

Advanced Marketing Strategies



2008 Tax Update

Here are some key facts and figures you should know when speaking with your clients during tax season.

2008 IRA Contribution Limits/Traditional and Roth

Regular \$5,000
Catch-up* \$1,000

*Taxpayers age 50 and over are eligible to make catch-up contributions

AGI phase-out range for contributions to Roth IRAs:

MFJ \$159,000 - \$169,000
Single \$101,000 - \$116,000

Roth conversions: Modified AGI less than \$100,000; cannot be married filing separately

IRA Deduction if not covered by Retirement Plan

| Filing Status | Modified AGI | Deduction |
|---------------------------------|-----------------------|-----------|
| Single | Any amount | Full |
| MFJ (neither spouse is covered) | Any amount | Full |
| MFJ (spouse is covered) | \$159,000 or less | Full |
| | \$159,001 - \$169,000 | Partial |
| | \$169,001 or more | No |
| MFS (married filing separately) | Less than \$10,000 | Partial |
| | \$10,000 or more | No |

IRA Deduction if covered by Retirement Plan

| Filing Status | Modified AGI | Deduction |
|--------------------------------------|----------------------|-----------|
| HOH (single & head of the Household) | \$53,000 or less | Full |
| | \$53,001 - \$63,000 | Partial |
| | \$63,001 or more | No |
| MFJ (married filing jointly) | \$85,000 or less | Full |
| | \$85,001 - \$105,000 | Partial |
| | \$105,001 or more | No |
| MFS (married filing separately) | Less than \$10,001 | Partial |
| | \$10,001 or more | No |

Maximum qualified long term care insurance premiums eligible for deduction

| Age | 40 or less | 41-50 | 51-60 | 61-70 | Over 70 |
|------|------------|-------|---------|---------|---------|
| 2008 | \$310 | \$580 | \$1,150 | \$3,080 | \$3,850 |

Qualifying LTC contract per diem limit: \$270

| Personal Exemptions | Exemption | AGI | |
|---------------------|-----------|-----------|-------------|
| | | Threshold | Upper limit |
| MFJ (MFS is ½) | \$3,500 | \$239,950 | \$362,450 |
| Single | \$3,500 | \$159,950 | \$282,450 |

Standard Deduction

| | |
|-------------------------|----------|
| MFJ | \$10,900 |
| Single (also MFS) | \$5,450 |
| Head of household (HOH) | \$8,000 |

Social Security

- Maximum annual earnings subject to social security taxes: \$102,000
- Maximum social security tax for 2008: \$6,324
- Social security tax rate: 12.4% self employed, 6.2% employees
- No ceiling for Medicare tax
- Medicare tax rate: 2.9% self employed, 1.45% employees

2008 Tax Update

Uniform Lifetime Table

Used for calculating required minimum distributions from qualified plans and Traditional IRAs.

| Current Age | Distribution Period | Current Age | Distribution Period |
|-------------|---------------------|-------------|---------------------|
| 70 | 27.4 | 93 | 9.6 |
| 71 | 26.5 | 94 | 9.1 |
| 72 | 25.6 | 95 | 8.6 |
| 73 | 24.7 | 96 | 8.1 |
| 74 | 23.8 | 97 | 7.6 |
| 75 | 22.9 | 98 | 7.1 |
| 76 | 22.0 | 99 | 6.7 |
| 77 | 21.2 | 100 | 6.3 |
| 78 | 20.3 | 101 | 5.9 |
| 79 | 19.5 | 102 | 5.5 |
| 80 | 18.7 | 103 | 5.2 |
| 81 | 17.9 | 104 | 4.9 |
| 82 | 17.1 | 105 | 4.5 |
| 83 | 16.3 | 106 | 4.2 |
| 84 | 15.5 | 107 | 3.9 |
| 85 | 14.8 | 108 | 3.7 |
| 86 | 14.1 | 109 | 3.4 |
| 87 | 13.4 | 110 | 3.1 |
| 88 | 12.7 | 111 | 2.9 |
| 89 | 12.0 | 112 | 2.6 |
| 90 | 11.4 | 113 | 2.4 |
| 91 | 10.8 | 114 | 2.1 |
| 92 | 10.2 | 115 | 1.9 |

2008 Capital Gain Rates

| Tax Bracket | Short Term Gains (<12 mo) | Long Term Gains (>12 mo) |
|--------------------------|---------------------------|--------------------------|
| 10% and 15% Tax Brackets | Ordinary Rate | 0% |
| Other Tax Brackets | Ordinary Rate | 15% |

2008 Qualified Plans

| | |
|---|-----------|
| Maximum elective deferral to retirement plans, i.e. 401(k), 403(b) | \$15,500 |
| Maximum elective deferral to Roth 401(k) plan (no income phase out) | \$15,500 |
| Catch-up contribution limit for 401(k), 403(b), 457, & Roth 401(k) | \$5,000 |
| Maximum elective deferral to SIMPLE 401(k) plans | \$10,500 |
| Catch-up contribution limit for SIMPLE plans | \$2,500 |
| Maximum elective deferral to 457 Plans of tax exempt employers | \$15,500 |
| Limits on annual additions to SEP Plans | \$46,000 |
| Annual compensation threshold requiring SEP contribution (limited to 25%) | \$500 |
| Limit on annual additions to defined contribution plans | \$46,000 |
| Maximum annual compensation taken into account for contributions | \$230,000 |
| Annual benefit limit under defined benefit plans | \$185,000 |
| Threshold amount for definition of highly compensated employee | \$105,000 |
| Threshold amount for definition of key employee in top heavy plans | \$150,000 |

Education Incentives

Coverdell Education Savings Accounts

Contribution Limit: \$2,000 per beneficiary, per year
 AGI Phase outs: MFJ \$190,000 - \$220,000
 Single \$95,000 - \$110,000

Qualified Tuition Programs

Section 529 Plans: Distributions used for qualified higher education expenses are free of federal income tax.

