

# THE FINANCIAL INFORMER

Winter 2011  
Volume 30, Issue 1



FINANCIAL RESOURCE ASSOCIATES, INC. - 2161 Delaware Avenue Ste C Santa Cruz, CA 95060  
www.FRAssociates.com - #831-458-1125 ~ #800-660-3720

## HAPPY NEW YEAR 2011

By Elaine Kiernan, CFP, CDFA

As we enter our twenty-ninth year, we would like to thank the many clients we have had the pleasure of working with and getting to know through those years.

Financial planning and even investments should be recognized and treated as a people business with respect and understanding. Through the years we've endeavored to build our firm keeping that in mind and providing our clients with the understanding and compassion everyone deserves.

With the new year upon us, it's a great time to update your binders, review your goals, meet with Lisa to review your portfolios and make that commitment to stay focused on achieving those goals you've identified for 2011!

Remember, we are here to help you in that pursuit and will do whatever we can to achieve those endeavors. If it's been awhile since we've

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seen you, give us a call at #831-458-1125; or if you're out of our area and want a telephone appointment, call us at #800-660-3720.

If you want us to review your tax organizer prior to turning it into your tax preparer, the sooner the better. Remember there are many new tax rules this year so even if it's just to meet for 2011 tax planning, don't procrastinate...it could cost you money in the long run.

*May your new year bring you lots of joy, health and happiness and if we can assist you in achieving that, please let us know!*

## NEED TO KNOW!

A new little talked about law requires ALL homeowners to install carbon monoxide detectors no later than July 1st of this year. The law, signed by then Gov. Schwarzenegger, mandates that all existing homes with attached garages, fireplaces or any gas appliances, such as stoves or dryers, be equipped with these devices.

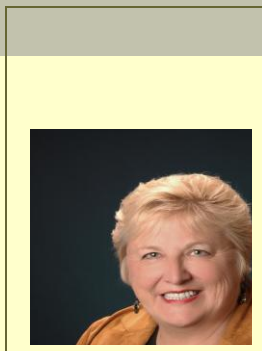
After July 1st any realtor selling a home will have to have a form signed saying that the home has an installed carbon monoxide detector and that it is working properly.

For this tax year, all Registered Domestic Partners will be required to continue filing a "joint" state tax return; however for federal, even though they still need to file "single", they will be required to combine their income and each partner will be required to declare 1/2 of their combined income regardless of what they themselves made during the year.

Did you refinance this past year with the rates so low? Did you pay a point? If so, make sure you tell your tax person as it can be deducted!

**Remember, we provide Notary Services!**

## ELAINE'S TIDBITS



- Did you know that if you sell your house after 2012 you will pay a 3.8% sales tax on it? That's \$3,800 on a \$100,000 home or \$15,200 on a \$400,000 home. Unfortunately many people don't realize it's part of the new health care bill that will go into effect 2013. Make sure you know what you are voting for this November.
- Consumers with flex-spending accounts (FSA's, HSA's or MSA's) in which pre-tax income can be used for medical purchases, can no longer be used for over the counter drugs, including ones that treat fevers, allergies or acne cannot be paid for with these monies unless there is a doctor's prescription. Accounts who do not follow the new rules may be hit with the monies which were taken out will all be considered taxable as well as having a 20% penalty.
- If you are thinking about moving into your rental property for two years and then selling it with a full exclusion, think again. The laws have changed again so make sure you check in with your advisor before making a move...you just might be surprised!
- The Estate Tax Exclusion has also been changed to \$5,000,000. Great news but remember this exclusion is scheduled to potentially change again in two years. So..don't get too complacent!
- The new mileage allowance for business use of your vehicle for 2011 is now 50 cents per mile.
- Remember when buying a home, you can pull money out of your ROTH up to the amount you've contributed (in the first five years), after the first five years, you can also pull out up to \$10,000 of growth as well!
- The amount workers pay into Social Security will temporarily drop from 6.2% of taxable wages up to \$106,800 annually to 4.2% in 2011 only.
- The SSA also announced in December of 2010 that on or after May 1, 2011, the option of having paper checks in lieu of automatic deposit will no longer be available.
- For damaged or stolen property to be tax deductible, the loss amount must now only exceed \$100, compared to \$500 in 2009!

