

Financial Foresight

By Dempsey Investment Management • Winter 2007 Edition

Welcome to the first quarterly newsletter from Dempsey Investment Management. In addition to my thoughts, I will be inviting three local professionals to discuss financial issues in their respective fields. If you have questions, comments or ideas for future columns please contact me.
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Identity Theft

According to the Federal Trade Commission every year 9 million Americans have their identities stolen. They state that identity theft is the fastest growing crime in the U.S. today and costs individuals on average \$500. Some of these crimes are beyond your control but most are not. Listed below are steps you can take to reduce your risk:

1. Opt out of pre-approved credit card offers at www.optoutprescreen.com.
2. Go to www.donotcall.gov to remove your name from calling lists and write to: Mail Preference Service, Direct Marketing Association PO Box 643, Carmel, NY 10512 to remove your name from mailing lists. This will not only reduce your clutter but is good for the environment as well.
3. Get a good "cross cut" shredder and use it on any paperwork that has personal information.
4. Do not access bank or brokerage accounts from a public computer. Thieves often attach hardware and software to these to gather information.
5. Do not respond to any e-mail request for information. Financial institutions will not e-mail you to verify information. Only give out information when you are making the initial call or contact.
6. Do not carry your Social Security card with you or any item with your SS number.
7. Do not carry a checkbook and if possible when you order new checks have them delivered directly to your bank and pick them up there. With a stolen check a thief

can order new checks with your information then ship them to their own address.

8. Encrypt your wireless internet connection or use a hard connection only.
9. Be judicious in who you provide your Social Security number to. Most companies ask for it as a matter of course but many do not need it. Ask why they need it and see if you can get by without it.
10. Review your credit card statements thoroughly each month. Often times criminals will put through minor charges to see if a card is valid.
11. Go to www.annualcreditreport.com every four months to get a free credit report. Rotate between the three credit agencies; Experian (January), Equifax (May) and TransUnion (September), for example. Look carefully at the accounts, especially for recent activity that you do not recognize.

Your best overall defense against identity theft is to use common sense when sharing any personal information. Make sure only trusted people can obtain access to this information whether it is over the phone or internet, in person, or through the mail.

Timely Tax Tips

- Get a credit of up to \$500 for Energy Star rated products you installed in 2006. Details at www.energystar.gov.
- Don't forget to request the \$30 to \$60 Telephone Excise Tax refund. All individuals are eligible. See www.irs.gov for details.

Checking the Pulse of the Real Estate Market in Chittenden County

By Robert Stuart

The Real Estate Market has been a hot news topic the last few years. Did we have a Bubble? Did it BURST! How is Chittenden County Market Fairing?

Reviewing the sales numbers for single family homes in Chittenden County from January 1, 2006 to November 31, 2006 listed with a Realtor, we see that year to date the sales have increased 6.5 %. At the same time the prices are almost flat for the year. The average price of the single family home is \$326,000.

The sales numbers for condos from January 1, 2006 to November 31, 2006 is just one unit short of being the same as last year's. The average sales price of the condos is flat for the year to date,

with the average figure of a condo at \$223,000.

The inventory has grown from a 5 month supply to a 6 month supply of single family homes. The inventory of condos is about a 4.5 month's supply, the same as one year ago. I feel we are in a more balanced state, making the market healthier, reducing the amount of speculation which may have been taking place.

Vermont continues to be a very good place to purchase real estate and our strong regional economy and desirable area to live help preserve your investment.

I would enjoy discussing your real estate needs and desires. I can be reached at Chenette Real Estate. My number is (802)-264-1887 or e-mail buyIhome@gmail.com.

Tax Law Changes in 2006 Create Investor Opportunities

By Kenneth M. Nussbaum, JD CPA/PFS

This year, two significant pieces of legislation that were signed into law have a direct impact on investors. The Tax Increase Prevention Reconciliation Act of 2005 (TIPRA) was passed in May and the Pension Protection Act (PPA) of 2006 was passed in August. Further, the Tax Relief and Health Care Act of 2006 was passed in December, and while its provisions are widespread, they are not directly related to investment opportunities as discussed here.

