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Hi Everyone,

We at EDFS would like to wish you and your families a happy and healthy 2008. With the tax season upon us, now is a great time to start preparing your documents.

Steve, Brittany & Angel

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Financial Resolutions for the New Year

New Year's resolutions don't all have to be about going to the gym, eating five fruits and vegetables a day, or spending more time with the kids. Here are some financial resolutions to consider.

Get organized

Set up a records center, perhaps a fireproof file cabinet sectioned into financial categories. Determine how long you need to keep each type of document (it depends on what it is) and make up a master list detailing what's where. Then, make sure someone else you trust also knows where to find the list.

Maintain an emergency fund

Aim to set aside an amount equal to 3 to 6 months of your living expenses in case you experience a sudden loss of income. You might accomplish this by increasing income with a second job and/or decreasing discretionary expenses.

Maximize your retirement savings

If you participate in a retirement plan such as a 401(k) or a 403(b), contribute the maximum amount you possibly can--particularly if your employer matches some or all of your contribution. Salary deductions are made on a pretax basis, and any investment earnings grow tax deferred until they're withdrawn. And if your 401(k) or 403(b) plan allows after-tax Roth contributions, qualified distributions of your contributions and earnings will be completely tax free.

IRAs also feature tax-deferred growth of investment earnings. Traditional IRAs may help lower your present taxable income if you're eligible to make deductible contributions. Withdrawals (unless you're withdrawing non-deductible contributions) are taxed as ordinary income, however. Roth IRA contributions are

not deductible but, like Roth 401(k)s, qualified distributions are entirely tax free.

Review your investment portfolio

Is your asset allocation still in line with your investment goals, time horizon, and risk tolerance? Is it time to rebalance your allocation in light of changing market conditions and/or your changing needs? Are you taking appropriate advantage of new investment products? Reviewing your portfolio periodically can help you stay on track.

Check your insurance coverage

You may want to review the terms of your insurance coverage--not just your life insurance, but also your auto, health, disability, and homeowners insurance. Are you adequately protected, given your circumstances? Is there coverage you really ought to have (such as personal umbrella liability or long-term care insurance), but don't?

Update your estate plan

If you have a large estate (over the applicable exclusion amount of \$2 million for 2008), you should consider reviewing your estate plan. (If your estate is smaller, you should review your plan at least every five years.) Your estate plan should be reviewed in light of certain life events, such as changes in employment, changes in family circumstances (marriages, divorces, births, illness or incapacity, and deaths), or even significant changes (greater than 20%) in the valuation of the estate.



Seek assistance

A financial professional can help you keep all these resolutions--giving you more time to focus on your health and being with your family.



In recent years, the tax advantages associated with custodial accounts have steadily diminished as the kiddie tax rules have expanded.

Why UTMA/UGMA Custodial Accounts Aren't Making the Grade

UGMA/UTMA custodial accounts let children hold assets like stocks, bonds, and mutual funds in their own names--under the watchful eye of a designated custodian--that they legally wouldn't be able to hold outright in their own names. Earnings, interest, and capital gains generated from assets in the account are taxed every year to the child. At one time, custodial accounts were a favored way for parents to save for their children's college education due to the potential tax advantages of children being in a lower tax bracket than their parents. But in recent years, the tax savings associated with custodial accounts have steadily diminished as the kiddie tax rules have expanded.

The kiddie tax

The kiddie tax refers to special rules that apply when a child has annual unearned income over a certain amount (\$1,800 in 2008). Unearned income is income other than wages or salary (for example, interest and investment earnings, and taxable gain resulting from the sale of an asset). Under the kiddie tax rules, a child's unearned income over \$1,800 is taxed at the parent's (presumably higher) marginal tax rate.

The magic age for the kiddie tax used to be 14. Specifically, in the past, children under age 14 were subject to the kiddie tax rules, while children age 14 and older weren't. So parents saving for college with a custodial account had a limited window of opportunity--after their children turned 14--when they could sell assets in a custodial account and not be subject to the kiddie tax.

But in 2006, the Tax Increase Prevention and Reconciliation Act raised the applicable kiddie tax age from under age 14 to under age 18. The result was that children under age 18 would now be taxed on their unearned income over a certain amount at their parent's (presumably higher) marginal tax rate.

