Passage Wealth Advisors

EYE ON MONEY

JAN FEB 2011

Financial Tips for **Retirees**

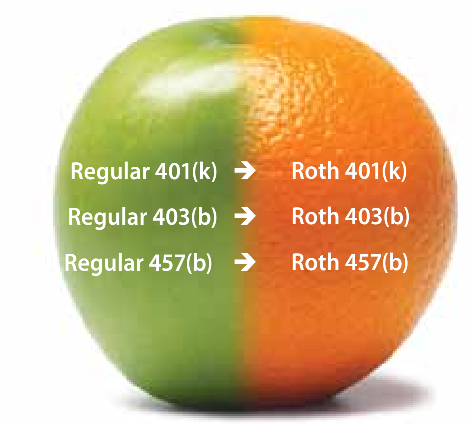
Plus:

Financial Resolutions for 2011

Is It Tax Deductible?

Rollovers to Roth Accounts Now Permitted

within 401(k) and 403(b) Retirement Plans—and Soon within Governmental 457(b) Plans



You pay tax later with a REGULAR ACCOUNT:
Contributions are made with pre-tax dollars.
Withdrawals are taxable.

You pay tax up front with a ROTH ACCOUNT:
Contributions and rollovers are made with after-tax dollars.
Withdrawals are tax-free in retirement.

In recent years, some 401(k) and 403(b) retirement plans have allowed participants to make new contributions to Roth accounts within the plan. The savings they had already accumulated in their regular, pre-tax accounts, though, could not be moved into the Roth accounts—until now, that is, for certain participants.

With the passage of the Small Business Jobs Act of 2010, 401(k) and 403(b) plans now have the green light to allow eligible participants to roll over their existing balances into Roth accounts within the plan. And beginning January 1, 2011, governmental 457(b) retirement plans can allow participants to direct new contributions and existing balances into Roth accounts.

To be eligible to roll over your existing 401(k), 403(b), or 457(b) balance to a Roth account inside the plan, your retirement plan must permit rollovers to designated Roth accounts and you must be eligible to receive a distribution from the plan. Your plan administrator can tell you whether you are eligible.

Roth accounts and rollovers are welcome news for anyone who prefers to pay tax on their savings now so that they can make tax-free withdrawals during retirement. In contrast, contributions to regular 401(k), 403(b), or 457(b) accounts are made with pre-tax income and withdrawals are taxed as ordinary income.

Before you make a move, consider the tax bill a rollover will generate. The previously untaxed amount of the rollover will be added to your gross income for the year. For rollovers occurring in 2010 only, you have the option to split the amount and the resulting tax payments between your 2011 and 2012 tax returns. ■

Please ask your financial advisor whether rolling your regular retirement account into a Roth account is a smart move for you.

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Help your IRA grow.

Make your 2010 contribution by April 15, 2011.

INDIVIDUAL RETIREMENT ACCOUNTS	WHO CAN CONTRIBUTE?	TAX ADVANTAGES AND CONTRIBUTION LIMITS

Traditional IRA	Individuals under age 70½ with earned income (wages, self-employment income, etc.).
	
	Non-working spouses under age 70½ whose spouses have enough earned income to cover their contributions.
	
	For a non-working spouse to be eligible to contribute, the couple must file a joint tax return.
		• **Earnings grow tax-deferred until withdrawn** at which time they are taxed as ordinary income.
		
		• **Contributions may be tax-deductible.** Contributions are tax deductible if you and your spouse are not covered by a retirement plan at work or if your income is under a certain amount.
		
		• **2010 annual contribution limit:**
		  • Up to $5,000 per person if under age 50.
		  • Up to $6,000 per person if age 50 or older.
		  • Contributions must not exceed earned income for the year.
		  • The limit applies to the total contributions you can make to all your IRAs for the year.

Roth IRA	Individuals with earned income and/or their non-working spouses, regardless of age, whose modified adjusted gross incomes are under $120,000 or, if married filing jointly, $177,000.
	
	Married persons who file separately and live with their spouse at any time during the year cannot contribute if their income exceeds $10,000.
	
	For a non-working spouse to be eligible to contribute, the couple must file a joint tax return.
		• **Earnings grow tax-deferred and may be withdrawn tax-free if part of a qualified withdrawal.** To withdraw earnings tax-free, you generally must be at least age 59½ and the Roth IRA must have been open for at least five years.
		
		• **Contributions are not tax-deductible and can be withdrawn tax-free at any time.**
		
		• **2010 annual contribution limit:**
		  • Up to $5,000 per person if under age 50.
		  • Up to $6,000 per person if age 50 or older.
		  • Contributions must not exceed earned income for the year.
		  • The limit applies to the total contributions you can make to all your IRAs for the year.
		  • The amount you can contribute to a Roth IRA will be reduced if your modified adjusted gross income is above a certain amount.

Tools for evaluating colleges

Matchmaker, matchmaker, make me a match... Search the College Board's database of 3,800+ colleges for the schools that meet your criteria for type of school, location, majors, cost, sports, and more. It's easy and it's FREE!

www.collegeboard.com

Paying a lot doesn't necessarily get you a lot, according to the American Council of Trustees and Alumni.

See www.WhatWillTheyLearn.com for how 700 colleges and universities score on their general education curricula.

Best National Universities, according to U.S. News Media Group

1. Harvard University (MA)
2. Princeton University (NJ)
3. Yale University (CT)
4. Columbia University (NY)
5. Stanford University (CA)

Visit www.USNews.com/colleges for all the rankings!

1, 2, 3... News organizations that rank colleges:

Forbes.com: America's Best Colleges

Kiplinger.com: Best Values in Public and Private Colleges

The rankings are available for FREE!

According to students...

Best Career Services:
Northeastern University (MA)
Best Classroom Experience:
Mount Holyoke College (MA)
Happiest Students:
Brown University (RI)

The rankings are published in a book titled "The Best 373 Colleges" by the Princeton Review

Best Liberal Arts Colleges, according to U.S. News Media Group

1. Williams College (MA)
2. Amherst College (MA)
3. Swarthmore College (PA)
4. Middlebury College (VT)
5. Wellesley College (MA)

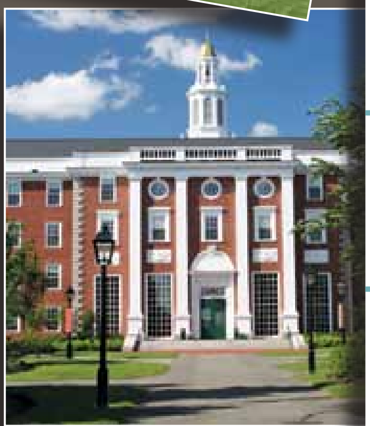
Visit www.USNews.com/colleges for all the rankings!

