COROMANDEL WEALTH MANAGEMENT

Important Tax Birthdays

The "Happy Birthday" song is traditionally sung to celebrate the anniversary of someone's birth. In 1998, the *Guinness Book of World Records* proclaimed that very song as the most recognized song in the English language, followed by "*For He's a Jolly Good Fellow*." Its roots can be traced back to a song entitled, "*Good Morning to All*," which was written and composed by American sisters and kindergarten teachers, Patty and Mildred Hill in 1893.

Throughout the years, many other versions and styles of the "*Happy Birthday*" song were created. One of the most famous versions of this song was sung by Marilyn Monroe to then U.S. President John F. Kennedy in May 1962. Another famous version of the song was sung by John Lennon and Paul McCartney. They shifted the melody to a traditional rock song and increased its complexity and style on their unforgettable double album, "*The Beatles*" (commonly referred to as the "*White Album*") in 1968.

Traditionally, birthdays are fun events, but when it comes to taxes, birthdays have a special place. From a tax standpoint, birthdays are not always "fun" and very often are different and not created the same.

The table below contains some important tax birthdays (after the age of 50) that can dramatically affect your income taxes:

It is very important that as you plan for or reach any of these milestone birthdays that you are working with a qualified financial advisor who can review your specific situation to determine what tax reduction strategies would be best for you.

Does your financial professional even look at your tax return?

Unfortunately, if you do not have the appropriate financial advisor, this could result in a tax headache for you.

To see whether or not you are being properly serviced, take our quiz entitled, ***"Are You a Candidate for a Tax Headache?"***

Some Important Tax Birthdays (starting at age 50)	
Age 50	Allows for catch-up contributions to retirement plans.
Age 55	Allows retirement plan distributions to terminated employees without the 10% penalty.
Age 59½	Allows distributions from an IRA, annuity, or other retirement plan without penalty.
Age 60 (if widowed)	Allows for start of widow/widower benefits from Social Security.
Age 62	Allows for starting early Social Security benefits.
Age 65	Allows for enrollment in Medicare and the government drug plan.
Age 65-67	Allows for full retirement benefits from Social Security (depending on your year of birth).
Age 70½	To avoid penalties, a mandatory required minimum distribution from retirement accounts must be taken no later than April 1st of the year following the year you turn age 70½.

Here are more specifics on a few of those ages:

Age 50: If you are age 50 or older as of the end of the year, you can make an additional catch-up contribution to your 401(k) plan (up to $5,500 for 2010), and Section 403(b) tax deferred annuity plan (up to $5,500 for 2010). To do this you must first check to see that your plan permits catch-up contributions. You can also make an additional catch-up contribution (up to $1,000) to a traditional IRA or Roth IRA.

Age 55: If you permanently leave your job for any reason after you turn age 55, you can receive distributions from your former employer's qualified retirement plans without being socked with a 10% premature withdrawal penalty tax. This is an exception to the general rule that distributions received before age 59 ½ are hit with a 10% penalty.

Age 59½: You can receive distributions from all types of tax-favored retirement plans and accounts (IRAs, 401(k)s, pensions, and the like) and from tax-deferred annuities without being socked with the 10% premature withdrawal tax.

Age 62: You can start receiving early Social Security benefits. You should consider consulting a professional for more specific information. Please beware: Depending on your income from other sources, up to 85% of your Social Security benefits may be taxed.

Age 70½: You generally must begin taking annual Required Minimum Distributions (RMD) from your tax-favored retirement accounts (traditional IRAs, SEP accounts, 401(k) accounts, and the like).(However, you do not need to take any RMD from your Roth IRA.) You must calculate your minimum distribution and if you do not take out the minimum distribution, the difference between what you should have taken out and what you actually took out is usually subject to a 50% penalty!