Then, in 2007, the Small Business and Work Opportunity Tax Act expanded the kiddie tax rules again, effective in 2008. Under these expanded rules, the kiddie tax now also applies to children who are under age 19, and to full-time students under age 24 (which covers traditional college students). There is an exception carved out for anyone in these two new categories who earns more than one-half of his or her own support.

The current kiddie tax rules are as follows:

If annual unearned income is in this range...	And child is (1) under 18, or (2) under 19 or a full-time student under 24 (and exception doesn't apply), then the income is...
\$0 - \$900	Tax free
\$901 - \$1,800	Taxed at child's rate
Over \$1,800	Taxed at parent's rate

Ramifications

The expanded kiddie tax rules significantly reduce the tax savings potential of custodial accounts, making them a less-than-stellar option for college savings. Now, if your child is a full-time student who does not earn more than one-half of his or her support, the kiddie tax rules will kick in if your child sells an investment asset (via the designated custodian) or has investment earnings before the year he or she reaches age 24.

Now what?

If you've been saving for your child's or grandchild's college education with an UGMA/UTMA custodial account, you may want to consider other options. One popular strategy that's emerged in recent years is to transfer the assets in a custodial account to a 529 college savings plan.

However, be aware that the typical restrictions that are the hallmark of a custodial account (for example, a beneficiary who can't be changed, gifts that can't be revoked, money that can't be withdrawn unless it's used for the beneficiary's benefit, and the requirement that all assets be handed over to the beneficiary when he or she reaches the age of majority, depending on state law) will be transferred onto the 529 plan. Your new account, referred to as a "custodial 529 plan" account, would be more restrictive than a 529 account you opened from scratch.

But keep in mind that you can only contribute cash to a 529 plan, so you'll have to sell assets in your UGMA/UTMA to complete the transfer. This may result in capital gains that will be taxed to the child, potentially at the parent's tax rate due to the kiddie tax.

Guaranteed Lifetime Withdrawal Benefit

Tax-deferred annuities can be a valuable tool, particularly for retirement savings. Fixed and variable annuities earn interest on premium(s) paid to the annuity issuer, and interest earnings accrue tax deferred prior to being withdrawn. Variable annuities offer purchasers a choice of investment subaccounts into which the premium may be allocated, whereas fixed annuities pay interest based on a fixed rate determined by the issuer. Both types of deferred annuities offer a minimum death benefit.

Deferred annuities also provide withdrawal options including payments that last for the life of the purchaser (annuitization). Due to growing demand for additional income options, some issuers are offering a rider, called a guaranteed lifetime withdrawal benefit (GLWB), which allows you to get lifetime income while continuing to have access to the annuity's remaining cash value.

The basic features

While its features may differ depending on the issuer offering it, the basic GLWB rider provides lifetime withdrawals without annuitization, which are subtracted from the annuity's cash value. These minimum guaranteed withdrawals are based on a percentage (the "withdrawal percentage") of the greater of your premiums paid or the accumulated cash value.

Some added features

Some GLWB riders increase the withdrawal percentage based on the age at which you begin taking withdrawals. For example, the withdrawal percentage could be 5% at age 55, 7% at age 70, and 8% at age 80. Before you begin taking withdrawals, some issuers apply a minimum rate of interest to your premium(s), such as 5% per year (the minimum income value). Thereafter, the amount of each minimum guaranteed withdrawal is based on a percentage of the greater of the minimum income value or the annuity's cash value.

Your minimum guaranteed withdrawals may increase over time. The value used to determine the minimum guaranteed withdrawal is recalculated, such as every five years, allowing you to benefit if your account value goes up. Say you elect to receive minimum guaranteed withdrawals of \$7,500 per year, based on a withdrawal percentage of 5% applied to the annuity's cash value of \$150,000. Five years later, the annuity's cash value increases to \$160,000. The new minimum guaranteed

withdrawal is \$8,000 per year due to the increased cash value (\$160,000 x 5% per year). The new minimum guaranteed withdrawal will not decrease, even if the annuity's cash value later decreases or is exhausted. As a result, future unfavorable investment returns negatively affecting your cash value will not negatively affect your income (your withdrawals).