Students tell you what the colleges won't...

It's not a ranking; it's school reviews written by students, with nifty filters that allow you to select only those reviews from, say, business majors or African-American students. And it's FREE!

Check out the college search at www.unigo.com.

Talk to your financial advisor about how to save and pay for college.



Important dates for high school seniors

October 1–February 15

Apply to the colleges you have selected. The deadline for applications vary from school to school, with some colleges requiring applications for the fall semester to be submitted as early as November of the prior year. Check with the colleges you plan to apply to for their application deadlines.

Beginning January 1

Submit your Free Application for Federal Student Aid (FAFSA). The information you supply on this application is used to determine your eligibility for federal student aid (loans, grants, etc.), as well as state and college aid in some instances. Submitting the application as early as possible can pay off because schools award aid on a first-come, first-serve basis. The application is available at **www.fafsa.gov**.

Mid-March–Early April

Colleges notify students of their decisions. Colleges generally send out their acceptance letters for regular admission and their financial aid offers around April 1st.

Generally by May 1

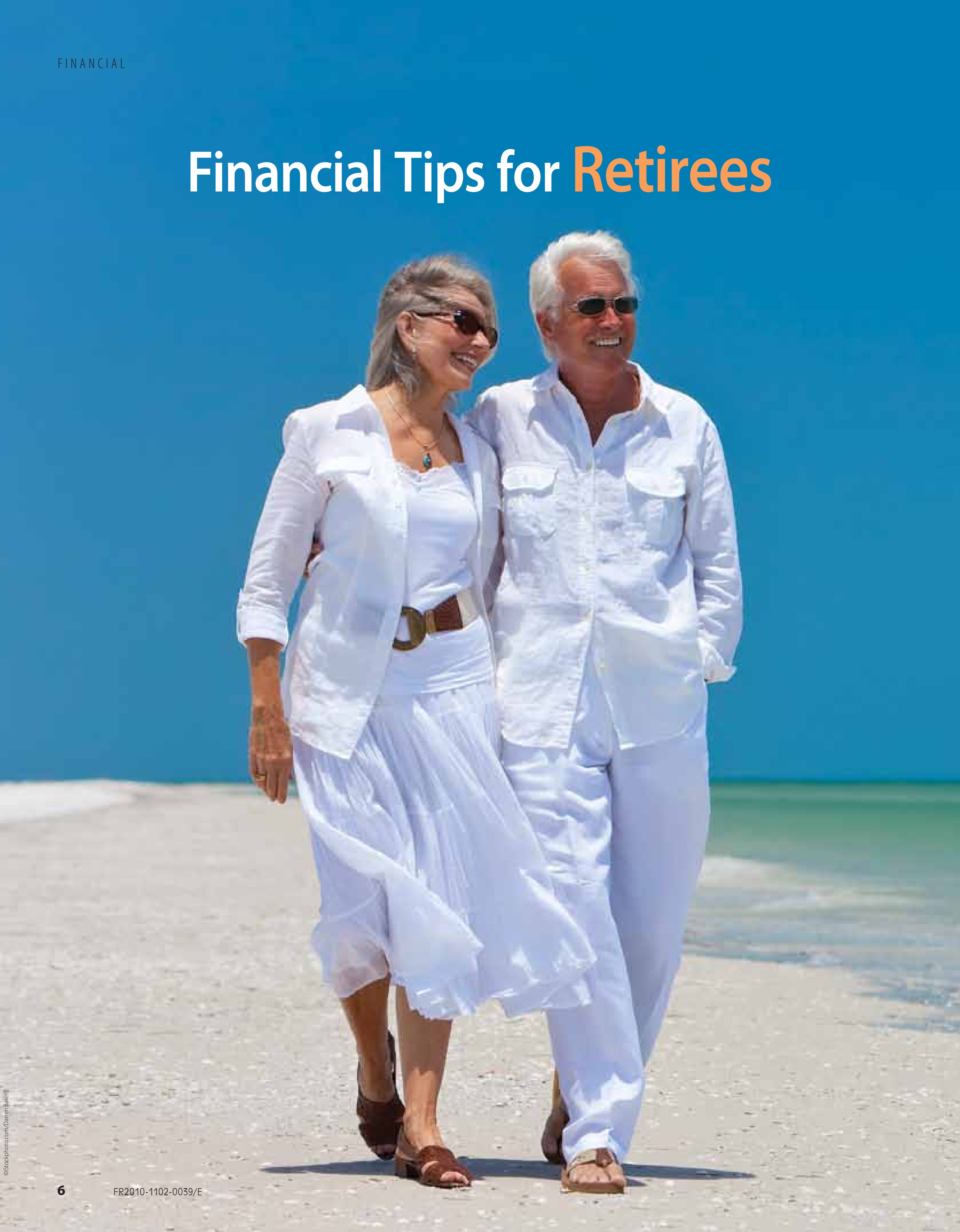
Make your final choice. Generally, you must notify the college that you accept its offer of admission by May 1st. Please check with your college for the exact date that you must reply to its offer.

For more info on federal student aid programs, check out the U.S. Department of Education web sites at:

- **www.fafsa.gov**
- **www.studentaid.ed.gov**
- **www.college.gov**

Talk to your financial advisor about how to save and pay for college.

Financial Tips for Retirees



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It’s a new world in retirement—

a world with more time for enjoying the good things in life, to be sure, but also a world with its own set of financial challenges.

While before retirement you may have relied on one paycheck; now you may be juggling several sources of retirement income, such as pensions, investments, and Social Security.

While before your focus may have been on saving for retirement; now your focus may be on managing those savings so they last your lifetime and into the next generation.

Fortunately, there is no need to address challenges like these alone. Your financial advisor can help you develop and implement a sound financial plan for your retirement. In the meantime, here are some general financial tips for retirees.

