

# INDIVIDUAL INSIGHTS

A SEMIANNUAL NEWSLETTER FROM  
ANDERSON ZURMUEHLEN & CO., P.C.

SPRING 2011

## “I want to retire, but...”

Hopefully, we enjoy what we do to make a living, but the reality is that almost everyone wants to retire at some point to have more time for hobbies, travel, doing volunteer work, or fulfilling whatever your personal vision of retirement is. Where many people struggle is in clearly defining—in writing—what that vision is and how much it will cost. Yogi Berra, former New York Yankee catcher (and in his own unique way, a philosopher)



once said, “If you don’t know where you are going, you’ll end up someplace else.” Retirement can be like that. Without a plan and steps to make your plan a reality, what you see when you get there may not look at all like your vision of retirement.

Retirement planning, like most planning, involves several key steps: 1) defining your goal, 2) assessing where you are now in achieving that goal, and 3) identifying the action steps required to accomplish your goal.

In defining your goal, you’re putting form to the vision. What age do you want to retire? How

long will retirement last? What will you be doing? Painting, building furniture, or golfing, utilizing existing resources? What about travel? How often will you go and where? How will you get there—by plane or by car? Will you be downsizing to a smaller home or selling your house and renting? As the vision is documented, estimates of the cost of that lifestyle can be made.

The next step toward achieving your retirement goal is to assess your current situation. What assets do you currently have? What income have they been generating over the last several years? What are you currently saving and investing? What are you spending your income on right now? As you take a close look at your current situation, projections can be done to determine if what you’re doing right now matches up with your defined goal.

Once the initial assessment is done, your goal might need to be tweaked a little. The retirement starting date may move from 62 to 64 or the frequency of trips may need to be adjusted. The goal will hopefully still be the same. Action steps

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Contributing authors:

Bill Hughes

Norm Williamson




[www.azworld.com](http://www.azworld.com)

BILLINGS .....	406.245.5136
BOZEMAN .....	406.556.6160
BUTTE.....	406.782.0451
HELENA .....	406.442.1040
MISSOULA.....	406.721.7800

## “I want to retire, but...” continued

to achieve the goal will be set. These steps might be to save and invest an additional \$100 a month, change your investment portfolio to get a slightly better rate of return, or pay off debt sooner.

Your retirement doesn't need to be, “I want to

retire, but...” Instead, it can be “I'm retiring when I turn \_\_\_ and this is what I'll be doing: \_\_\_\_ .” You get to fill in the blanks. The consultants at Anderson ZurMuehlen can assist you with your unique retirement planning process, helping you turn your goals into realities. 

## Making Sense of Social Security (Part One)

**A**pproximately 90% of people age 65 or older receive Social Security benefits. Although Social Security is often not their sole source of income, it's generally a significant and steady source of cash for individuals in this age group. It's important, therefore, to be aware of the factors that can affect how much you receive in Social Security benefits and what you're able to keep. In this article, we'll focus on three key questions that impact those determinations.

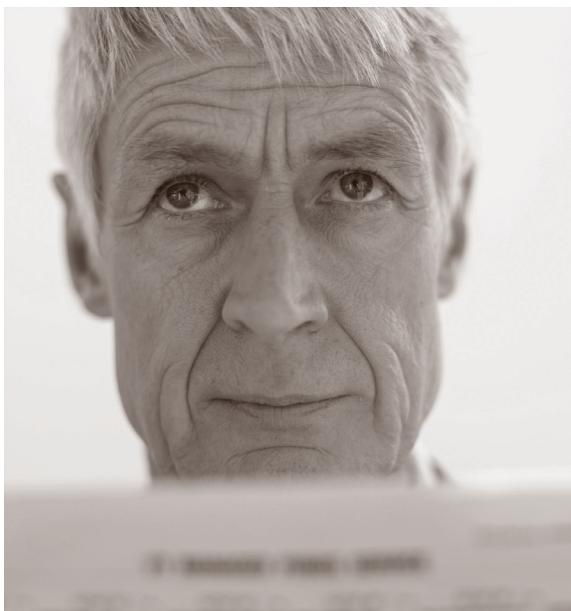
**Should you elect to take Social Security benefits early or delay receipt until full retirement age or beyond?** Taking benefits early results in a permanent reduction of your Social Security benefit. The amount of the reduction is based on the number of months between when you first choose to receive benefits and your normal retirement age. The benefit “haircut” can be significant. If, for example,

you elect to receive benefits at 62 and your normal retirement age is 67, the reduction could be as much as 30%. The effect of this reduction must be weighed against the impact of delaying the receipt of benefits. This analysis is unique to each individual and depends on such issues as life expectancy, other sources of income, anticipated expenses during retirement years, and lifestyle choices.