Access to cash values

Most issuers allow you to take money from your cash value, even if you are receiving GLWB withdrawals. However, some issuers reduce future minimum guaranteed withdrawals in proportion to the amount you take from the cash value. For example, let's say you have a cash value of \$100,000 and your minimum guaranteed withdrawal is \$5,000 per year. You withdraw an additional 10% (\$10,000) from the cash value. Correspondingly, your subsequent GLWB withdrawals are reduced by 10% to \$4,500.

Costs

Most issuers charge an annual fee for the GLWB rider, usually ranging from .1% to 1.0% or more of the annuity's cash value. Review the prospectus, sales materials, and the contract for information on charges and fees.

Death benefit options

Unless altered by a death benefit provision or rider, annuities with the GLWB rider usually pay a death benefit equal to the greater of the remaining cash value or the remaining premium, if any, less withdrawals and applicable surrender charges. Generally, GLWB withdrawals are available only to the annuity owner and not his/her beneficiaries, unless the beneficiary is the owner's surviving spouse, in which case the withdrawals may be continued for the benefit of the spouse.

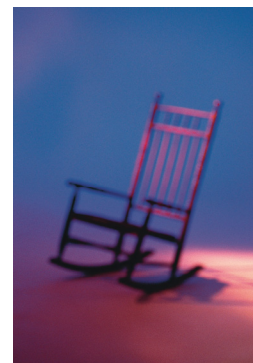
Is it right for you?

You may want to consider a deferred annuity if you have contributed the maximum amount to your other retirement plans and you'd like another long-term investment. A deferred annuity with the GLWB rider may be a good option if you want a guaranteed income but don't like the idea of giving up access to your money that annuitization requires. When considering any annuity, keep in mind that annuity guarantees, including those associated with benefit riders, are based on the claims-paying ability of the issuer. Additionally, annuity withdrawals made prior to age 59½ may be subject to a 10% federal tax penalty.

A note about variable annuities

Variable annuities are long-term investments suitable for retirement funding and are subject to market fluctuations and investment risk, including the possibility of loss of principal.

Variable annuities are sold by prospectus, which contains information about the variable annuity, including a description of applicable fees and charges. These include, but are not limited to, mortality and expense risk charges, sales and surrender charges, administrative fees, and charges for optional benefits and riders. The prospectus can be obtained from the insurance company offering the variable annuity or from your financial professional. You should read the prospectus carefully before you invest.





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Ask the Experts



How do I figure the tax credit on my 2008 hybrid car?

The federal government sweetens the deal for buyers of hybrid motor vehicles with a tax credit. However, calculating the amount of

the credit can be confusing, as it's based on a complex formula determined by the type of vehicle, its weight and fuel economy, and emissions data.

The credit for light vehicles (8,500 pounds or less) contains two components: (1) the fuel economy credit, and (2) the conservation credit. The fuel economy credit amount (ranging from \$400 to \$2,400) depends on its fuel efficiency compared to 2002 standards. The conservation amount (ranging from \$250 to \$1,000) is based on the estimated lifetime fuel savings of the vehicle as compared to a comparable 2002 vehicle. Medium and heavy hybrid vehicles get a credit amount based on a certain percentage of the incremental cost of the hybrid over similar gas-powered vehicles.

Further, once 60,000 qualifying vehicles are sold by a particular manufacturer, the credit begins to be phased out. Fortunately for you, the burden is on the manufacturer and dealer to supply you with certification that indicates what the credit will be. (You must also meet certain other requirements to qualify.)

Here is a partial list of the credit amounts the IRS has announced for 2008 models:

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|-----------------------|---------|
| • Chevrolet Malibu | \$1,300 |
| • Ford Escape 2WD | \$3,000 |
| • Ford Escape 4WD | \$2,200 |
| • Mazda Tribute 2WD | \$3,000 |
| • Mazda Tribute 4WD | \$2,200 |
| • Mercury Mariner 2WD | \$3,000 |
| • Mercury Mariner 4WD | \$2,200 |
| • Nissan Altima | \$2,350 |