

# A PIECE OF MIND

Fourth Quarter 2011



WORLEY ERHART-GRAVES  
FINANCIAL ADVISORS

## Upcoming Workshop: Caring for Elderly Parents



With Americans living longer, more and more of us are becoming involved in caring for our elderly parents. In fact, today it is estimated that 1 in 4 households cares for elderly or disabled relatives. By 2020 that's expected to rise to 1 in 3. As children, there are many things we can do to prepare for providing care to our parents. In addition, there are a number of things parents can do to prepare for receiving care. This educational workshop will focus on helping you plan for a successful care-giving, or care-receiving, relationship with your relatives. It will cover the steps to take in advance of care, as well as some things to avoid.

**When:** Wednesday, January 25<sup>th</sup>, 6:00pm – 7:30pm  
**Where:** The Pyramids (near 86<sup>th</sup> and Michigan Road)  
Pyramid Three, Lower Level, Conference Room B  
**RSVP:** Call 317-872-5090 or email [elizabeth@wefinancialadvisors.com](mailto:elizabeth@wefinancialadvisors.com)  
by Friday, January 20<sup>th</sup>  
**Cost:** None, but space is limited

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## Out With the Old and In With the New

Next year will bring a few changes to limits, although not many. The annual gift tax exclusion amount remains at \$13,000. IRA, Roth IRA and SIMPLE IRA contribution limits are unchanged as well. You will notice, however, increases in 401k, 403b, 457 and SEP-IRA contribution limits.

	2012 Contribution Limit	Additional "Catch Up" Limit
IRA and Roth IRA	\$5,000	\$1,000
401k, 403b, 457	\$17,000	\$5,500
SIMPLE IRA	\$11,500	\$2,500
SEP-IRA	\$50,000	n/a

Social Security recipients will receive a 3.6% cost-of-living increase in 2012, and the earnings limitation for those under full retirement age but receiving Social Security retirement benefits has increased to \$14,640 per year.

Health Savings Account contributions went up to \$3,100 for individuals and \$6,250 for families.

The maximum AGI limitations for making Roth IRA contributions increased to \$183,000 for married couples filing jointly and \$125,000 for single and head of household taxpayers.

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### Making Plans

Juli Erhart-Graves, CFP®

I've found that women like to work with women advisors. I feel that way myself. Other women can relate to me and my roles in life, and I can relate to them. When we build on that foundation, we can accomplish great things.

The financial industry, however, remains dominated by men. Never was that more clear than when I attended a regional conference last year. At the break the men's room had a line coming out the door, while I was able to walk right up to the ladies' room. It was wonderful!

Being a woman in this industry can be very fulfilling though. I, like many women, get a lot of joy when I know I've made a difference in someone's life. Finances are a place where I can make a *big* difference, especially for women. The shorter lines are simply a perk!

I'm not afraid  
of storms for  
I'm learning  
how to sail my  
ship.

Louisa May Alcott,  
Author

### General Perspectives and Ramblings

Grace Worley, CFP®

Middle class, defined as "having the resources to cover all of your needs and some of your wants, plus the ability to save for the future", works for every nation and culture, according to MSN Money personal-finance columnist Liz Pulliam Weston. Using that definition (and not income in \$\$\$), the African Development Bank reported the African middle class now stands at 313 million (similar to India) *and matching the entire population of the U.S. (312,249,591)!*

True, the U.S. standard definition for what is middle class, anchored with a median household income of \$49,909 in 2011, is denominated by a substantially higher income than it would be in developing countries. However, the functional definition of having enough income to survive and improve your situation materially and financially is the key consideration. As the middle class of many nations expands, the world economy also grows. Combined with the younger demographics of countries like China, Africa, India and Brazil, this provides the fuel for long term growth.



Half of the world population is under the age of 30. Young people need stuff, lots of stuff, and they will buy it if they have income beyond survival. By expanding your decision-making environment beyond the U.S. borders and economy, you can participate in these worldwide trends. Don't limit your investing perspective to traditional U.S.-European centric thinking. Invest as a world citizen.