Permanent Extension of EGTRRA Provisions

Certain provisions with respect to contribution limits to IRAs and 401(k)s and other types of plans which passed in 2001 were set to expire in 2011. The PPA has now permanently extended the increased retirement amounts, including the “catch-up” amounts for individuals 50 and older. This is noteworthy in that the contribution limits will now be higher after 2010 than they would be without the PPA. For 2006 and 2007, an individual can contribute

\$4,000 to an IRA (\$5,000 if age 50 and above) and for 2008 the amount increases to \$5,000, or \$6,000 for those age 50 and above.

In addition, the Roth 401(k) has been permanently extended. All of the changes may lead to additional questions with respect to what is the best course of action for you.

Roth Conversions and TIPRA

Deciding whether to invest in a Roth IRA or a traditional IRA has been a tough choice for some almost since the inception of the Roth IRA. And the idea of whether to convert one's traditional IRA to a Roth IRA has caused much consternation. For those whose income exceeded the \$100,000 threshold, though, the question was moot because the conversion is not permitted.

TIPRA, has put a different spin on the Roth conversion idea. Starting in 2010, the income restriction is lifted. This presents interesting planning opportunities, both for people who currently have a traditional IRA that they'd like to convert and for those who

simply like the idea of the Roth and want to find a way to fund it.

If you don't currently have an IRA and you're ineligible to make deductible contributions, you might consider making non-deductible IRA contributions starting this year. When the time comes to convert to a Roth in 2010, you'll be taxed only on the account balance in excess of your non-deductible contributions. Even if you will not have reached age 50 by that time, you'll have been able to contribute \$24,000 of non-deductible amounts that you can convert into the Roth IRA at no cost. This is a fantastic planning opportunity.

Summary of 2006 Legislation

The 2006 changes point out that every year new opportunities and new challenges arise. Now more than ever, it is important to review your situation at least annually so you can benefit from the new laws.

Ken is a principal and shareholder in the Williston CPA firm of Hettena Wright & Horton, and has practiced as a CPA for nearly 20 years. He may be reached at (802) 865-2777 or ken@bwhcpas.com.

Dealing with Aging Parents

By Glenn A. Jarrett,

Unsworth Barra & Jarrett, PLC

Your parents were there when you took the first wobbly steps of being a toddler. They were there when you faced life's challenges and the scary obstacles life put in your path.

Now, you watch your parents take their own unsteady steps. You want to be there to comfort them as they face the obstacles of aging. You want to help them, without depriving them of their independence. But, how do you do that? Of course, each situation is different, depending upon the needs, resources, and abilities of those involved. But, planning ahead is essential.

If your parents have substantial wealth, planning well in advance is necessary to implement strategies that will allow them to minimize estate taxes.

If your parents are of more modest means, planning in advance is necessary to qualify your parents for Medicaid. Without planning, almost all of your parents' assets could go to paying for in-home care, an assisted living facility, or a skilled nursing facility, with nothing left to pay for the things in life they enjoy. Planning five or more years in advance can help your parents qualify for Medicaid while preserving resources to increase their quality of life.

Regardless of your parents' wealth, planning in advance can help smooth the transition from independence to dependence. For example, if your parents' assets are in a Revocable Living Trust, you, as trustee, could manage their assets when they become unable to do so. You could serve as trustee with them at first. Then, as they age, the logistics will already be in place for you to take over more responsibility. Your assumption of responsibility might be gradual, with your parents asking you to

take care of paying the bills this month. Or your assumption might be more sudden due to changes in their health. Either way, you will be ready and able to handle things.

You and your parents have been there for each other through the years, sharing each other's joys and challenges. Just as you relied on them in your early years, they are relying on you as they face new challenges. A qualified estate planning and elder law attorney can help put plans in place far in advance, so they can have the greatest impact. This way, you will have the tools you need to help your parents age with the comfort of knowing they will be in your responsible hands when the time comes.

Glenn A. Jarrett is a member of the American Academy of Estate Planning Attorneys and has been engaged in the practice of law for the last 33 years. For more information call 802.879.7133 or visit www.VermontEstatePlanning.com.