

# Financial *notes*

## INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

FROM THE OFFICE OF DR. SCOTT STRATTON, CERTIFIED FINANCIAL PLANNER (TM)

Issue 7, Volume 2

December 2007



Dear Scott,

Welcome to the December edition of my monthly financial newsletter. Can you believe that it's the end of 2007 already? As you're planning your goals for new year, let me know what you want to accomplish in 2008 and in the future. While we don't know what the stock market will bring us in 2008, we will focus on what we know works over time: building diversified portfolios, maximizing tax-advantaged accounts, and saving regularly. That's the recipe for potential success.

### Social In-Security

#### Relying on the Federal Government for your retirement?

Since 1935, generations of retirees have depended on the financial safety net of Social Security. Many people still think that Social Security is a pension plan, but the government is not saving your money for you at a later date. Rather it is an entitlement program, where current taxes pay for current benefits. For today's younger workers, it seems unlikely that this benefit will be available in its current form when we are at retirement age.

According to the 2007 OASDI Trustees report, the annual cost of OASDI (Old-Age, Survivors and Disability Insurance) benefits paid will exceed the revenue collected from taxes starting in 2017. Currently, the excess is credited to the Social Security trust fund, worth \$2.0 trillion. Those funds are projected to be depleted by 2041 at which time Social Security will be "bankrupt". Even worse, the trust fund is actually empty - the federal government spends that money elsewhere then issues IOUs to the trust fund. Future income taxes will have to pay the debt back to the trust fund.

For 2007, the cost of OASDI benefits paid will be 11.21% of our national taxable payroll. If no changes are made, this will increase to 16.59% of national payroll by 2030. Given the growing number of retirees and longer life expectancies, there are only two solutions: increase taxes or reduce benefits. The OASDI Trustees believe that we could pay for Social Security for the next 75 years by increasing payroll taxes by 1.95% or by a permanent reduction of benefits of

#### In This Issue

[Social In-Security](#)

[IRA Qualified Charitable Gifts](#)

[Taxation of Social Security](#)



*The best compliment you can give me is the referral of a friend or family member!*

Scott Stratton, CFP(R)  
phone: 214-276-0808  
email: [ssratton@foxcoinvest.com](mailto:ssratton@foxcoinvest.com)

### THIS MONTH, SCOTT IS...

I will be going to Naples, Italy from December 12 through the 19th with my father, aunt, and grandmother. My grandmother grew up in Naples, but she has only been back once since 1945. It's my first time to Italy and I'm looking forward to meeting new

13%.

Politicians worry that any solution will anger half the people, so no decisions are being made. I recommend young clients plan for the worst and be able to fund their retirement with their own assets. Social Security benefits should be a cushion, not the foundation of retirement.

relatives and seeing the old city. If you need anything during my absence, please contact branch manager Steven Gundy at 214-276-0808 extension 233.  
Happy Holidays!

## IRA Qualified Charitable Gifts

Under the Pension Protection Act of 2006, an IRA owner age 70 ½ or older may make a donation to a qualified charitable organization and pay no tax on the distribution. The donation may be up to \$100,000 and must come directly from the IRA. This tax break expires on December 31 of this year.



## Taxation of Social Security

For individuals nearing retirement age, a common question is about how their Social Security benefits will be taxed. Here is the formula to determine if you must pay taxes on your benefits:

Add your taxable income (including pensions, interest, distributions, dividends, etc.), plus one-half of your Social Security Benefits, plus tax-exempt interest and exclusions.

This is called your base amount.

If you are single, and your base amount is:  
>\$25,000, 50% of your SS benefit is taxable as income.  
>\$34,000, 85% of your SS benefit is taxable.

If you are married, and your base amount is:  
>\$32,000, 50% is taxable  
>\$44,000, 85% is taxable

While less than one-third of recipients are currently taxed on their OASDI benefits, the base amount is not indexed for inflation, so more and more people are going to be paying taxes on their benefits. US citizens living abroad are responsible for paying US income taxes, however, their social security benefits are exempt from tax if they live in one of these countries: Canada, Egypt, Germany, Ireland, Israel, Italy, Romania, or the United Kingdom.

If you retire before your full retirement age (65 - 67), and have other income, your social security *benefit* will be reduced by \$1 for every \$2 you earn above \$12,960 (for 2008, above \$13,560). In the calendar year that you reach full retirement age, early benefits are reduced by \$1 for every \$3 above \$34,470 (\$36,120 in 2008). Before you retire or start collecting benefits, please give me a call.

See [IRS publication 915](#) and consult with your tax advisor for details.

*The hardest thing in the world to understand is the income tax.*

ALBERT EINSTEIN

As always, please feel free to call me anytime with any questions or concerns. I'm here to help! Thank you for your business.

Sincerely,

**Scott Stratton, CFP(R)**  
16950 Dallas Parkway, suite 100  
Dallas, TX 75248

Fox & Company Investments is a member of [FINRA](#) / [SIPC](#)

**FOX COMPANY**  
I N V E S T M E N T S



CERTIFIED FINANCIAL PLANNER®

CFP®

The certification marks above are owned by Certified Financial Planner Board of Standards Inc. and are awarded to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

[Forward email](#)

✉ [SafeUnsubscribe®](#)

This email was sent to [ss Stratton@foxcoinvest.com](mailto:ss Stratton@foxcoinvest.com), by [ss Stratton@foxcoinvest.com](mailto:ss Stratton@foxcoinvest.com)  
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



Fox & Company Corporate Office 800-899-3699 | 5080 North 40th Street, suite 103 | Phoenix | AZ | 85018