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## Investing for the Ages

Bonnie Struck, CMFC®

Is this a 'new' normal for investing? The stock market's short bursts of bouncing hundreds of points, up and down, are giving investors financial whiplash...and no sense of direction. Is the investment environment getting better or worse? Actually this short term volatility is not useful in making any serious, long term investment decisions. So why is it happening? First, ever-expanding computerized trading quickly moves large amounts of money in and out of the market based upon slight changes in market conditions or human expectations. Combine this with the proliferation of instant worldwide news when ANYTHING of immediate interest happens and the trading activity accelerates, even if the reported event really has no long term investment-related consequence. It's like the market jumps at each loud noise and there is much more noise occurring.

The *New York Times* reported that stock price fluctuations of 4% (400+ points) or more during daily trading sessions have occurred nearly six times more during the past 10 years than they did for the 40 years before that. Technology designed by humans with reptilian brains favoring fight or flight responses meets 24-hours news and it equals an over reactive market. This volatility, however, does not translate into long term investment fundamentals. Having a disciplined and appropriately diversified investment plan based on reasoned economic analysis will still serve the individual investors needs now and in the long run.



## Tax Corner

Pam Smitson, CPA

Year-end giving is upon us and to make sure that you may take a valid deduction of your donation, there are strict IRS guidelines to bear in mind. For cash donations, you must have a receipt for **any** amount. Special requirements include: donations of less than \$250, must have either a canceled check, a credit card statement, a receipt from the organization, or a payroll deduction check stub AND a pledge card. Donations of \$250 or more require a written acknowledgement from the organization.

Non-cash donations must be in good condition and have a receipt including the date, name and location of the organization, a reasonably detailed description of the property and fair market value. Donations made at a drop off site must be documented by you, but a receipt is not required. Deductions between \$250 and \$500 require an acknowledgement from the organization and include the same information as the receipt requirement. If the property is valued over \$500 but less than \$5,000 you must include additional information such as how you acquired the property and the date it was acquired, as well as your basis. Deductions over \$5,000 require a written appraisal in addition to the above mentioned information. Vehicle donations have their own set of rules, and I would suggest that you understand them before you make the donation.

A few recommendations to make sure that you will be allowed the deduction include:

- Visit the IRS website to validate the qualified charitable organization status.
- Written acknowledgments, along with the organization information, must include: a description (multiple gifts throughout the year must be separated) including cash donations; a statement on whether the qualified organization gave you any goods or services as a result of your donation; and a good faith estimate (more than likely provided by you) of the value of the benefit. There are donation value guides available on line. Try [www.satruck.org](http://www.satruck.org) for assistance.
- You must have a receipt or acknowledgment in hand by the date you file your return, including extensions.
- Remember that donations are deducted based on their fair market value on the date of the donation. And the IRS has YouTube videos to help you determine the value, as well as many other topics that may interest you.



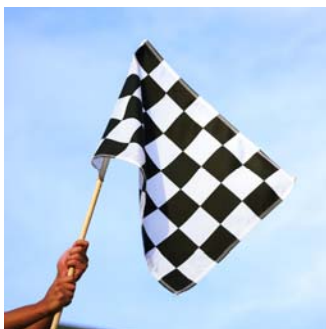
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## Mission Accomplished

We want to let you know about a change in the behind-the-scenes workings of our investment advisory services. For several years now we have been transitioning all investment advisory client accounts over to Schwab. This was done to eliminate commission-based investment accounts in favor of fee-only investment accounts and provide more efficiency in our services. In addition, fee-only investment advisory services provide complete transparency in your investment advisory costs. We completed our transition at the beginning of October. At that time we were no longer required to have a broker/dealer, so we terminated our relationship with our broker/dealer, Cambridge Investment Research (CIR). We are excited to now be a fee-only firm.



*Worley Erhart-Graves Financial Advisors can provide a guest speaker for your small business or professional organization. Financial planning topics include, but are not limited to, 401k plans, saving for retirement, general investing, estate planning, tax planning and retirement planning. Call our office for more details.*

## Taxing Matters

Those of you with Schwab accounts received an important notice with your November Schwab statement. In an effort to make tax reporting and preparation easier, as well as comply with new tax reporting requirements, Schwab has combined their 1099 Composite report and their Year-End Realized Gain/Loss report into one report.

The new 1099 Composite will include cost basis information, which is in the beginning stages of being reported to the IRS. In addition, the new report has been reorganized to better follow tax forms with the hopes of making tax preparation easier. Finally, Schwab's new form will also include a summary of fees paid, which may be deductible.