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Welcome to Janney! We hope this newsletter finds you and your family well. Thank you for your continued confidence and trust - it is a pleasure and a privilege to be of service to you. In addition, we welcome the opportunity to assist others you may know who may benefit from our advice. Personal recommendations and referrals from our clients are always welcomed and appreciated.

Please feel free to contact us with any questions or concerns you may have regarding your wealth management needs.

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Trusted Advisors for Generations

Investing Perspectives

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Social Security: Late Retirement Boosts Benefits

If your retirement savings have taken a beating, you may be wondering how you will make up a monthly retirement shortfall. One option might be to delay receiving Social Security benefits. Although you can receive retirement benefits as early as age 62, the longer you put off retirement, the larger your monthly benefit check will be.

When can you retire?

How much you'll receive from Social Security every month depends mainly on how old you are when you begin receiving benefits and on your lifetime earnings. Your full retirement age is 65 to 67, depending on the year you were born. The Social Security Administration calculates your base benefit--the amount you'll receive at full retirement age--using a formula that takes into account your 35 highest earnings years.

If you begin receiving benefits earlier, you'll receive less than you would at full retirement age. If you begin receiving Social Security benefits at age 62, each monthly check you receive will be 25% to 30% less than it would be if you waited until full retirement age.

If you begin receiving benefits later than full retirement age, you'll receive more than you would receive at full retirement age, because you'll earn delayed retirement credits for each month you postpone retirement up until age 70. Delayed retirement credits will increase the amount you receive by 7% annually if you were born in 1939 or 1940, 7.5% if you were born in 1941 or 1942, or 8% if you were born in 1943 or later.

Retirement benefit illustration

The following chart illustrates how the age you begin receiving benefits can greatly affect the amount of income you receive from Social Security every month. The chart assumes a

full retirement age of 66, and a base benefit at full retirement age of \$2,000 (which is nearly the maximum Social Security benefit an individual can receive).

Social Security Retirement Benefit



In this hypothetical example (your individual situation will be different), the Social Security benefit available at age 62 is \$1,500, which is 25% less than the \$2,000 monthly benefit available at full retirement age. But at age 70, the benefit available is \$2,640, which is 32% more than the monthly benefit available at full retirement age, due to delayed retirement credits. Keep in mind, too, that other factors, including post-retirement earnings and cost-of-living increases, can also affect your monthly benefit check.

You can explore various retirement benefit scenarios by using the Retirement Estimator, or one of the other benefit calculators available at the Social Security Administration's website, www.ssa.gov.

There's no right or wrong time to begin receiving Social Security retirement benefits, and you should determine how retiring at a certain age affects your overall lifetime income, as well as your monthly income. How long retirement is likely to last, the effect on your spouse's income, and your tax situation are also considerations when deciding when to retire.

IRAs and 401(k) Plans: Four Strategies in a Declining Market

No doubt, 2008 was one of the worst years in the history of the stock market, and one of the worst for retirement savings. Here are four things you can do now to help make the best of a bad situation.

1. Review your retirement plan

Review your overall retirement plan with your financial professional. What, if any, adjustments can you make to help you reach your retirement goals? If you were planning to retire in a certain year, determine if that's still realistic, and calculate how much longer your assets might last if you work a few years longer. Can you reach your goals by using a smaller withdrawal rate assumption, or by increasing your IRA or 401(k) savings? Does your asset allocation still make sense? And if you don't have a plan for your retirement, now is a good time to think about establishing one.



Roth conversions

Individuals who would like to contribute or convert to a Roth IRA in 2009 but don't qualify because of income limitations might benefit from making nondeductible contributions to a traditional IRA today, and converting the funds to a Roth IRA in 2010, when the income limits no longer apply. Additionally, for Roth conversions in 2010 only, any resulting taxable income will be deferred until 2011 and 2012 (with 50% taxed in each year).

2. Convert your traditional IRA, or transfer 401(k) plan securities, to a Roth IRA

Due to declining values, the tax cost of converting to a Roth IRA has dropped dramatically for many investors. Consider whether converting to a Roth IRA makes good financial sense for you. The taxable portion of your traditional IRA will be subject to ordinary income tax in the year of conversion, but qualified distributions from your Roth IRA will be entirely free from federal taxes.