Organizing multiple sources of retirement income into a paycheck can be a challenge.

Your financial advisor can help you assess your retirement assets, decide when and how to tap them for income, and identify a withdrawal rate designed to minimize the risk of running through your savings too quickly.

©iStockphoto.com/Above: Laurent Renault, Right: Derek Latta

Keep an eye on your asset mix. Review your portfolio at least once a year. Changes in the markets will cause your mix of stocks, bonds, cash, and other assets to stray from your target asset allocation. For example, during a bull market, a portfolio of 50% stocks and 50% bonds at the start of the year may end the year with 60% stocks and 40% bonds. When your mix of assets changes, your portfolio will either have more risk or less potential for reward than you originally intended. Restoring your portfolio to your target asset allocation, a process known as rebalancing, can help keep your investment plan on track.

Keep taxes to a minimum on your retirement assets. Using a tax-efficient investment and distribution strategy can help you trim your tax bill and preserve more of your retirement assets. Here are a few tax-minimizing ideas for retirees.

Choose tax-efficient investments for your taxable investment accounts. This might include tax-exempt municipal bonds, low-turnover funds, such as index funds, and stocks you plan to own for longer than one year. Leave the less tax-efficient investments, such as taxable bonds and REITs, for your tax-deferred (Traditional IRA, 401(k), and others) or tax-free (Roth IRA) accounts.

If you have investments in taxable and tax-favored accounts, it is generally a good idea to take distributions (withdrawals) from your taxable accounts first. This approach leaves the assets in your IRAs and other retirement accounts to compound tax-deferred, or tax-free in the case of a Roth IRA, for as long as possible.

Spread the maturity dates around for your bonds and CDs. Individuals who invest in bonds or stash cash in certificates of deposit (CDs) face reinvestment risk—the risk that their bonds and CDs will mature when interest rates are low, leaving them to reinvest in adverse conditions. Purchasing bonds or CDs that mature at different times can help minimize the risk that all of your bonds or CDs will mature in adverse conditions. Plus, staggered maturity dates provide regular access to your cash as the investments mature.

Consider an immediate annuity for a guaranteed stream of income. Many retirees worry about outliving their savings. After all, we're living longer, we're spending more time in retirement than previous generations, and few among us have the security of a monthly pension check for life. One way to lessen the risk of running out of savings prematurely is to purchase an immediate annuity with part of your retirement savings.

An immediate annuity is a contract with an insurance company that guarantees to pay you a regular income in return for your single upfront payment. The guarantee is subject to the claims-paying ability of the issuing insurance company. Depending on your preference, the income payments can last your lifetime, your lifetime and your spouse's lifetime, or for a specific number of years.

Consolidate your retirement accounts. Did you retire with multiple retirement accounts? You may find it easier to manage your finances if you consolidate them.

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PLEASE NOTE

- *Asset allocation does not ensure a profit or protect against loss in declining markets.*
- *Bonds are subject to interest rate risk. When interest rates rise, bond prices fall.*
- *Investors cannot invest directly in an index.*
- *Investors should consider a fund's investment objectives, risks, charges, and expenses before investing. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.*

RMDs begin at age 70½

You have probably been hearing about "required minimum distributions" for as long as you have been saving for retirement in individual retirement accounts (IRAs) and employer-based retirement plans. What on earth are these things?

Beginning at age 70½, owners of certain types of retirement accounts, such as Traditional IRAs and 401(k) accounts, generally must withdraw at least a minimum amount every year. That minimum amount is known as a required minimum distribution or RMD for short.

In simplest terms, RMDs are designed by the IRS to stretch out distributions—and the resulting tax payments—over your lifetime. They are calculated by dividing your prior December 31st account balance by a life expectancy factor published by the IRS. Typically, your IRA custodian or retirement plan administrator will do the calculation for you.

Here is an example of how the calculation is done. Let's say your prior December 31st balance is $100,000 and you are age 75. According to the IRS's Uniform Lifetime Table, the distribution period for someone age 75 is 22.9 years. So you divide $100,000 by 22.9 to arrive at a $4,367 RMD for the year.

If you are married and your spouse is more than 10 years younger than you and your sole beneficiary, you use a different IRS table—the Joint and Last Survivor Table—to calculate your RMD amount. This table considers both your age and your spouse's age. For example, if your balance is $100,000, you are age 75 and your spouse is age 60 and your sole beneficiary, your distribution period is 26.5 years and your RMD for the year is $3,774.

There is a third table—the Single Life Expectancy Table—used by beneficiaries who have inherited a retirement account.

RMD FAQs for account owners

What types of retirement plans require account owners to take RMDs?

- Traditional IRAs, but not Roth IRAs
- All employer-sponsored retirement plans, including 401(k), 403(b), 457(b), and profit-sharing plans
- IRA-based plans, including SEPs, SARSEPs, and SIMPLE IRAs

FYI: To avoid having to take RMDs from a Roth 401(k), 403(b), or 457(b) account, you can roll it over to a Roth IRA after you leave your job. Distributions are not required from Roth IRAs during the account owner's lifetime.

When must account owners begin RMDs?
Generally, they must take their first RMD for the year they turn age 70½. Retirement plans other than IRAs may allow you to postpone beginning RMDs past age 70½ if you have not retired.

What is the deadline for taking an RMD?
Typically, the deadline is December 31. However, individuals taking their first RMD may take it as late as April 1st of the year following the one in which they turn age 70½. This move will result in taking two RMDs in one year and may increase the tax you'll owe if the combined amount of the distributions bumps you up to a higher tax bracket. Be sure to take your RMD by the deadline or it will cost you—typically the IRS slaps a 50% tax on the amount you should have withdrawn, but did not.

How are RMDs taxed?
RMDs are taxed as ordinary income. However, any part of a distribution that is a return of your after-tax or non-deductible contributions is tax-free. Qualified distributions from a Roth 401(k) are also tax-free.

Can I reinvest my RMD?
Yes. If you do not need the money for your current living expenses, you can transfer the RMD to an investment account, but not to another tax-deferred account.

What if I inherit an IRA from my spouse?

