

End-of-year financial moves can trim tax bill

Some decisions should be made before new year; others can be put off in order to save big money

The ever-expanding stacks of old books my wife, Georgina, and I want to give to our public library are crowding our home office space. We are itching to clean out the bedroom closets, too, and donate clothes we haven't worn for years to our church thrift shop.

But we'll put up with the clutter until after Dec. 31.

Likewise, we won't do anything until January with the property tax bill that came in the mail this month.

We are not always this patient, though. We are buying printing paper, envelopes and labels for our freelance work now even if our current supply will last until February.

Finally, as part of our annual investment portfolio review, we'll take steps to "rebalance" by selling some shares of a stock

mutual fund that has posted solid gains this year. (As a result of these gains, stocks now make up a bigger percentage of our portfolio than we want based on our goals and risk tolerance.)

Although the fund as a whole is up nicely, because we bought shares at different times, we can identify specific ones to sell with minimum capital gains or, in some cases, even a small capital loss. (Lucky us, we hardly have anything to sell at a loss this year.)

All this maneuvering is part of a year-end tax planning ritual that regularly keeps hundreds, if not thousands, of dollars in our pockets.

While the process might seem daunting and complex, the basic ideas are quite simple. Everybody's situation is different and exceptions in tax matters are



HUMBERTO CRUZ

plentiful, but the following principles will likely serve most taxpayers well:

- Claim itemized deductions on the year they do you the most good.

Our strategy, a common one, is to take the standard deduction one year (we are doing it for 2006) and itemize the following year by "bunching" deductions into that second year (for us, 2007). Without this deliberate bunching, the itemized deductions wouldn't do us any good because they would be less than the standard deduction each year.

That's why we are waiting until January 2007 to make charitable contributions (we'll make more in December 2007). And that's why we won't pay

our 2006 property tax bill until January 2007 (and then we'll pay our 2007 bill in November 2007).

True, in Florida where we live, we could have gotten a \$104 discount on our 2006 property tax bill if we had paid it this month. But the income-tax savings by waiting will be at least five times as much.

- Postpone taxable income.

Unless you know you'll be in a lower tax bracket in the future, it generally makes sense to reduce taxable income in the current year (and therefore, postpone paying taxes on it). Although eventually you'll have to pay, you will have had the use of your money longer, presumably to invest it well and make more money.

As freelance writers, we have latitude controlling our taxable income year-to-year by incurring legitimate business expenses to deduct from that income, such as the money we

pay for office supplies.

If you work for somebody else, you don't have this option. But you can ask that a year-end bonus be delayed until 2007, for example, or put more money into a 401(k) or other tax-deductible employer-sponsored retirement plan.

- Be tax-smart when selling investments.

While tax considerations should not drive investment decisions, it makes sense to get the most tax advantage out of decisions you've already made, such as to sell a stock or fund.

You get the biggest tax benefit by incurring the maximum allowable \$3,000 in net capital losses each year to deduct against ordinary income, which is taxed at your marginal tax bracket. Losses that simply offset long-term gains are not as valuable because long-term gains (those on assets held more than a year) are taxed at lower rates of either 5 percent or 15

percent.

"To the extent you have long-term gains for 2006, triggering capital losses before year-end may produce a tax benefit of only 5 percent or 15 percent," said Mike Swenson, certified public accountant and executive editor of PPC/Quickfinder Tax, part of The Thomson Corp. "Depending on your situation, you could actually collect greater tax savings by triggering capital losses during a year in which you have minimum or no long-term gains," perhaps 2007.

On the other hand, triggering capital losses in 2006 to offset short-term capital gains on assets held a year or less, which are taxed as ordinary income, is almost always a good idea, Swenson said.

Send questions or comments to Humberto Cruz at AskHumberto@aol.com or by mail to Tribune Media Services, 2225 Kenmore Ave., Buffalo, N.Y. 14207. Personal replies are not possible.



Personal chef Tamara Mitchell, the "Dine-In Diva," tends to the stove while preparing meals at a customer's home. The small business owner has had some trials but says, "I'm not looking back."

Chef

Death of spouse left need for change

Continued from Page D1

and corn muffins; pork tenderloin with shallot-cider sauce and seasonal vegetables; spinach black bean lasagna with salad; and complimentary ginger pumpkin pudding mini-Bundt cakes.

The cost: \$75 in groceries and \$250 for labor for 25 servings.

It wasn't the first time the Krafts had Mitchell over.

"I love to cook," Debbie Kraft said, "so (the first time) it was kind of one of those, 'Let's try this and see.'"

The couple doesn't eat out during the week. Restaurants are too crowded on the weekend, they say, and most days they're not excited about jumping into meal preparation after coming home from work.

"Sometimes you just want to relax," Kraft said.

Sharon Worster has heard it before.

As founder of the Texas-based Personal Chefs Network,

she said the industry was born more than a decade ago for people just like that.

"People's commutes are longer. People are working longer. A lot of people don't know how to cook. A lot of people don't want to cook," she said.