For 2009, you're able to convert only if your modified adjusted gross income is \$100,000 or less (this dollar limit applies whether your tax filing status is single or married filing jointly). If you're married filing separately, you can't convert at all in 2009. But if these rules preclude you from converting, there's always next year--literally. These limitations are repealed in 2010, so anyone will be able to convert a traditional IRA to a Roth, regardless of income level or marital status.

Similarly, if you've decided a Roth IRA makes sense for you, and you're entitled to a distribution from your 401(k) plan, keep in mind that you can roll over (that is, essentially convert) your non-Roth assets to a Roth IRA (hardship withdrawals, certain periodic payments, and required minimum distributions (RMDs) can't be rolled over). This may be especially attractive if you're entitled to an in-kind distribution of employer stock whose values are seriously depressed--you'll pay tax on this reduced value and any additional appreciation may be

tax free. (The same income and marital status limitations that apply to traditional IRA conversions also apply to rollovers from 401(k) plans to Roth IRAs in 2009.)

3. Undo a 2008 conversion in 2009

What if you already converted your traditional IRA to a Roth in 2008, and your IRA balance has taken a significant hit since then? The tax cost of converting was probably much greater than if you had waited until 2009 to convert. Well, don't fret--you can undo a 2008 conversion up until the due date for filing your 2008 tax return, including extensions. Technically called a "recharacterization," this procedure allows you to treat the conversion as if it never occurred.

To undo your 2008 conversion, you need to carefully follow these steps:

- Inform your IRA providers (the one holding the Roth IRA and the one providing the traditional IRA, if different) that you intend to recharacterize your Roth IRA to a traditional IRA. You must provide this notice on or before the date the assets are transferred back to the traditional IRA.
- Make sure the transfer is completed by the due date for filing your federal income tax return for 2008, including extensions. For most taxpayers, that can be as late as October 15, 2009. (If you've already filed a timely 2008 tax return, you can still recharacterize by making the transfer and filing an amended return by October 15, 2009. Be sure to write: "Filed pursuant to Section 301.9100-2" on your Form 1040-X.)
- Report the recharacterization to the IRS (see Form 8606 for more information).

You can even reconvert your traditional IRA back to a Roth in 2009 (if you meet the eligibility requirements) beginning on the 31st day following the recharacterization.

4. Continue to contribute

Despite the recent downturn, for many people IRAs and employer retirement plans remain important vehicles for retirement savings. Make sure you're taking full advantage of any company matching contributions you're entitled to. And if you're age 50 or older, keep in mind that you may also be able to make catch-up contributions (up to \$1,000 for IRAs and \$5,500 for 401(k) plans in 2009).

Income Annuities Can Help Fill the Retirement Income Gap

If you're like many retirees, you may find that your sources of fixed retirement income, such as employer or military pensions and Social Security, aren't enough to meet all of your retirement income needs. To make up the difference, you can draw from your savings and investments, but how much can you safely withdraw without running out of money? One option is to create a stream of income for the rest of your life by investing some of your savings in an income annuity.

Income annuities (also known as immediate annuities) are purchased from insurance companies. In exchange for a lump sum of money, the issuer promises to make payments to you for a fixed period of time or for the rest of your life, or for the rest of your life and that of your spouse.

You can use almost any type of savings or investments to create a stream of income that can last for your lifetime. For example, you can purchase an income annuity with money from your personal savings accounts, matured CDs, or investments such as stocks, bonds, and mutual funds. You can even convert a portion of your retirement plan, such as an IRA or 401(k), to a lifetime stream of income by purchasing an income annuity within the retirement plan. However, some of these transactions may have income tax implications, so consult your tax advisor before you proceed.

You have options

You generally can choose how long your income annuity payments will last. For example, you can choose to receive payments for the rest of your life. This option allows you to supplement lifetime income from other sources, such as Social Security. However, payments end at your death, providing no benefits to your surviving spouse or heirs.

To ensure that your spouse continues to receive income after your death, you can select a joint and survivor payment option. The annuity will make payments to you, then at your death, to your surviving spouse until his or her death. Payments end at the death of the surviving spouse, with no benefits payable to your heirs.

You also can choose to receive income payments for a fixed period of time, such as 5 or 10 years, by setting up an income annuity. If you die during the payment period, your

beneficiary will receive the remainder of the payments, either systematically or in a lump sum.

Another choice combines lifetime payments with the fixed period option. Payments are made for life or for a fixed period of time, whichever is longer. This alternative makes certain that payments will last for a minimum number of years.