**Do you plan to continue working after retiring from your full-time job?** If you choose to keep on working and also elect to receive Social Security


benefits before your full retirement age, you risk running afoul of the annual earnings limit. This limit reduces your Social Security benefit by \$1 for every \$2 your earned income exceeds the limit. For 2011, the earnings limit is \$14,160. The limitation is less severe for the year in which you reach your normal retirement age. You should also be aware that Social Security doesn't treat all income the same. The earnings limit applies only

to earned income, such as wages, self-employment earnings and other work-related income. It does not apply to investment income or pension and retirement plan distributions. Taxpayers who are owners of closely owned businesses have planning issues to consider that are unique to their circumstances. Social Security looks closely at these situations in establishing earned income limitations.



**How much of your annual Social Security benefit**

**goes to Uncle Sam?** The answer depends largely on your overall income level. Social Security looks at your provisional income, which is essentially your income from all sources plus one-half of your Social Security benefit. Depending on that number, as much as 85% of your benefits could be subject to tax, or as little as 0%.

Answers to questions such as these can clearly have a significant impact on how much benefit you're able to realize from Social Security. Let us help you plan so you can be sure you've taken full advantage of all the opportunities available to you. 

# Estate Planning: Not Just for the Wealthy

Estate taxes have been in the spotlight lately, with the recent passage of the federal Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the “Act”). The Act contains temporary estate tax provisions that are effective through the end of 2012. Generally, the Act accomplishes the following:

- it increases the lifetime gift, estate and generation-skipping exemption to \$5,000,000
- the maximum transfer tax rate is decreased to 35%
- it makes the estate tax exemption “portable” between spouses


You may well be reading this and saying to yourself, “This doesn’t really apply to us—we aren’t wealthy.” Although your estate may not be large enough to warrant concerns over [estate taxes](#), that doesn’t mean you should ignore [estate planning](#). Estate taxes are only one aspect of the estate planning process. Estate planning applies to anyone who is concerned about ensuring that assets end up in the hands of the desired loved ones, both during life and at death. Many times this process is even more important for smaller estates, where poor decisions can have a much greater impact on families that lack significant financial resources.

The following list, while not comprehensive, highlights a few circumstances that generally point to an increased need for estate planning:

- you have concerns about some family members receiving or being able to manage money
- you’re married and have young children or children with special needs
- you own your own business or an interest in a closely held business
- you own property in multiple states
- you’ve remarried and you or your spouse have children from previous marriages
- you want to ensure your wishes regarding health care and financial matters are carried out in the event you’re incapacitated



The complexity of an estate plan can vary significantly depending on your particular circumstances. However, it’s always a process that requires time and careful thought on what can be a very uncomfortable subject. Although it may at times seem overwhelming, the peace of mind that results when the process is complete makes it well worth your time and effort.

The first step in any well designed plan is to pick a team of qualified professionals who can help guide you through the process. Please contact us to discuss how we can be part of that team. 

## CHECK THOSE BENEFICIARY DESIGNATIONS!

With many assets, including retirement accounts and life insurance policies, you’re required to name a beneficiary to whom the asset will transfer upon your death. These designations trump the provisions of a will and should therefore be reviewed carefully, especially when family circumstances change.

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Individual Insights is published by Anderson ZurMuehlen & Co., P.C., Certified Public Accountants and Business Advisors. The technical information it contains is necessarily brief. No final conclusions on these topics should be drawn without further review and consultation.

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[www.azworld.com](http://www.azworld.com)



**Anderson ZurMuehlen & Co., P.C.**  
Discovery Block  
828 Great Northern Boulevard  
PO Box 1040  
Helena, Montana 59624-1040

**Address service requested**

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## Merger Announcement

**A**nderson ZurMuehlen & Co., P.C. and Hamilton Misfeldt & Co., P.C., two well respected, long standing Montana accounting and business consulting firms, will merge their practices effective July 1, 2011. Both firms are excited by this opportunity to join together and provide an even greater depth of expertise in delivering the high quality, personal service their clients expect and deserve. The Anderson ZurMuehlen name will be retained after the merger and the firm will have offices in Helena, Great Falls, Billings, Bozeman, Butte and Missoula. 

Great Falls Office Contact Information:  
21 10th Street South  
Great Falls, Montana 59401  
406.727.0888



Bob Bronson, Hamilton Misfeldt CEO and Don Laine, Anderson ZurMuehlen CEO