Since most personal chefs work alone, Internet-based associations are a vital lifeline to answers and advice, connecting members through forums and bulletin boards.

One is displayed on Mitchell's computer monitor as she begins to talk about her mid-life decision to switch careers.

A couple of years after her husband died, Mitchell started to find her office job mind-numbing.

"Going into the same office every day, doing the same stuff over and over again, I just thought, I can't do this anymore," she said.

She quit.

During a summer in which she did little more than tend her backyard garden, her mind strayed to 10 years ago when she bought a gift certificate for personal chef services for her in-laws. The proverbial light bulb went on.

Mitchell is still learning what it takes to be a small business

owner.

Some weeks it seems shopping and cooking account for less than half her work week and the rest is spent on everything from updating her Web site to organizing receipts for tax time.

She invests time at local chamber of commerce events to market herself, has taken cooking classes and attended a health department restaurant safety course.

To be honest, there was also that brief moment last winter, when she gave in to a weak moment that many new business owners understand.

"After I shot through the savings in the bank, I panicked," she said. She returned to corporate America for four months.

"Then I said no. I'm not gonna live like this. I'm not gonna die like this. I'm going to spend the rest of my life doing something I want to do."

Now as she sits in her home office, dressed in lime-green clothes and accessories and surrounded by the tools of her trade, she vows: "I'm not looking back."

Paula Schleis can be reached at 330-996-3741 or pschleis@thebeaconjournal.com.

Planning holds down debt

Scheduling activities together rather than buying gifts can also help to keep holiday budget in check

By Eileen Alt Powell
Associated Press

NEW YORK: As the holiday shopping season begins, many consumers need to figure out how to avoid taking on too much debt.

A bit of planning will go a long way toward keeping costs in check.

Big bucks are involved. Spending for Christmas, Hanukkah and Kwanzaa is expected to total \$457 billion this year, a 5 percent increase from last year, according to the National Retail Federation.

The average consumer plans to spend more than \$790, the Washington, D.C., trade group said. This includes nearly \$604 on gifts, along with smaller amounts on decorations, food and candy, and greeting cards and postage. Most consumers also admit they'll probably be lured by sales and discounts to spend an additional \$100 on themselves.

Robert Pagliarini, a certified financial planner with Pacifica

Wealth Advisors in Mission Viejo, Calif., said too many people go into the holiday season assuming they're going to eat too much and spend too much.

But Pagliarini, author of *The Six-Day Financial Makeover - Transform Your Financial Life in Less Than a Week*, said consumers can adopt tactics to produce "effortless willpower" in holding to a holiday budget.

First, he said, answer two questions: Whom do I really need to buy for? How much can I afford to spend on this person?

Pagliarini also points out that there are alternatives to buying individual gifts:

- Get co-workers to chip in for an ice cream party rather than exchanging gifts.
- Plan something special for the family, like a ski trip.
- Agree with friends not to exchange gifts but instead to meet for some kind of outing.

Diane L. McCurdy, a certified financial planner from Bakersfield, Calif., said she felt more people were feeling torn by the holidays, as in, "My fami-

ly deserves a big holiday dinner!" vs. "Gee, I'm spending \$250 on Christmas dinner and I'm stuck in the kitchen again!"

"It's OK to break the holiday cycle of spending," she said. "But you need to warn family and friends."

This strategy works best when you come up with alternatives, McCurdy said.

The cost of holiday activities such as dinners can be reduced, too, if guests are asked to bring some of the food and beverages.

McCurdy also favors doing things rather than giving things as a way to create new traditions and hold down costs.

Hybrid vehicles can provide drivers on-the-spot feedback

Best examples show just how much energy they're using and why

By Bradley Berman
New York Times

BERKELEY, CALIF.: Much has changed since the advent of the automobile. Newton's mechanistic view of the universe yielded to Einstein's relativity. Commerce shifted from heavy machinery to packets of ones and zeroes zipping through the air.

But one thing remains the same. More than a century after the car kicked the horse to the curb, the most popular measure of a vehicle's prowess is still horsepower. The postmodern digital age has not caught up to cars, with one notable exception: the hybrid gas-electric vehicle.

With hybrids, auto engineers have finally harnessed the internal combustion engine.

The best hybrids show their owners every running moment just how much energy they are using, and from what source, and why. Can a hybrid play a significant role in solving the problems of oil dependency, auto emissions and climate change? Hybrid drivers don't need a definitive answer. They just need to see - right now on their dashboards - that their mileage represents a break from the past and a step toward a potential breakthrough.

This feedback is what made my test-drives of two hybrids from Detroit-based automakers - the Mercury Mariner Hybrid



Photo courtesy of General Motors

The Saturn Vue Green Line, a hybrid vehicle, has an EPA fuel economy rating of 27 mpg in town and 32 mpg in the country, which is the highest highway rating for any sport utility.

(which differs little from the Ford Escape Hybrid) and the Saturn Vue Green Line from General Motors - so much fun.

