are a threat to us. That may give us the possibility of reducing threats to our lives – a new kind of preventative medicine.

Even without this progress, medicine has progressed to the point that people are living longer than at any other time in history. Progress, even without the human genome project, will make living longer much more probable.

Takeaway: People are living longer and that trend will continue. As people live longer their retirement funds must last longer.

Required minimum distributions from qualified retirement plans increase as a percentage of the balances in our retirement plan as we grow older. We do not have choices with these plans. We must withdraw at least the minimum required by law. Should we not take the required amount, the penalties are confiscatory.

Takeaway: There is a strong possibility that Increasing Required Minimum Distributions, Fluctuating Markets, and long life will make livable income for life very difficult.

A solution would be to allow plan participants to reduce the RMD in exchange receiving a guaranteed amount at a future date. That is exactly what the new rules allow!

The regulations allow participants to defer up to 25% of their retirement balances to a maximum of \$125,000 to a later date not to exceed age 85. During the deferral period, the amount deferred will not be subject to RMD. The amount deferred will be placed in a “qualified longevity annuity” until the annuity is required to make distributions. Those distributions will continue for the lifetime of the retiree.

Takeaway: It is possible to reduce the taxable amount you take from your retirement plan in the beginning and increase income later though lifetime income.

Income tax brackets, need for income now and/or later, and certainty of income are all things that should be considered.

There are details and options you need to understand and explore. The above article is an introduction to a valuable financial planning tool worthy of your consideration. Please call us if you would like additional information. It is a pleasure to be of service to you.

Charitable Gifts of Items You No Longer Need



Consult a tax professional and visit the IRS website for more information.



If you have used clothing, household goods, or a car that you no longer need, you may be able to do good by contributing the property to charity while obtaining an income tax deduction for your charitable contribution. Subject to certain limitations, the amount of your charitable contribution is usually the fair market value (the price that property would sell for on the open market) of the property at the time of the contribution.

Used clothing and household goods

You generally cannot take a deduction for donations of used clothing or household goods unless the property is in good used condition or better. However, you can take a deduction for used clothing or household goods that are not in good used condition or better if the claimed value is greater than \$500 and you include a qualified appraisal with your tax return.

The value of used clothing or household goods is usually far less than what you paid for the property. A good indication of the value of used clothing is the price that a buyer would pay in used clothing stores, such as consignment or thrift stores. Used household goods may have little or no value because of their worn condition, or because they are out of style or no longer useful.

Used cars

The value of a used car can usually be determined using a used car pricing guide for a private party sale. The price listed should be for a car of the same make, model, and year, and with similar options and accessories. Adjustments may be needed for wear and tear, and mileage.

However, your deduction for a donated car may be limited to the amount for which the charity then sells the car. This rule applies if the claimed value for the car is over \$500 unless: (1) the charity makes a significant intervening use of or material improvement to the car before selling it; or (2) the charity gives the vehicle, or sells it for well below fair market value, to a needy individual to further the organization's charitable purpose.

You must attach Copy B of Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, (or other statement from the charity containing the same information) to your tax return. Form 1098-C shows the gross proceeds the charity received if the charity sold the car and whether either of the two exceptions for cars valued at more than \$500 applies.

If the charity sells the car for \$500 or less (and neither of the two exceptions applies), your deduction is generally limited to the lesser of \$500 or the car's fair market value on the date of the contribution.

Other requirements

A receipt is generally required from the charity for all noncash gifts. However, a receipt may not be required where it is impractical to get one (e.g., leaving clothing at a charity's unattended drop site).

A written statement is required from the charity acknowledging all noncash gifts above \$250. The acknowledgment must generally include a description and good faith estimate of the value of any goods or services (if any) you received in return for your contribution. Your charitable contribution deduction is reduced if you receive something in return for your contribution.

An appraisal is generally needed when you donate an item or group of items of property if the claimed value is more than \$5,000. You must also complete Section B of Form 8283 and attach it to your tax return. Section B of Form 8283 should be signed by both the appraiser and a responsible officer of the charity. However, you do not need an appraisal for the donation of a car if the deduction is limited to the gross proceeds of its sale by the charity.

Limits on deductions

Charitable contribution deductions are generally limited to 50% of your adjusted gross income (AGI) (or 30% or 20% of AGI depending on the type of charity and the property donated). Disallowed amounts can generally be carried over and deducted in the following five years, subject to the percentage limits in those years. If you donate property with a fair market value that is more than your income tax basis in it (not usually a concern when donating used goods), your deduction is generally limited to your basis in the property, except for capital gain property when you use the 30% of AGI limit.

The total of your charitable contribution deductions and certain other itemized deductions is limited (but not reduced by more than 80%) if your adjusted gross income in 2014 is more than \$254,200 (for single taxpayers, \$305,050 for married filing jointly taxpayers).

Why Not Make Your Next Trip a Volunteer Vacation?



One option for finding volunteer vacation opportunities in the United States or overseas is the nonprofit organization Just Give. To view a list of resources for potential volunteers, visit the organization's website, www.justgive.org.



