

Thursday, December 26, 1985 O&E

(S.F.-4C01)111

Postpone some income into '86, if you can

Third in a three-part series

Postponing Income

Shifting income from this year to next is useful, though it is harder for most people to do than simply speeding up deductible expenses.

If your company gives you the choice, take your year-end bonus in January rather than in December. If you are self-employed, delay billing your clients until next year.

Investment related tax savings

Capital Gains. It's uncertain as to how capital gains will be taxed in the future. For 1985, you can exclude from taxable income 60 percent of long-term

capital gains — the profit on assets owned for more than six months. That's half the length of the previous minimum holding period, which applied to assets acquired before June 23, 1984.

Take Your Losses. This could be the best time in years to get rid of the losers from your portfolio. If you are in a lower tax bracket next year, those losses will be worth less.

The decision to sell stocks, bonds, or other property rests primarily on non-tax factors, such as your financial situation and prospects for future gain or loss on the property. If you are likely to unload something soon anyway, whether you do it in 1985 or 1986 could materially affect the tax consequences.



finances and you

Sid Mittra

Bond swaps. Investors who own a bond that has lost value can get a tax loss and still remain fully invested. Sell the old bond and reinvest the proceeds in a similar, though not identical, new one. You can also upgrade your portfolio in the process.

Tax shelters

This is the season for tax shelters as

taxpayers scramble to save on taxes by buying a variety of tax shelters. The general partners of many tax shelters are pushing their products this year because of the potential demise of the investment tax credit and rehabilitation tax credit, the likelihood that depreciation of property will be stretched out over longer periods and the fact that the at-risk rules will be extended to real estate.

Please be extremely careful in investing in tax shelters at this time. Plenty of worthless shelters are marketed at this time of year, so you must analyze every situation before putting your money in it. Consider the economics of the investment first and foremost, the tax benefits second. Look at the tax consequences for future years as well, not just for 1985. Don't buy tax breaks today that you might not need tomorrow.

\$2,000 per person into an IRA (\$2,250 if one spouse is non-working).

Appreciated property

The special break for donating appreciated property may be tarnished or even eliminated after this year. Under current law, it can be doubly beneficial to contribute property, such as stock that has increased in value. You get a write-off for the full value of the stock but don't have to pay tax on the profit that has built up while you owned it.

Qualified plans

401(k) Plan. If you are a participant in this plan, find out whether you have the option to boost the contribution level for 1985. If you do, seriously consider doing it. Not only would you lock in extra savings in 1985, but there is also a good chance 401(k)s will be curtailed in the future.

Year-end financial planning is the main topic for a seminar to be conducted by the Observer & Eccentric Newspapers and the Coordinated Financial Planning staff. The seminar will be held 7-9:30 p.m. Tuesday, Jan. 14, at the Baldwin Public Library, 300 W. Merrill, Birmingham. Admission is \$5. All proceeds will go to Oakland University Education Fund.

Please call 643-8888 for registration.

Sid Mittra is director, personal financial planning program, at Oakland University and president of Coordinated Financial Planning Inc. of Troy.

datebook

DIRECT MARKETING

Thursday, Jan. 2 — Direct Marketing Association of Detroit meets. Information: Sheryl Randolph, 355-6155.

GMAT MATH

Thursday, Jan. 2 — Optional Graduate Management Admissions Test math refresher course 6:30-10:30 p.m. in Rochester. Fee: \$25. Information: 370-3120. Sponsor: Oakland University Division of Continuing Education.

IRA, INVESTMENT FAIR

Saturday-Sunday, Jan. 4-5 — IRA, Investment and Tax Shelter Products Fair open from 9 a.m. to 5 p.m. in Southfield. Seminars on IRAs, GNAMs, real estate limited partnerships, tax shelters, precious metals, commodities, etc. Tickets: \$5 by Dec. 27. Information: 358-1181.

GMAT WORKSHOP

Saturdays, Jan. 4-19 — Graduate Management Admissions Test preparation workshops from 9 a.m. to 4 p.m. in Rochester. Fee: \$125. Information: 370-3120. Sponsor: Oakland University Division of Continuing Education.

BUILDERS ASSOCIATION

Monday, Jan. 6 — Builders Association of Southeastern Michigan meets at 9 a.m. in Southfield. Information: 589-0644.

ENROLLED AGENTS

Tuesday, Jan. 7 — The National Association of Enrolled Agents will meet. Information: Beverly J. Polmanter, 589-2105.

ACCOUNTING ASSISTANTS

Tuesday, Jan. 7 — Free job opportunity seminar on accounting assistant career begins at 7:30 p.m. in Rochester. Information: 370-3120. Sponsor: Oakland University division of continuing education.

MEDICAL BILLING

Wednesday, Jan. 8 — "Making the Systems Work for You" seminar offered from 9 a.m. to 4 p.m. in Southfield. Fee: \$96. Information: 583-3344. Sponsor: PASS Seminars.

PLANNING SOCIETY

Wednesday, Jan. 8 — The Planning

Forum of Detroit meets at 6 p.m. Information: Thomas T. Wheeler, 354-9950.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft Road, Livonia 48150. Information must be received by Monday to be published in the following Thursday issue. Publication cannot be guaranteed. Information should contain a daytime telephone number where information can be verified.

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Keogh and IRA Plans. Keogh plan contributions can be made as late as next April 15 and still earn a 1985 deduction. However, the Keogh plan to receive the contributions must be open before year-end. You can also invest

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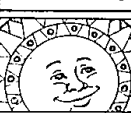
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(Better known as Keogh or HR-10)

TO TAKE ADVANTAGE OF THIS IRS APPROVED TAX SHELTER
YOU MUST ACT PRIOR TO DECEMBER 31, 1985

- Are you Self-Employed? Do you earn income as a dentist, doctor, attorney, or consultant? Are you a free-lancer, professional employee with clients of your own, an employee with a sideline business, a homemaker with services run out of your home such as typing or answering the phone, a director receiving fees, a farmer or clergyman, or a small business owner or partner?
- Do you currently have an existing or frozen pension Keogh (HR-10) Plan?
- Are you aware that with the passage of the federal law "TEFRA" you can now take advantage of the contribution and benefit limits previously provided only to corporations?

If you answered yes to any of these questions, let New England Compensation Planning, Inc. help you design your own pension/tax shelter that will also earn tax deferred money for your retirement. Use the following chart to determine the deductions you could take on your 1985 INCOME TAX RETURN and the retirement fund you could accumulate tax deferred to age 65, based on \$10,000 annual gross earned income or less and a conservative 6% interest rate. If your earned income is greater than \$10,000 the deduction and investment fund will likewise be greater. Please call us for an exact analysis.

| Age | Deduction | Net Reportable Income | Investment Fund at Normal Retirement Age 65* |
|-----|-----------|-----------------------|--|
| 30 | \$2,000 | \$8,000 | \$180,840 |
| 35 | 2,124 | 7,876 | 141,137 |
| 40 | 2,057 | 7,943 | 141,137 |
| 45 | 4,269 | 5,732 | 141,137 |
| 50 | 6,540 | 3,460 | 141,137 |
| 55 | 10,000 | 1 | 125,776 |
| 60 | 10,000 | 1 | 55,256 |
| 65 | 10,000 | 1 | 55,256* |

*NRA 70

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Detroit, Michigan 48207 (313) 687-8868

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