You have a few options, including treating the inherited IRA as your own IRA, an option that non-spouse beneficiaries do not have. The option you choose will impact when you must begin receiving required minimum distributions and the amount of those distributions. Talk to your tax advisor about which option is the best choice in your situation.

There would be fewer statements to review. Plus, fewer accounts may make it easier to monitor your overall financial picture.

If you have savings in employer-based retirement plans, consider rolling them into an IRA. You can preserve the tax-deferred nature of your traditional 401(k), 403(b), 457(b), SIMPLE-IRA, and SEP-IRA accounts by rolling them into a Traditional IRA. Or you can convert those accounts to a Roth IRA, if you pay the income tax on the pre-tax portion of the conversion. With a Roth IRA, qualified distributions are income-tax-free for both you and your heirs.

If you have savings in a Roth 401(k), 403(b), or 457(b) account, consider rolling them into a Roth IRA so that you can avoid having to take the annual minimum distributions required by employer-based plans at age 70½.

In addition to simplifying your finances, moving your retirement assets to IRAs may gain you access to a wider range of investment choices, all the while preserving the tax-favored nature of your savings.

Simplify your day-to-day finances. Technology has opened up many ways to simplify your day-to-day finances. Here are a few ways to put it to use simplifying your life.

Have your pension check, Social Security check, and other recurring income payments deposited directly into your designated accounts. Direct deposit is fast, easy, and safe.

Use the phone or the web to transfer funds quickly and conveniently between your accounts.

Automate how you pay your bills. Most service providers would prefer to send you bills online rather than through the postal service; why not take them up on their offers? Many of these same service providers, such as energy, phone, and insurance companies, will also allow you to pay your bills online at their respective web sites. If you prefer to pay all of your bills at one web site, use an online bill pay service, such as those offered with checking accounts or cash management accounts.

The more you automate your finances, the less time you'll spend running back and forth to the post office and the bank. And the more freedom you'll have to travel without worrying about depositing checks or missing a bill payment. Wherever you have secure access to the Internet, you can easily stay on top of your day-to-day finances.

Not signing up for Medicare at age 65 may cost you. There's a small window of time—seven months in all—when you can sign up for Medicare coverage at the lowest possible premiums for your income level. The window opens three months before your 65th birthday month, it remains open for your 65th birthday month, and it closes three months after your 65th birthday month.

If you do not sign up during that initial enrollment period, when you do sign up, you will generally pay higher premiums for Medicare Part B (medical insurance) and Medicare Part D (prescription drug coverage). For example, Medicare Part B premiums increase at a rate of 10% for each full 12-month period you were eligible for coverage, but chose not to sign up.

In certain circumstances, you may be able to avoid higher premiums even if you sign up for coverage after the initial enrollment period. You can delay enrolling in Medicare Part B without penalty if you or your spouse is currently working and you are covered by a group health plan based on that work. You can delay enrolling in Medicare prescription drug coverage without penalty while you have creditable prescription drug coverage from, say, your current or former employer or union.

Make an appointment for an annual wellness visit—it's free for Medicare Part B beneficiaries. Thanks to the 2010 health care reform act, Medicare Part B beneficiaries are entitled to a free annual wellness visit and person-

alized prevention plan services beginning in 2011. Prior to that, Medicare Part B did not cover the cost of an annual physical, except in the first year of coverage.

Consider buying long-term care insurance. Will you ever require extended care at home, in an assisted-living facility, or in a nursing home? Many retirees will—and the costs can be steep. The average daily cost of a private nursing home room in 2009 was $219, or $79,935 annually[1]. That was the average cost—the actual cost was far greater in some areas.

Long-term care insurance can help you pay for long-term care services and help protect your life savings from being depleted.

Interestingly, women are twice as likely as men to need care in a nursing home after age 65[2]. Part of the reason lies in the fact that women tend to live longer than men—and the longer you live, the greater the chance you'll one day need long-term care services.

Don't delay Social Security past age 70. Although you can generally start receiving Social Security retirement benefits at age 62, the amount of your monthly benefit will increase for every month you delay the start. For example, if you are eligible for a $750 monthly benefit at age 62, that benefit will increase to $1,000 at age 66 or $1,320 at age 70 if you delay starting until those ages. But once you reach age 70, the amount of your monthly benefit will not increase further no matter how much longer you delay starting benefits.

Review your estate plan regularly. It's a good idea to review your estate plan every year. Make certain that your will, trusts, and beneficiary designations are accurate and up-to-date. This is especially important in light of the changes to the federal estate tax in recent years.