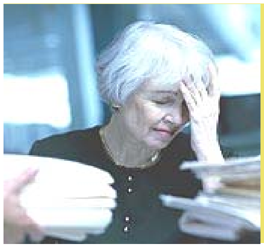
These tax laws are very important because if you choose to ignore the RMD rules there can be dire consequences. Planning for this event is critical and provides a great opportunity to seek the advice of a knowledgeable professional. The IRS can assess a penalty tax equal to 50% of the shortfall between the amount that you should have withdrawn for the year and the amount that you actually took out. Unfortunately, although these rules seem simple, they often are not! For example, your first RMD is for the year you turn 70½. However, you can postpone taking out your first RMD until as late as April 1st of the following year. If you chose that option, however, you must take two RMDs in that following year (one by April 1st, which is for the previous year) plus another by Dec. 31st (which is the one for the current year). There's one more exception. If you're still working after reaching age 70 ½, and you don't own over 5% of the business that employs you, the tax law allows you to postpone taking any required minimum withdrawals from that employer's plans until after you've retired.

In today's highly complex and rapidly changing world, investors are faced with an incredible array of investment choices. Many financial advisors are happy to help you invest your hard-earned dollars, but that is only one part of achieving your overall financial goals. Some advisors are not well versed in certain critical areas or do not have access to other professionals that may coordinate those areas for them. Even if a financial professional can assist in those areas, there may be a limited incentive to do so because their relationship with their clients may be solely based upon commissions and limited in other services, such as tax reduction strategies.

We believe that investors deserve more and should receive more!

As part of our **Gold Medal Services**, we offer the ability to review and coordinate not only our client's investment strategies, but how these strategies affect and interact with their tax and estate planning needs and concerns.

If your current financial professional is not providing this service then call us at (781) 728-9001 to schedule a complimentary Financial Check-up.



Are You a Candidate for a Tax Headache?

Does your investment professional look at your tax return?

Having the wrong financial advisor can potentially end up causing you a huge headache. If you are not sure whether you have the right financial advisor, please take this quick test. It can help you see if your advisor is accurately reviewing opportunities and strategies to help reduce your tax bill.

Please answer Yes or No to all of the following questions.

1. Is the tax basis for all of your existing investments listed on your statements?.........................**YES** **NO**
2. Did your investment professional prepare a full listing for your accountant of all of your completed transactions this past year along with the tax loss or gain?.....................**YES** **NO**
3. Did your investment professional do a full review of your tax forms and show you how your investments are impacting your tax forms?..**YES** **NO**
4. Did your investment professional review your retirement withdrawal to see if the amount you are taking is appropriate for you?..**YES** **NO**
5. Did your investment professional review any interest you earned this year and the sources of that interest to see whether or not this is the most appropriate place for that money?..........**YES** **NO**
6. Did your investment professional take a look at all of your dividends this year and review the appropriateness of those?...**YES** **NO**
7. Did your investment professional offer you a report on the steps investors can take to help reduce their taxes?...**YES** **NO**
8. Did your investment professional review item by item your tax returns and your investment statements to determine if your tax plan is coordinated with your investment plan?...............**YES** **NO**
9. Does your investment professional consider tax consequences and tax alternatives each and every time they make a recommendation?..**YES** **NO**

If you answered NO to three or more of these questions, then you may not be maximizing your tax strategies and you could be a candidate for a

TAX HEADACHE!

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For headache relief, call us at (781) 728-9001.

About Coromandel Wealth Management

Coromandel Wealth Management is a Lexington, MA financial advisory and investment firm that offers a full range of financial planning and investment advisory services. We provide individuals and families with objective advice and customized financial plans that enable them to meet their goals.

If you'd like a copy of this article sent to someone else who would benefit from this information, please call George Gagliardi at Coromandel Wealth Management at:

(781) 728-9001

Complimentary Financial Check-up

If you are not currently a client of Coromandel Wealth Management, we would like to offer you a **complimentary financial check-up**. We pride ourselves on providing prompt, personal and highly professional services. The firm is committed to meeting its clients' financial needs now and in the future.

To schedule your financial check-up, please call us at: (781) 728-9001.