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

*If you haven't checked out our new website in awhile, check it out! Chris Layhe did a great job in updating our look and Kennan Ward was gracious enough to let us use some of his pictures! We hope you enjoy it!*

*Securities offered through Geneos Wealth Mgt Inc., Member FINRA, SIPC. Investment Advisory Services offered through Financial Resource Associates, Inc.*

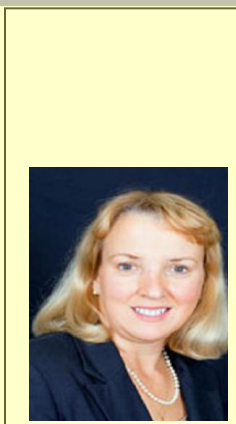
## MARKET REVIEW

By Lisa Rosenau, Investment Adviser Assoc.

We're already well into the second month of 2011, and from appearances, the markets are in steady recovery mode and still seem to be responding well to the profit and earnings being announced by various corporations over the last few weeks. Many have reported better than expected results, despite the lingering dark cloud of high unemployment and massive debt carried by our nation. So why are investors acting as if all the reasons to worry are behind them? Not sure about other investors, but I feel that there are still so many opportunities to buy great quality companies at relatively low prices. Persistence and patience may pay off for investors that continue to be buyers throughout these topsy-turvy times. The S & P 500 at press time is up ~ 6.53 % since the start of 2011!!

It is tax season, therefore, it is **also** IRA season. If you find that you owe on your taxes for 2010, be sure to ask your tax preparer if you qualify to make a deductible IRA contribution for 2010 to help reduce those taxes. You may be able to contribute up to \$ 5,000 for 2010 (\$ 6,000 if you are over 50). You have until tax filing deadline of April 18<sup>th</sup> (yes, 18<sup>th</sup>) to make that contribution.

Have you recently had a child, or do you have a new niece, nephew or grandchild in the family? It is never too early to start a college savings program for them. Many of the 529 plans we utilize allow start up for as little as \$ 250.00 with affordable ways to make periodic payments. You would be amazed how you can amass the funds you may need for a child's college education. What's even better, you are not taxed on the growth of these funds while they are accumulating nor are you taxed for taking it out, as long as it's used for qualifying college expenses. Also, YOU maintain control of these funds, not the child. Want to know more? Give us a call at 831-458-1125 or email [emailus@frassociates.com](mailto:emailus@frassociates.com)



*Lisa Rosenau, Investment Adviser Associate*

For those of you that have Geneos brokerage accounts through our auspices, please be aware that you are going to be encouraged by Pershing to begin receiving your statements and confirmations via Electronic Delivery. Beginning in June or July of this year, Pershing will begin charging something like \$ .25 (that's 25 cents) a month if you choose to continue to receive paper statements. If you want to go electronic delivery, follow these few easy steps....

Go to [www.mydocumentsuite.com](http://www.mydocumentsuite.com)

Click on "Register Now" for new user.

Follow the step by step instructions to set up your account and delivery options. There will be several layers of security questions; be prepared, you may want to make notes along the way to help you remember later

Once account is set up, and you log back in, the financial organization # is 6nmContact our office at 458-1125 if you have any problems or questions in this process.

If we haven't seen you in awhile, please take time to call our office at

**458-1125** to schedule an appointment that is convenient for you.

In compliance with SEC rules, each year we offer to send to our clients a copy of our "form ADV-II". If you would like to have a copy of our form ADVII, please contact our office and we would be happy to send it out to you.

(831)458-1125

**RISK YOUR DREAM!**

To laugh is to risk appearing the fool  
To weep is to risk appearing sentimental  
To reach out for another is to risk involvement  
To expose feelings is to risk exposing your True  
Self  
To place your dreams before a crowd is to risk  
their Loss  
To love is to risk not being Loved in Return  
To live is to risk Dying  
To hope is to risk Despair  
To try is to risk failure  
But risk must be taken, because the greatest  
hazard in life is to risk nothing.  
The person who risks nothing--has nothing--and  
is nothing  
They may avoid suffering and sorrow, but they  
cannot learn--feel--change--grow--love--live  
Chained by their certitudes, they are a slave; they  
have forfeited their freedom  
ONLY a person who risks is truly free!

**Financial Resource Associates**

2161 Delaware Avenue  
Santa Cruz, CA 95060

**Phone:**

831-458-1125

**Fax:**

831-458-0469

**E-Mail:**

EmailUs@FRAssociates.com

Elaine Kiernan, CFP, CDFA, CSA

Lisa Rosenau

Walter Levicki, CDFA, MBA

Hanna Anhorn

**Financial Resource Associates, Inc**  
2161 Delaware St Suite C  
Santa Cruz, CA 95060

