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SUGGESTIONS FOR PERSERVING WEALTH

Gardner, Willis, Sweat & Handelman, LLP hopes you find the information in this newsletter helpful. This information is intended to be general in nature and is not a substitute for competent legal advice. Because every issue is unique, we do not recommend that you apply the information in this newsletter without first seeking appropriate legal advice.

We publish various newsletters regarding other areas of law. Please contact us for more information or e-mail us at gwsh@gwsh-law.com if you prefer to receive our newsletters electronically.

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Free Seminars Available

If you and your employees are interested in learning more about a particular legal topic, we would be happy to provide a seminar on such topic at no charge. The seminar can be at your business location or at our firm's location in Albany.

Examples of seminars:

- General Banking Law
- Legal Issues in Agriculture
- Workers' Comp Overview
- Return to Work-Workers' Comp
- Sexual Harassment
- Americans with Disabilities Act
- Family and Medical Leave Act
- Negligent Hiring
- Estate Planning

SOCIAL SECURITY OPTIONS AND CONSEQUENCES

1. What happens when you retire and start collecting Social Security ("SS") benefits before reaching normal retirement age (i.e., generally, between 65 and 67 depending on birth date)?
   - For 2011, SS benefits are reduced $1 for every $2 earned over $14,160.

2. What happens when you retire and start collecting SS benefits in the year containing your normal retirement age and still work prior to the month you reach normal retirement age?
   - For 2011, SS benefits are reduced $1 for every $3 earned over $37,680.

3. What happens when you reach normal retirement, retire, start collecting SS benefits, and continue working?
   - For 2011, up to 85% of your SS benefits may be taxed.
   - The taxability of SS benefits depends on your provisional income ("PI") and filing status. PI is calculated as follows:

     Adjusted Gross Income (before SS benefits)
     Plus: Interest on U.S. savings bonds excluded for educational purposes
     Most tax-exempt interest
     Employer-provided adoption benefits
     Excluded foreign income
     Deducted interest on educational loans
     Deducted tuition and fees
     50% of SS benefits

   - If PI exceeds certain thresholds, 50% of SS benefits are taxable. As PI increases, the proportion of your SS benefits included in taxable income increases to as much as 85%. The thresholds and taxability are as follows:

	Married	Single/Head of Household/Widow(er)
Lower limit of PI	$32,000	[$25,000]
Upper limit of PI	$44,000	[$34,000]
PI between the upper and lower limits	Lesser of 50% of benefits or 50% of the excess of PI over $32,000 [$25,000]	
PI above upper limit	Lesser of (a) 85% of benefits or (b) 85% of the excess of PI over $44,000 [$34,000] PLUS the lesser of (1) $6,000 [$4,500] or (2) 50% of SS benefits	

- For example: Susie and Jeff file a joint return. Their adjusted gross income ("AGI") before SS was $15,000, and they received $8,000 in SS benefits. They had no items to add back to AGI. Their provisional income is $19,000 ($15,000 + $4,000). No SS benefits are taxable.

- For example: Susie's filing status is single. She received $7,000 of SS benefits, $19,000 of interest income, and $5,000 of nontaxable municipal bond interest. Her PI is $27,500 ($3,500 + $19,000 + $5,000). Susie will report taxable SS benefits equal to the lesser of 50% of SS benefits ($3,500) or 50% of the excess of PI over $25,000, or $1,250 ({$27,500 - $25,000} x 50%). Her taxable SS benefits total $1,250.

- For example: Susie and Jeff file a joint return showing interest and dividend income of $46,000, self-employment income for Susie of $31,000 and nontaxable bond interest of $10,000. They excluded $1,000 of interest on educational loans. They received SS benefits of $9,000. Their PI is $92,500 ($46,000 + $31,000 + $10,000 + $1,000 + $4,500). They will report taxable SS benefits equal to the lesser of 85% of SS benefits ($7,650) or 85% of the excess of PI over $44,000 (which is $41,225) plus the lesser of $6,000 or $4,500 (50% of SS benefits). Susie and Jeff's taxable SS benefits total $7,650.

This newsletter was prepared by Glenn Booker. Glenn's practice centers around estate planning for property transfers and estate/trust administration. He also specializes in appraising closely-held business interests. Glenn advises clients on complex accounting and finance issues, yet his conversational approach enables him to explain such issues in simple and understandable terms. You may contact Glenn at (229) 883-2441 or e-mail him at glenn.booker@gwsh-law.com. 32-171-2011-04