The hybrid sport utility represents a double-whammy American automotive fantasy: the go-anywhere, do-everything image of an SUV with the potential to preserve the outdoor environment you are rolling over. But do these hybrids really deliver?

Vue: Green for less

For \$22,995, the Saturn Vue Green Line delivers an EPA fuel economy rating of 27 mpg in town and 32 mpg in the country, which is the highest highway rating for any sport utility. For comparison's sake, a conventional gas-only Vue with 4-cylinder engine, front drive and automatic transmission is rated 22 mpg in town, 27 mpg on the highway.

The biggest flaw may stem from the cost-containment measures applied to the instruments. The typical hybrid driver needs real-time information to wring the most miles from the fuel, but Saturn provides only silly green lights and a little dial and pointer.

Mariner: Eco yet macho

GM's rival has come up with a hybrid SUV that really works, albeit costing \$7,000 more. The Mercury Mariner Hybrid combines the most robust gas-electric system available - it will stay in electric mode longer than any competitor - with a sport utility body.

If it had been more aggressively marketed since its debut in late 2004, perhaps it could have been the hit Ford so desperately needs.

Bradley Berman is the editor of Hybrid-cars.com.

Action

Check return deadlines for those holiday gifts

Continued from Page D1

Buy, said that particular part of the return policy is for safety.

"You don't want to send people out the door with too much cash. You also have to be careful about how much money you want to be keeping around," Mason said.

When I asked Mason whether the Daughertys might have been able to get some cash back and the remainder in a check, Mason said the policy is to issue only one check for the full amount.

Here are some other things to keep in mind with returns:

- **Find out about return deadlines.** Some retailers, like Best Buy, extend their regular return policies to accommodate holiday buying. For instance, Best Buy purchases between Nov. 1 and Dec. 24 qualify for the extended policy. Products that typically have a 14-day return policy have until Jan. 8 and products with a 30-day return have until Jan. 24.
- **But if you've done some holiday shopping throughout the year, you may not be able to return those items.** Mason of Best Buy said that as a policy, those purchases wouldn't be returnable, but, "I wouldn't doubt that

(exceptions) are made from time to time."

- **Check on restocking fees.** This is particularly true of electronics, even if you haven't opened the package.

- **If you're buying someone a gift that might not be used for a while, make sure it works while you can still return it.** For instance, if you're buying someone a tent for use next summer, you might want to brave the elements to see that the parts are all there - or you might be steaming next summer, when you use it for the first time and can't return it.

- **Some stores might refuse your return.** A few years ago, some retailers began using a service called "The Return Exchange," which tracks your returns with your driver's license and might refuse your return if the system deems you a chronic returner. The stores say they're trying to combat return fraud.

The Return Exchange does not identify the retailers who use their system.

KB Toys was among the stores I reported a few years ago that tracked returns and might have refused a return.

But KB Toys Chief Marketing Officer Ernie Speranza said this week that while the stores ask individuals returning items for their driver's license to use with the Return Exchange, the toy chain does not use that company's software to track individual returns and refuse returns. The information is collected only to use in aggregate for the

stores, he said.

"We do it literally to track just to make sure we have some sort of control. When a customer comes in and we ask for a license, if someone is doing something improper, they're going to be reluctant to give you any information. It's somewhat of a deterrent," Speranza said from his office in Pittsfield, Mass.

Speranza was unable to confirm whether the toy company in the past had used the Return Exchange system to refuse individual returns, saying there had been a lot of turnover at the company.

"We have a very customer-friendly return policy," he said. Returns with receipts or gift receipts will be returned in the form of payment the purchaser made, or with a store credit. Returns without a receipt will be given store credit.

"Why do we want to make the majority of our customers angry because a couple are trying to scam us? It is a child's gift. If someone says 'Gee, my son already has this Star Wars game, can I exchange it?' Of course you can, as long as we sell it."

Limited Stores were also among the stores that used the Return Exchange a few years ago to refuse returns. Company officials did not return calls and e-mail to confirm whether they were still using the system.

Betty Lin-Fisher can be reached at 330-996-3724 or blinfisher@thebeaconjournal.com.

T.A.A. & ASSOCIATES L.L.C.
The Safe Money People

Banking Alert : C.D. Owners Only
If your C.D. matures during the next months, **NOV.** or **DEC.**
C.D. Rate of 4% minus inflation of 2.5% = 1.5% real rate.
Mutual Funds you pay fees & tax with no guarantees
You take 100% of RISK the CO takes NO RISK
We will give you a lifetime income you can't outlive!
Please call 330-896-8222 for a free consultation

BBB Member

Extreme Marine Products

Powder Coating:

- Extra Large 10'x10'x20'
- Cure Oven
- Extreme Dedication to Customer Service

Welding:

- Specializing in Aluminum Mig & Tig Welding
- Pulse On Pulse Mig Welding

"Let us show you what your finished product can look like!"

Extreme Marine Products, Inc 2057 E. Aurora Rd., Twinsburg, Oh 44087
330-963-7800 Phone 330-963-7810 Fax www.ohiopowdercoat.com