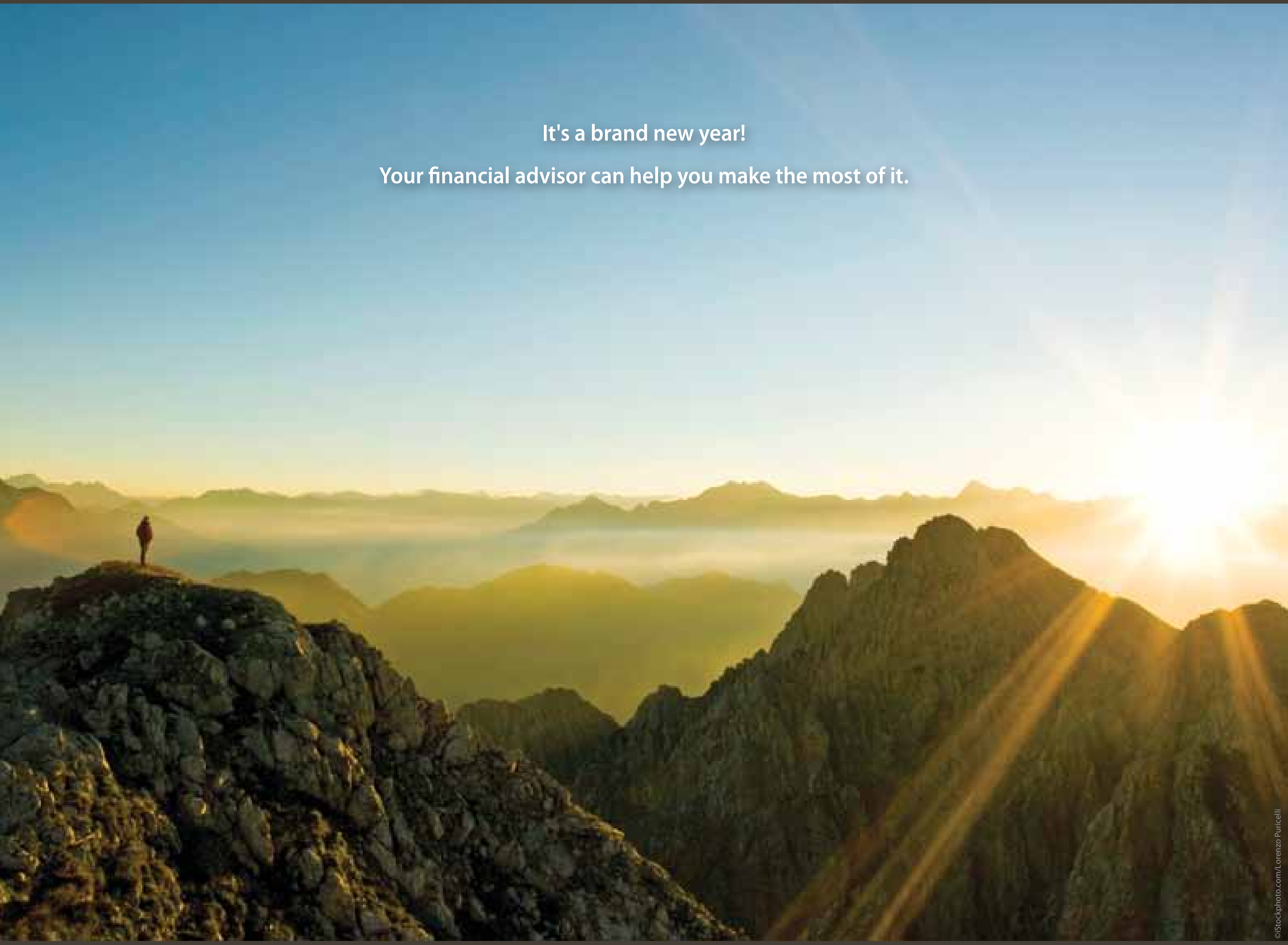
If it looks like your estate will be subject to estate tax, there may be steps you can take to minimize the tax bite so that more of your estate is preserved for your heirs. ■

Creating and implementing a financial plan for retirement can be complex. Your financial advisor can help. Regardless of whether you are right at the start of retirement or years into it, your financial advisor can assess your current financial situation and objectives and then develop and help implement a financial plan for going forward.

[1] Source: U.S. Department of Health and Human Services
[2] Source: CDC, Health, United States, 2007, Table 104

It's a brand new year!

Your financial advisor can help you make the most of it.



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11 Financial Resolutions for 2011

1 **Start saving today.** Whenever possible, direct part of each paycheck to saving for unexpected expenses, retirement, and your other financial goals. Remember, the earlier you start to save—even if it's only small amounts—the better because it allows more time for compound interest or earnings to build up.

2 **Create a financial roadmap.** Defining your financial goals and creating a plan for reaching them is a great first step on your journey to your goals. Already have a plan? Be sure to evaluate your progress each year so that you'll have time to tweak your plan if necessary.

3 **Live within your means.** The surest way to build wealth is to spend less money than you bring in. When it comes to spending, it is a good idea to take care of necessities first (food, housing, clothing, transporation, etc.), savings second, and use only what remains to pay for the things you want.

4 **Use credit wisely.** Credit can both help and hurt when it comes to financial goals. If your goal is to buy a home, a low-interest mortgage is a smart way to go. Carrying large balances on high-interest credit cards, however, can prevent you from reaching your goals. Pay off your high-interest debt so that you can afford to save.

5 **Review your credit reports**. Check your reports for signs of fraud and inaccurate data that may cause you to be charged higher interest rates on credit. You can get free credit reports from the three major credit reporting agencies every 12 months at www.AnnualCreditReport.com.

6 **Review your Social Security earnings record.** Most workers automatically receive a Social Security Statement each year. (You can request one at www.socialsecurity.gov.) Make certain that your earnings are accurate. The amount of your retirement benefits will be based on the earnings shown on your statement.

7 **Self-employed? Start a small business retirement plan.** Personal IRAs are great, but retirement plans designed specifically for small businesses and self-employed individuals allow you to sock away considerably more income each year on a tax-deferred basis.

8 **Rebalance your portfolio regularly.** When your mix of stocks, bonds, and other types of investments strays from your chosen allocation percentages, your portfolio may have either more risk or less potential for reward than you originally intended. Returning to your chosen percentages can help keep your investment program on track.[1]

9 **Review your insurance coverage.** Were there any major changes in your life in 2010? Major life changes, such as a new marriage, divorce, child, business, or inheritance, may signal the need for changes to your insurance coverage.

10 **Review your estate plan.** With all the changes to the federal estate tax in recent years, 2011 is a good time to check that your estate plan reflects the current estate tax rules. At the very least, make certain that the beneficiary designations on your retirement plans, financial accounts, and life insurance policies are up-to-date.

11 **Have fun.** Although ensuring financial security and reaching financial goals are important, so is enjoying yourself along the way. So, remember to cut loose and have some fun with your money—of course, only within your means! ■

Talk to your financial advisor about what you can do in 2011 to enhance your financial security and help you move towards your financial goals.

[1]Asset allocation does not ensure a profit or protect against loss in declining markets.

Is it tax deductible?

Determining what expenses are deductible on your federal tax return can be tricky. See if you know which of the following expenses are tax-deductible for 2010. Your tax advisor can help you identify tax deductions and credits for which you may be eligible.

Prescription drugs

Yes. Prescription drugs are a deductible medical expense, but as with other deductible medical expenses, you may only deduct the amount by which your total medical and dental expenses exceed 7.5% of your adjusted gross income (AGI). For example, if your AGI is $100,000, you may deduct the amount of qualified medical and dental expenses you paid during the year in excess of $7,500.

Investment losses you realize in a brokerage account

Yes. If you sell an investment at a loss in a brokerage account, the loss can be used to reduce capital gains you realize from the sale of other investments. If your loss exceeds your gains, up to $3,000 of the excess loss ($1,500 if you are married filing separately) can be deducted from your ordinary income. If your loss is not fully deducted in the first year, it can be carried over and used in later years until it is used up.

