

# Golden Bullets

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## THE NEW TAX NUMBERS FOR 2010:

### THINGS TO CONSIDER

A number of figures used in tax and retirement planning have been updated for 2010. Most limits for pension and IRA contributions have been unchanged. For example:

1. The **maximum contribution** that can be made to a **defined contribution plan** in 2010 under Section 415 is the lesser of **\$49,000** or 100 percent of compensation—the same limit as in 2009.
2. The **limit** on employee **elective deferrals** to **Section 401K** and **Section 403b** plans has remained at **\$16,500** in 2010. The limit for **Section 457** plan salary reductions has likewise kept steady at **\$16,500**.
3. The maximum elective deferral for a **SIMPLE** or **401 K SIMPLE** plan is **\$11,500** in 2010.
4. The limit on **IRA contributions** remains at **\$5,000** for 2010. Those **50 and older** can still contribute an **extra \$1,000** under the special catch-up provision.

Here are a few of the income tax changes:

1. The **standard deduction** for **joint filers** and **surviving spouses** who do not itemize in 2010 is **\$11,400**, the same as 2009. For **heads of household**, the deduction is **\$8,400**, and for **unmarried individuals** it's **\$5,700**. The **aged** and the **blind** get an additional **\$1,100** or **\$1,400** added to their standard deductions, depending on their filing status.
2. The **personal exemption** has remained steady at **\$3,650** for 2010. The exemption started to be phased out at \$250,200 of adjusted gross income for married filers, \$208,500 for heads of household, \$166,800 for unmarried individuals and \$125,100 for married individuals filing separate returns in 2009. The phase-out has been eliminated in 2010.

3. The **phase-out of itemized deductions** began at \$83,400 of adjusted gross for married individuals filing separate returns, and \$166,800 for all other taxpayers. The phase-out has been eliminated in 2010.

And here are some other items that may be important to you.

1. The **social security tax rate** for individuals stays at **7.65%** in 2010. The rate for self-employed individuals also remains constant at 15.3%. The taxable wage base for the OASDI portion is **\$106,800** in 2010—and that gets hit with the full 7.65% tax for individuals. Any additional compensation over that limit is subject to only the Medicare portion of 1.45%.
2. In 2010, the **federal annual gift tax exclusion amount** has remained at **\$13,000**. The lifetime gift tax exemption has stayed at **\$1 million**.
3. The **federal estate tax exemption** was **\$3.5 million in 2009**, and as of **right now is scheduled to be unlimited in 2010**. Watch for probable action on federal estate taxes by the Congress and President. Most experts expect the federal estate tax exemption for 2010 to be **reinstated at \$3.5 million**.

These changes may affect your own retirement or tax plans.

***AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.***

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