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If you haven't filed your 2004 individual tax return yet, it's getting late. Individual extensions filed by April 15 give taxpayers until August 15 to file their returns. Please contact our office immediately if you have not yet filed and wish us to assist you.

ROTH VERSUS TRADITIONAL: WHICH IS RIGHT FOR YOU?

Many people are eligible to contribute to either a traditional or Roth IRA each year. Determining which one provides the largest benefit is a complex question of age, interest rates, tax rates, timing of distributions and other factors. Here are a few basics:

◆ **Rules common to both types of IRAs.** IRAs are personal retirement plans in trustee accounts. . .taxpayers need "earned" income or alimony to be eligible to contribute. . .the maximum contribution amount for 2005 is the lesser of \$4,000 (plus \$500 if you're over 50) or earned income. . .eligible investments include stocks, bonds, mutual funds and most other securities. . .taxable distributions are taxed as ordinary income

◆ **Differences between the two.** Contributions to Roth IRAs are never deductible; contributions to traditional IRAs are deductible unless the taxpayer or spouse is covered by a retirement plan. . .withdrawals of amounts previously contributed to a traditional IRA are generally taxable; withdrawals of amounts contributed to a Roth are not. . .distributions of earnings from traditional IRAs are almost always taxable; earnings withdrawn from Roth IRAs after the owner is 59½ and has waited five years from the first Roth contribution are tax free

◆ **Decisions, decisions.** Start by typing "IRA calculator" in your internet search engine. . .be prepared to enter a plethora of factual information and best guesses. . .consider discussing the resulting output with your financial advisor. . .bottom line: taxpayers who want immediate deductions will choose the traditional IRA; those who can forego the immediate tax break will often do better over time in a Roth. . .finally, I'd advise anyone without a Roth to open one. . .this diversifies savings between accounts that will produce taxable withdrawals and one that will likely produce non-taxable ones

TOP TIPS ON MONEY, FROM MONEY

I can't help it; I like reading Money magazine. So it's not filled with complex articles describing the importance of regression analysis and standard deviation in determining mutual fund performance. The feature articles are simple, usually straightforward and great triggers for considering your own financial picture. Here are a few "smartest things to do with your money" from a recent issue:

◆ **Maximize your savings.** Amen. . .take full advantage of employer retirement and benefit plans. . .strive to increase your

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savings amount each year. . .put the power of compound interest to work for you--\$1,000 stashed today and earning 7% can yield more than \$8,000 in 30 years

◆ **Stick to investment basics.** Invest the same dollar amount each month; "dollar cost averaging" insures you get more shares when prices are down and buy fewer when prices are high. . .avoid holding too much money in one stock or fund. . .select an allocation strategy (i.e., 50% in large cap funds, 30% small cap and 20% bonds) and rebalance periodically. . .trade aggressively at your own peril; timing the market isn't easy

◆ **Automate.** Direct as much as possible from your regular paycheck away from your pocket and into your 401(k) or cafeteria plan instead. . .establish automatic transfers from your checking account to other savings accounts. . .authorize payments for utility or other regular bills to be made automatically from your checking account or charged to your credit card

DOES YOUR BUSINESS NEED A CHANGE OF IDENTITY?

We're often asked to advise clients on the tax effect of forming corporations or other entities. It's a question that defies a cookie cutter approach but here are some simple principles you might wish to keep in mind:

◆ **Liability Protection.** Protecting personal assets from business creditors is a common reason for adopting a legal business entity. . .corporations and limited liability companies offer some protection. . .check with a business attorney regarding this important topic

◆ **Tax Impact.** Some corporations are taxed separately from the individual owners. . .corporations electing "S corporation" status, like partnerships, are not taxed directly. . .owners of S corporations and partnerships report their share of taxable business income on their individual tax returns

◆ **Getting Started.** We always recommend our clients use an attorney to create a separate legal entity. . .expect to pay at least \$500 for a simple one-person business. . .be prepared to spend more--and to address some thorny issues if you have one or more business partners (e.g., how do I get out of this thing if I want to?)

CLIENT CORNER - ArDent Care Dentistry

Rd.

"Dentistry without discomfort" is how Dr. Renee Watts might want you to think of ArDent Care. Practicing since her graduation from dental school in 1994, Dr. Watts and her team of hygienists and assistants strive to make dental care as stress-free as possible. She has received both the fellowship award from the Academy of General Dentistry and the Volunteer Dentist of the Year award from the Oregon Dental Foundation. "Our focus is to work with patients to restore and maintain dental health in a relaxed, caring atmosphere," says Dr. Watts.