Investment losses you realize in a 401(k) or IRA

Not usually. Losses you realize from the sale of investments in tax-favored accounts, such as 401(k)s and IRAs, are not tax-deductible. However, if you close out all of your similar accounts (for example, all of your traditional IRAs) and their overall value is less than the non-deductible (after-tax) contributions you made to them, you may be able to claim part of the loss as a miscellaneous itemized deduction.

Donations to a qualified charity

Yes. You will need written proof, such as a cancelled check or credit card statement, for cash donations. Donations of $250 or more require a written acknowledgement from the charity. You may also deduct certain unreimbursed expenses, such as travel expenses, you incur in volunteering for a qualified organization. Your charitable deduction will generally be limited to 50% of your adjusted gross income, but in some cases may be limited to 30% or 20%.

Donations to a specific individual

No. Only donations to qualified organizations (charities, churches, nonprofit schools and hospitals, etc.) are tax deductible.

Interest you pay on a student loan

Maybe. You may be able to deduct up to $2,500 of interest you pay each year on a qualified student loan if your income is below a certain limit. The deduction phases out for single and head of household taxpayers with modified AGIs between $60,000 and $75,000 and for joint filers with modified AGIs between $120,000 and $150,000. (Married individuals who file separately are not eligible for this deduction.) You do not need to itemize to claim this deduction.

Interest you pay on a mortgage

Yes. If the mortgage is secured by your main home or second home, you can generally deduct the mortgage interest you pay on loan balances up to $1 million ($500,000 if married filing separately). Interest on loan balances above the limit may be deducted as interest paid on home equity debt (subject to the limits on home equity debt).

Real estate taxes

You bet! Real estate taxes you pay are generally deductible.

Premiums you pay for mortgage insurance

Maybe. You must have entered into your mortgage insurance contract during 2007, 2008, 2009, or 2010 and your income must be within certain limits to qualify for this deduction. The deduction phases out for taxpayers with AGIs between $100,000 and $109,000 ($50,000 and $54,500 if married filing separately).

Loss on the sale of your main home

No. A loss on the sale of personal-use property, such as your home or car, is not deductible.

Stolen property

Yes. Losses as a result of your property being stolen are deductible. First, you will need to file a claim with your insurance company to determine how much of your loss they will reimburse. You can only deduct the amount of the loss that is not reimbursed by the insurance company and that amount generally must be reduced by $100 for each casualty loss you claim and by 10% of your adjusted gross income.

Damage to your property

Maybe. It depends on what caused the damage. If it is caused by a sudden, unexpected, or unusual event (such as a flood, fire, or car accident), it is tax-deductible. If it is caused by normal wear and tear or termites, it is not tax deductible. As with stolen property, you can only deduct damages that your insurance company does not reimburse, and the unreimbursed portion must be generally be reduced by $100 for each casualty loss claimed and by 10% of your adjusted gross income. If the damage occurred as a result of a nationally declared disaster, a more generous deduction may be available.

Moving expenses

Maybe. You can deduct certain moving expenses if you are moving to start work at a new job location and you meet the IRS's distance and time tests. You do not need to itemize to claim this deduction.

Home office

Maybe. You can generally deduct a percentage of certain expenses (e.g. utilities, insurance, and repairs) for the part of your home that you use regularly and exclusively as your principal place of business or as a place to meet with clients in the normal course of business.

Alimony

Maybe. It depends on whether you are receiving alimony or paying it. Generally, the person paying the alimony can reduce their income by the amount of alimony paid, while the person receiving the alimony must declare it as taxable income.

Child support

No. The amounts you pay for child support are not deductible. ■

Please consult your tax advisor regarding tax deductions and credits for which you may be eligible, as well as the full details on those deductions discussed here.

Should you itemize?

Whether you itemize deductions on your federal tax return or claim the standard deduction depends on how much you spent on deductible expenses during the year. If your total itemized deductions exceed the standard deduction amount for your filing status, your taxes will generally be lower if you itemize. (Normally, your overall itemized deductions may be limited if your AGI exceeds certain limits, but the limits are removed for 2010.)

The standard deduction amounts are shown below. Please note that you may be entitled to a higher standard deduction amount than shown here if you are age 65 or older or blind.

2010 Standard Deduction Amounts

- $5,700 for Single or Married Filing Separately
- $8,400 for Head of Household
- $11,400 for Married Filing Jointly or Qualifying Widow(er)

Rome in Winter

BY BRIAN JOHNSTON

Winter mightn't be everyone's idea of the best time for a Roman holiday, but there are plenty of treats on offer during January and February. Sure, a chilly wind can blow around the Coliseum, but a winter sun might just as likely be shining, and locals still sit at outdoor cafés, even if they do need help from a gas heater. Cheerful Christmas decorations linger into mid-January, sales hit the shops, and Epiphany celebrations see the Italian version of Santa—an old woman—bring toys and candy to children; there is a huge toy fair on Piazza Navona for the occasion. This is followed, in February, by the parties of Carnival or Mardi Gras.

This is also the time to enjoy the best of Rome's modern cultural life: winter is when its theatres, jazz venues, and clubs are in full swing—venues often shut down over summer, when Romans retreat to other parts of Italy for their holidays. The opera season is also underway, offering the great classics by Verdi, Puccini, and Donizetti. And, while opening hours are shortened and you may find some places closed for renovations, Rome's tourist attractions are devoid of long queues and crowds. You'll be able to find an empty bench in the Sistine Chapel from which to admire Michelangelo's ceiling, or take a photo at the Trevi Fountain without a horde of other tourists in the way.

You could do worse than kick off your winter in Rome by taking in the view from Janiculum Hill, where you'll see the whole spread of historic Rome beneath you, a jostle of domes and cupolas, mimicked on the hillside itself by a crowd of fountains and monuments. The rooftops of the Vatican are a standout and, of course, this tiny independent state is one of the highlights of Rome. Majestic Piazza San Pietro at its heart is overlooked by saints waving from the rooftops. On Sundays at noon, you'll spot the pope himself waving from the balcony of the papal apartments.

