

# Smude & Associates Planning Points

News and Information To Keep You Informed -October 2011

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It may seem as though tax time lies in the distant future.

### Life Insurance After 50?

Once you reach 50, your life insurance needs change.



## Quote of the Month

"A nickel ain't worth a dime anymore."

-Yogi Berra

## Get Started on Your 2011 Taxes Now

It may seem as though tax time lies in the distant future. After all, there are a slew of holidays and activities planned between now and then, and there is a good three-month window between the earliest and the latest date you might file anyway. However, good tax planning is a year-long endeavor and there are plenty of things you can be doing right now to get a jump start on your taxes for 2011.

### CHECK YOUR 2010 RETURN

Pull out last year's tax return to see if you need to change your tax withholding or revise any estimated tax payments. If you received a large refund last year, as many Americans did, consider cutting back on what you withhold or estimate for the remainder of this year so that money can be working for you instead of standing by idle. If you owed a large payment, you might consider increasing what is withheld. Making a copy of last year's form 1040 and penciling in information from recent pay stubs and investment account statements can be an excellent tool.

### BUT DON'T ASSUME YOUR 2011 BILL WILL BE IDENTICAL

Make sure you understand how any changes in your situation may affect your 2011 tax bill. If you had a large capital gain last year, you may pay less this year. If you converted a traditional IRA to a Roth last year, it's possible you decided to defer the income-tax bill over 2011 and 2012 and thus will pay more this year. Retirement or other big changes in lifestyle also bring changes to your tax situation. Be sure to discuss any upcoming events in advance with your financial advisor. If you have recently retired, your employer will no longer be withholding taxes from your paychecks and so you will either need to make quarterly estimated payments or ask that taxes be withheld from your IRA or Social Security benefits.

### KEEP GOOD RECORDS

Help yourself and your financial advisor by keeping all tax documents and related receipts in one place. Becoming more informed about federal and state tax laws is always a good idea. At the very least, a little education means you will know which receipts are worth saving in the first place.

If you begin planning for your taxes now, it will make preparing and filing your return a relatively simple task. In addition to less stress around tax time, knowing what changes you can make to minimize your tax bill can free up money to be applied to other financial goals. Now is the time to get a jump start on your 2011 taxes.

### Citations:

<http://www.mainstreet.com/article/moneyinvesting/taxes/tax-tip-start-your-2011-return-now>

<http://kiplinger.com/features/archives/krr-get-a-jumpstart-on-your-2011-tax-bill.html>

[http://www.newpittsburghcourieronline.com/index.php?option=com\\_content&view=article&id=4414:plan-for-your-2011-taxesnow](http://www.newpittsburghcourieronline.com/index.php?option=com_content&view=article&id=4414:plan-for-your-2011-taxesnow)

## Life Insurance After 50?

Once you reach 50, your life insurance needs change. Perhaps your mortgage is paid, your children are grown and financially secure, and you have a healthy pension, and Social Security payment on the way. If so, you may be able to reduce or even eliminate your life insurance coverage. For many fifty-something's, however, life insurance can be a vital part of retirement planning. Life expectancies are getting longer and longer and special situations creep up. Perhaps you have a disabled dependent, a younger spouse, children who are not yet self-sufficient, a mortgage that isn't ready to retire when you are, savings that aren't quite where you want them to be, or any number of other individual circumstances.

Whatever your situation, it's worth investigating your life insurance options. Policies get more expensive as you age, and thinking about this issue sooner rather than later can have a large benefit if it means you can get locked into a better policy with a better rate.

Whole life insurance, also known as permanent insurance, doesn't expire. As long as you pay the premiums, you have guaranteed coverage for your whole life with premium payments that typically remain fixed for the entire time the policy is in force. The disadvantage to whole life policies are the larger premiums, but in addition to the fact that they cannot lapse if paid, another big advantage is the savings feature. There are variations, but in general part of the money going into the policy is invested with the potential to grow over time, usually based on regular dividends as opposed to interest payments. In today's low interest rate environment some of these dividends are paying off.

Whole life as an investment is controversial because it takes a policy many years to show value. In early years, the cash value of the policy lags behind as premiums go largely toward cost of insurance and other expenses. If you carry on, though, the results get better, and sometimes dramatically. Whole life insurance is a long-term proposition, typically taking 8 to 10 years for cash value to outgrow premiums paid. You should not buy a whole life policy if you aren't going to keep it.

As with most financial products the types and variations of life insurance policies are many, as well are the reasons different clients may find them advantageous. While we have focused primarily on whole life insurance in this month's article, there are many other types that may be a better fit depending on your goals. If you have questions about how life insurance fits into your financial plan give us a call. We're happy to help answer any questions you may have.

#### Citations:

<http://kiplinger.com/magazine/archives/life-insurance-after-50.html>  
[http://www.aarp.org/money/insurance/info-10-2010/khalfani\\_cox\\_life\\_insurance\\_after\\_age\\_50.html](http://www.aarp.org/money/insurance/info-10-2010/khalfani_cox_life_insurance_after_age_50.html)



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#### Q&A

Should you have any questions concerning anything in this month's installment or to learn about upcoming events please contact our office.