Is your idea of a perfect vacation spending time alone on a beach with a good book? Or would you prefer a more active vacation where you are part of a group, constantly challenging yourself, and using your talents and skills to help others? If the latter sounds more appealing, then a volunteer vacation might be right for you.

Why take a volunteer vacation?

Having the chance to give back, meet new people, form friendships, and immerse yourself in a different culture are some of the top reasons to take a volunteer vacation. And no matter why and where you choose to travel, you'll have experiences that are not available to the average tourist.

A volunteer vacation also allows you to work with others who share your interests. For example, if you love the outdoors, you can work with park rangers on a national parks project in the United States or travel with a conservation group to Peru. Or if you've always wanted to work with children, you can find a service project at an orphanage in Haiti, or volunteer at a camp for children with special needs in Hawaii.

Who can serve as a volunteer?

Whether you're a solo traveler, a retiree, a student, a family with younger children, or a grandparent with teenage grandchildren, you can find a suitable volunteer opportunity. Many vacations don't require any experience—just a willingness to help and enjoy the camaraderie of working with individuals from your host community and members of your volunteer group. However, you'll get more out of your trip if you find one that matches your interests, skill set, and stamina level. Though you can choose to travel to a remote location or an underdeveloped country, you can also make a difference in a less adventurous setting. For example, you can help teach English at a school in a major city, work on an art conservation project in a museum, or care for injured animals at a zoo. The choice is yours.

What can you expect from your trip?

Trip length varies, but many last from one to four weeks. During that time, you'll be expected to devote a substantial number of hours to project work.

Yet volunteer vacations aren't all work and no play. Trips generally incorporate rest days or leisure periods where you're free to explore on your own or participate in a group tour, giving you unique insight into the area and a chance to unwind.

How much will your trip cost?

Some people are surprised to learn that there's a cost associated with volunteering, but you'll generally need to pay for your own travel expenses. Your trip may cost hundreds or thousands of dollars, depending on your destination, itinerary, and accommodations.

You may be able to offset part of the cost of your trip by deducting certain trip-related expenses when you file your federal income tax return. To get any tax benefits, your trip must be sponsored by a qualified organization (check with the charity or the IRS); the personal element of your trip must be insignificant (i.e., the time spent on pleasure, recreation, or vacation); and you must itemize your income tax deductions. You can generally deduct actual unreimbursed costs related to your volunteer service (such as airfare, lodging, and meals) but you can't deduct the value of your time or services. These are just general guidelines—for more information, ask your tax advisor and review IRS publication 526, Charitable Contributions.

What questions should you ask?

Before you sign up for a volunteer vacation, it's very important to make sure that you're traveling with an organization you trust. Trips may be sponsored by churches, national or global nonprofit volunteer organizations, or for-profit companies. Here are some of the questions you should ask before signing up. Some of this information may be found in literature provided by the sponsoring organization:

- How long has the group or organization been conducting volunteer vacations?
- How large is the volunteer group?
- How experienced are the team leaders? How well do they know the culture and the area?
- Will training be necessary, and if so, when and where will it be provided?
- What does the trip fee cover? Airfare? Meals? Transportation to the work site?
- Are costs or fees refundable? Make sure you read all policies and understand what will happen if you're unable to travel.
- What about insurance? You may be asked to provide proof of health insurance, or if traveling overseas, purchase medical and emergency evacuation coverage.
- How do you prepare, and what will you need to bring? You should be given a checklist of tasks to complete before your trip, and packing guidelines.

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This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.



How much money should a student borrow for college?

There's no magic formula to determine how much you or your child should borrow to pay for college. That being said, there is such a thing as borrowing too much. How much is too much? Well, college counselors typically recommend that students borrow no more than the amount they expect to earn in their first year out of college, which in turn depends on a student's individual major and job prospects. So, for example, a student planning to get an engineering degree might borrow about \$50,000 or \$60,000 if he or she expects to obtain a job after college paying that much, while a student majoring in social work might borrow much less.

But this guideline is just that--a guideline. Just as many homeowners got burned taking out larger mortgages than they could really afford (even though their lenders may have told them they were "qualified" for that amount), many students are getting burned borrowing amounts that may have seemed reasonable at first glance but now in reality are not.

Remember, student loans will need to be paid back over a term of 10 years or longer. What if

the engineering graduate doesn't have that steady, well-paying job for 10 years? What if he or she decides to step out of the workforce to care for children? What if the company downsizes? What happens when other expenses like housing, utilities, car payments, daycare, and home repairs come down the pike? What if he or she wants to go on to graduate school? Any interruption in the payment of these student loans via deferment or forbearance requests will only add to a borrower's overall balance.

According to the Project on Student Debt, 71% of students who graduated from college in 2012 had student loan debt, and the average balance was \$29,400 (*Student Debt and the Class of 2012*, December 2013). With a 10-year term and a 3.8% interest rate (the current rate on federal Stafford Loans), the monthly payment would be \$295. But borrow a bit more, say \$40,000 total, and the monthly payment jumps to \$401. And these figures are conservative, because the interest rates on federal Stafford Loans and private student loans have nowhere to go but up. So student borrowers beware! Don't be led blindly into excessive student loan debt based on a guideline you didn't create.