St Peter's Basilica is at the spiritual heart of the Catholic world; this gigantic and rather overwhelming church is strewn with sculptures, baroque cherubs, artworks (including Michelangelo's great masterpiece, Pietà), and the tombs of popes and saints. There's a fine view from the dome, and

The spiral staircase, left, in the Vatican Museum in Rome. The Via Condotti, below, one of Rome's major shopping streets, is alive with shoppers and tourists year-round.

you can even descend into the necropolis where, these days, you'll probably feel like a character from *The Da Vinci Code*. Then move on to the Vatican Museum, one of the world's best art galleries, which incorporates the Sistine Chapel, renowned for its Biblical frescoes painted by Michelangelo.

There are, needless to say, quite a few fine museums, and another winter bonus comes during Culture Week (usually in April), when you get free entry to many museums, as well as historic sites. Among the other museums worth a wander are the Galleria Borghese in the middle of Rome's finest public park—featuring Bernini sculptures and glorious Caravaggio canvasses—and Scuderie del Quirinale, the former papal stables that now house changing exhibitions of remarkable quality, often on loan from other art museums from around the world. Less known, but very fine, is the Galleria Doria Pamphilj, whose collection of European paintings would be world-renowned if it weren't for the fierce museum competition in Italy.

While art and ancient Roman ruins may be Rome's chief attraction, take time to soak up the atmosphere in some of the city's finest squares. Piazza del Campidoglio, designed by Michelangelo, is splendid, particularly when illuminated at night. Piazza Farnese is also charming and usually very tranquil; from here you can walk down Via Giulia, one of Rome's most beautiful residential streets. Piazza Navona, once the site of a stadium in ancient Rome, is now a baroque glory and a fashionable modern hangout, cluttered with cafés and restaurants and sporting a magnificent fountain by Bernini.

A final piazza that is a must-visit would be the medieval Campo de'Fiori, with its bohemian atmosphere, fine eateries, and daily fresh food market. Rome just wouldn't be Italy without an interest in good eating, and it doesn't disappoint. Those winter days that are cold or rainy

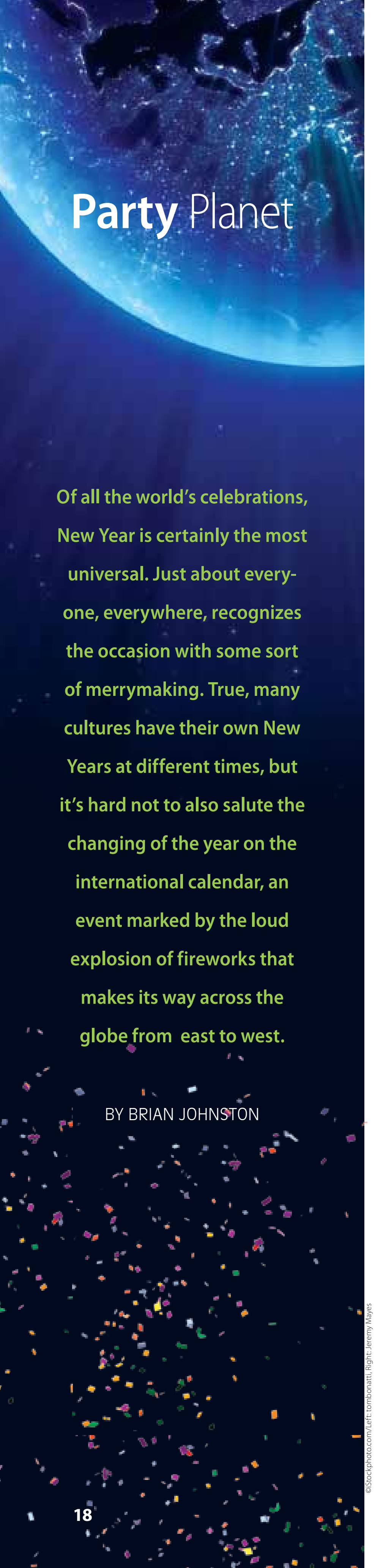
are just the good excuse you need to retreat into another café or restaurant to sample some Roman cuisine. Among the hearty winter food is roast lamb with rosemary, cured pork cheek with pasta, fish stews cooked with white wine, and potato gnocchi in tomato sauce. Winter is also the artichoke season; the Roman favorite is often stuffed with mint and garlic.

Among the fine pleasures of daily life in Rome are the osteria (tavern) and enoteche (wine bar) where you'll find locals entrenched over a game of cards or a good conversation. You can buy a glass of wine from the barrel in these cozy and often somewhat ramshackle places. Increasingly, these days, you'll also come across some rather more up-market versions, offering terrific finger food and sumptuous antipasto plates enticing with glistening olives, roasted eggplant or delectable fried squid drizzled with lemon juice.

No visit to Rome would be complete without a spot of shopping. You'll certainly see that a flair for style and artistry in Rome isn't just confined to the ancient or Baroque eras—window-shopping here is a wonderfully aesthetic experience. Besides, shopping is approached by Italians as a way of life, and many shopping streets have a positively carnival atmosphere: expect crowded cafés, street hawkers selling hot chestnuts, and plenty of giggling girlfriends.

Needless to say, another pleasure of shopping in Rome is, well, the shopping. During winter you'll only be further induced to part with your money by the January sales, which kick off shortly after Christmas. Fashion is, of course, the highlight, but housewares, porcelain, glassware and lace (especially imported from Venice), and gourmet food also make for very fine purchases. Perhaps less well known, but of very fine quality, are the rare books, prints, and elegant stationery. And, needless to say, you can find just about any religious paraphernalia imaginable—idle visitors may be amused by snow-globes featuring the Pope against a Vatican backdrop.

Among the best shopping streets are the fashionable and very expensive Via Borgognona and Via Condotti near the Spanish Steps—just the place to hunt down the latest Fendi bag or Valentino dress. Via Cola di Rienzo (by the Vatican) is more mid-range and offers plenty of clothes and shoes. Via del Corso draws a younger crowd to its hip clothing and sportswear stores. Mind you, most tourists come here for the Trevi Fountain. In winter, you aren't likely to throw yourself into it like a scene from a Hollywood movie. Still, you can always throw a coin in… if you have any left over from your shopping spree. ■



Party Planet

Of all the world's celebrations, New Year is certainly the most universal. Just about everyone, everywhere, recognizes the occasion with some sort of merrymaking. True, many cultures have their own New Years at different times, but it's hard not to also salute the changing of the year on the international calendar, an event marked by the loud explosion of fireworks that makes its way across the globe from east to west.