Other factors to consider

- Payments from income annuities funded with pretax dollars, such as 401(k)s and IRAs, may be subject to income tax. Income annuities purchased with after-tax funds are taxed only on the earnings part of each payment. The remaining portion is considered a return of your investment and is not subject to taxation.
- Usually, once you select a payment option, you can't change it. This means you may not have access to any of the funds you used to purchase the income annuity aside from the income payments you receive.
- Since some payment choices, such as the life or the joint and survivor life options, end at death, it's possible you won't live long enough to receive at least the return of your investment in the income annuity.
- Fixed income annuity payments don't change, even if your income requirements do. You may find that the income from the annuity isn't enough to meet increased income needs.
- Choose a financially strong company. Annuity guarantees are entirely dependent on the insurance company's financial ability to meet its obligations. Check the financial ratings of the company offering the income annuity before making your purchase.

Is an income annuity right for you?

Consider an income annuity if you want a guaranteed income to fill the gap between your retirement income needs and your fixed retirement income. Also be sure you can buy the income annuity and still have enough savings for other expenses.



Annuity guarantees are subject to the claims-paying ability of the annuity issuer.





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Janney Montgomery Scott LLC Financial Consultants are available to discuss the suitability and risks involved with various products and strategies presented. We will be happy to provide a prospectus, when available, and other information upon request.

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Ask the Experts



What tax credits are available for making homes more energy efficient?

To encourage energy savings, the American Recovery and Reinvestment Act of 2009 expanded the tax credits related to energy-efficient home improvements.

For 2009 and 2010, you may be able to claim a tax credit equal to 30% of the cost of energy-efficient property that you install in your principal residence. Qualified products can include new windows, doors (exterior and storm), insulation, roofing, HVAC systems, nonsolar water heaters, and biomass stoves (e.g., those that use plant-derived fuels, including wood and wood pellets) for your existing principal residence. (Note that installation costs are covered for HVAC, biomass stoves, and nonsolar water heaters, but not for the other products listed here.) A total combined credit cap of \$1,500 applies to all 2009 and 2010 improvements.

For property placed in service in 2009 through 2016, you may be able to claim a separate tax credit for 30% of the cost of buying and

installing qualified geothermal heat pumps, solar panels, solar water heaters (pool or hot tub heaters do not qualify), small wind energy systems, and fuel cell power systems (limited to \$500 per 0.5kW of power capacity); generally, no cap applies to these improvements. This tax credit is available for products installed in both new and existing homes. With the exception of fuel cell systems (which, to qualify, must be used in a home that is or will be your principal residence), these products may be used in a second or vacation home as well.

Only products that meet very high energy-efficiency standards qualify, so you'll need to carefully check the manufacturer's certification. It will tell you whether or not the product qualifies for a tax credit. Keep a copy of the statement, and receipts, for your tax records. A tax professional can give you more information about these tax credits. You can also visit the Energy Star website, www.energystar.gov, to find out more about energy-efficiency standards and products.

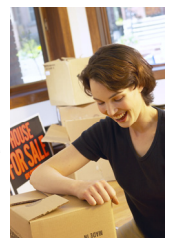
I'm buying my first home, but I already own an investment property. Will I qualify for the first-time homebuyer's tax credit?

Even though you already own an investment property, you may be able to qualify for the first-time homebuyer's credit that was included in the American Recovery and Reinvestment Act of 2009. For the purposes of qualifying for the credit, a first-time homebuyer is defined as someone who has not owned a principal residence during the three-year period prior to the home's purchase. Your investment property is not considered to be your principal residence, so you may still be eligible for the first-time homebuyer's credit, assuming you meet other requirements.

One requirement is that you must purchase a home on or after January 1 and before December 1, 2009. You must also meet certain income limits. To qualify for the full credit, which is equal to 10% of the home's purchase price (up to a maximum credit of \$8,000), your modified adjusted gross income must be no greater than \$75,000 if you're single, or \$150,000 if you're married. The credit is

reduced if your income exceeds these amounts, and is eliminated if your modified adjusted gross income exceeds \$95,000 (\$170,000 if you're married filing jointly).

If you're married, and your spouse has owned a principal residence within the past three years even if you have not, neither of you will qualify for the credit. But if you're single, and are buying a home with someone else who has owned a principal residence within the last three years, you may still qualify, even though the other buyer will not.



Note that if the home you're buying ceases to be the principal residence of you and your spouse within 36 months of the purchase date, you'll have to pay back the credit. For more details, visit the IRS website, www.irs.gov.