Hope Scholarship Credit

Up to \$1,800 per student for first 2 years of higher education tuition paid.
 AGI Phase outs: MFJ \$96,000 - \$116,000
 Single \$48,000 - \$58,000

Lifetime Learning Credit

Equal to 20% of taxpayers' first \$10,000 of out-of-pocket qualified tuition and related expenses.

Student Loan Interest Deduction

Maximum deduction: \$2,500
 AGI Phase outs: MFJ \$115,000 - \$145,000
 Single \$55,000 - \$70,000

Kiddie Tax

Children under age 14 and full-time students under 24 with unearned income of:

| | | |
|--------------|---------|-------------------|
| First | \$900 | No tax |
| Next | \$900 | 10% tax |
| Amounts over | \$1,800 | Parents' tax rate |

Health Savings Account

| | Regular | Catch-up* |
|--------|---------|-----------|
| Single | \$2,900 | \$900 |
| Family | \$5,800 | \$900 |

*For taxpayers age 55 and over

2008 Rate Schedules

Single filing

(Tax Rate Schedule X)
 10% on income between \$0 and \$8,025
 15% on the income between \$8,025 and \$32,550; plus \$802.50
 25% on the income between \$32,550 and \$78,850; plus \$4,481.25
 28% on the income between \$78,850 and \$164,550; plus \$16,056.25
 33% on the income between \$164,550 and \$357,700; plus \$40,052.25
 35% on the income over \$357,700; plus \$103,791.75

Married filing jointly or qualifying widow(er) filing status

(Tax Rate Schedule Y-1)
 10% on income between \$0 and \$16,050
 15% on the income between \$16,050 and \$65,100; plus \$1,605.00
 25% on the income between \$65,100 and \$131,450; plus \$8,962.50
 28% on the income between \$131,450 and \$200,300; plus \$25,550.00
 33% on the income between \$200,300 and \$357,700; plus \$44,828.00
 35% on the income over \$357,700; plus \$96,770.00

Married filing separately filing status

(Tax Rate Schedule Y-2)
 10% on income between \$0 and \$8,025
 15% on the income between \$8,025 and \$32,550; plus \$802.50
 25% on the income between \$32,550 and \$65,725; plus \$4,481.25
 28% on the income between \$65,725 and \$100,150; plus \$12,775.00
 33% on the income between \$100,150 and \$178,850; plus \$22,414.00
 35% on the income over \$178,850; plus \$48,385.00

Head of household filing status

(Tax Rate Schedule Z)
 10% on income between \$0 and \$16,050
 15% on the income between \$16,050 and \$43,650; plus \$1,145.00
 25% on the income between \$43,650 and \$112,650; plus \$5,975.00
 28% on the income between \$112,650 and \$182,400; plus \$23,225.00
 33% on the income between \$182,400 and \$357,700; plus \$42,755.00
 35% on the income over \$357,700; plus \$100,604.00

2008 Taxable Estate

| Taxable Estate | Tax |
|---|--|
| Not over \$10,000 | 18% |
| Over \$10,000 but not over \$20,000 | \$1,800 + 20% of the amount over \$10,000 |
| Over \$20,000 but not over \$40,000 | \$3,800 + 22% of the amount over \$20,000 |
| Over \$40,000 but not over \$60,000 | \$8,200 + 24% of the amount over \$40,000 |
| Over \$60,000 but not over \$80,000 | \$13,000 + 26% of the amount over \$60,000 |
| Over \$80,000 but not over \$100,000 | \$18,200 + 28% of the amount over \$80,000 |
| Over \$100,000 but not over \$150,000 | \$23,800 + 30% of the amount over \$100,000 |
| Over \$150,000 but not over \$250,000 | \$38,800 + 32% of the amount over \$150,000 |
| Over \$250,000 but not over \$500,000 | \$70,800 + 34% of the amount over \$250,000 |
| Over \$500,000 but not over \$750,000 | \$155,800 + 37% of the amount over \$500,000 |
| Over \$750,000 but not over \$1,000,000 | \$248,300 + 39% of the amount over \$750,000 |
| Over \$1,000,000 but not over \$1,250,000 | \$345,800 + 41% of the amount over \$1,000,000 |
| Over \$1,250,000 but not over \$1,500,000 | \$448,300 + 43% of the amount over \$1,250,000 |
| Over \$1,500,000 | \$558,800 + 45% of the amount over \$1,500,000 |

Subtract the applicable credit below from calculated tax

| 2008 | Exclusion Amount | Applicable Credit |
|-------------|------------------|-------------------|
| Estate gift | \$2,000,000 | \$780,800 |
| Gift tax | \$1,000,000 | \$345,800 |

Annual gift tax exclusion: \$12,000 (individual), \$24,000 (married) (2007)

GST exemption: \$2,000,000 (2007)

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