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Sydney is the first major city on the planet to ring in the New Year, and several tons worth of fireworks go pop over the harbor for the kids' show at 9 p.m. and again at midnight. The spectacular finale always features fireworks bursting over, and streaming down from, the city's distinctive Harbor Bridge. A million people flock down to the city's scenic foreshores to enjoy the spectacle; if you want to be anywhere near the water, you should be picnicking from mid-afternoon.

Hong Kong, where the New Year is counted down in places such as Times Square and Ocean Terminal, rivals Sydney as one of the grandest spots on the planet to see firework displays. The city's harbor skyline makes for a spectacular backdrop, with lasers adding to the effect and skyscrapers winking their lights. Restaurants are usually bursting at the seams, with dumplings and seafood often the dishes of choice, since both are thought to bring good luck.

In **London**'s Trafalgar Square, revelers fling themselves into the fountains as Big Ben booms. Colored lasers and a fireworks display are centered on the London Eye, and the next day there is a colorful New Year's Parade featuring marching bands and clowns.

Another fine European city for New Year is **Prague**, where temperatures plummet but the party spirit heats up. Watch out: fireworks seem to fly just about everywhere, though the official ones are over Prague Castle. As for **Berlin**, it sees a sea of a million people stretching for two miles through the city center in order to see international rock groups and other live bands. The music and dancing keep going until dawn breaks.

In **Paris**, the Champs-Elysées is the place to be for the countdown: huge crowds jostle along the famous road as the clock strikes midnight and Parisians temporarily go mad. There are kisses all round at midnight, but if you want something a little more romantic, a New Year's dinner cruise along the Seine River, with lights twinkling from either bank, might be just the thing.

North America's moment of madness comes next, with **New York City** one of the first in line. The countdown at Times Square is, needless to say, one of the most famous spots to spend the midnight hour, as a crystal ball descends from the building at Number One, reaching the bottom on the stroke of midnight. But while New York may be recognized as one of the places to spend New Year, there are certainly plenty of alternatives. **New Orleans** is slowly recovering its party spirit of late, with its own ball drop in Jackson Square and the whole of Bourbon Street raucous with partygoers. In **Las Vegas**, the gambling pauses for fireworks over an exceedingly crowded Strip. Downtown, there is a block party at Fremont featuring rock groups such as Supernova and Chicago, with a shower of confetti at midnight.

Celebrations in **Washington, DC** are more patriotic in flavor, and the fireworks against a backdrop of the city's monuments are quite wonderful. In **Honolulu**, the event has a distinctive Japanese flavor with traditional New Year foods and visits to local Shinto shrines.

Certainly one of the most unusual and exuberant New Years is celebrated in **Rio de Janeiro**. Half the city appears to picnic on its famous beaches, and many rush into the sea at midnight to fling offerings of flowers and gifts into the waves. If the offerings are carried out to sea, it's considered a good omen for the year to come. Thousands of candles flicker on the sands, and fireworks finish it all off, most spectacularly at Copacabana.

Like Sydney where it all begins, Brazil's is a New Year celebrated in summer. Sadly, plane flight is still just a little too slow to get you from Australia to Brazil on time to do both. But one day, who knows—you really could party around the world. ■

What's On at the Art Museums

Boston, MA

Millet and Rural France • *Through May 30, 2011*
The Museum of Fine Arts, Boston is currently displaying some 46 drawings, pastels, prints, and paintings from its Jean-François Millet (1814-1875) collection—a treat for fans of this French artist.

Dallas, TX

Gustav Stickley and the American Arts and Crafts Movement • *February 13–May 8, 2011*
This exhibition at the Dallas Museum of Art and later at the San Diego Museum of Art (June 18–September 11, 2011) features more than 100 works produced by Stickley's designers and workshops, including furniture, metalwork, lighting, and textiles. The majority of the objects are from private collections and have never been seen in public before.

New York City, NY

The Emperor's Private Paradise: Treasures from the Forbidden City • *February 1–May 1, 2011*
Some 90 paintings, decorative works, architectural elements, and religious works created for a lavish royal retreat within the Forbidden City in 1771 are on display at the Metropolitan Museum of Art.

Seattle, WA

Behind the Scenes: The Real Story of the Quileute Wolves • *Through August 14, 2011*
This exhibition at the Seattle Art Museum is comprised of about 25 objects of Quileute art and offers a counterpoint to the fantasy of the Quileute Native Peoples as werewolves, as portrayed in the *Twilight* series of books and movies.

Washington, DC

Gauguin: Maker of Myth • *February 27–June 5, 2011*
Nearly 200 works by Paul Gauguin—among them his paintings of Brittany and the islands of the South Seas—are featured at the National Gallery of Art. The exhibition examines Gauguin's use of religious and mythological symbols in his art. ■

Read any good books lately?

1. *Eat, Pray, Love* recalls Elizabeth Gilbert's journey of self-discovery to:

A. Italy, India, and Indonesia
B. Italy, China, and Mexico

2. In which novel is the unlikely hero a pint-sized, tattoed computer-hacker named Lisbeth ?

A. *The Girl Who Kicked the Hornet's Nest* (Stieg Larsson)
B. *Nine Dragons* (Michael Connelly)

3. The novel *Matterhorn* (Karl Marlantes) follows the men of Bravo Company in:

A. World War II
B. The Vietnam War

4. *The Help* (Kathryn Stockett) examines issues of race during the:

A. 1860s
B. 1960s

5. Which popular series focuses on vampires and werewolves in Washington state?

A. *The Twilight Saga* (Stephenie Meyer)
B. *Harry Potter* (J.K. Rowling)

6. Who wrote *Under the Dome*, the tale of a small town in Maine where residents are trapped under an invisible force field?

A. Dean Koontz
B. Stephen King

7. *Three Cups of Tea: One Man's Mission to Promote Peace... One School at a Time* (Greg Mortenson and David Oliver Relin) recounts Greg Mortenson's efforts to build schools in:

A. Pakistan and Afghanistan
B. Bosnia

ANSWERS: 1–A, 2–A, 3–B, 4–B, 5–A, 6–B, 7–A

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