



RFC FINANCIAL PLANNERS

*Organize. Simplify. Plan.*



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## Planning Points

Quarterly Newsletter – Winter 2012

### OUR THOUGHTS:

Below we've shared information on some 2012 updates. Please feel free to contact us with any questions.

#### **Michigan Retirement Income Taxation**

Beginning in tax year 2012, Michigan has changed the way retirement income will be taxed. Visit the link below to see these details as shared by the State of Michigan's website.<sup>1</sup>

(source: Michigan.gov/tax) [http://www.michigan.gov/documents/taxes/Tax\\_Change\\_Summaries\\_-\\_Retirement\\_Exemptions\\_359799\\_7.pdf](http://www.michigan.gov/documents/taxes/Tax_Change_Summaries_-_Retirement_Exemptions_359799_7.pdf)

The financial institution sending you your retirement income may process the state tax withholding differently. We've seen some firms make no changes, other firms have instituted automatic state tax withholding, while some have sent out communications asking for your preference. However, you are allowed to opt out of having state taxes withheld if you desire.

#### **2012 Company Retirement Plan Contributions Limits**

The 2012 contribution limits for 401K, 403B, and 457 plans have increased from \$16,500 to \$17,000. The catch-up contribution limit for those ages 50 and older remains unchanged at \$5,500.

#### **Increased Savings Ability**

For 2011, the employee-portion of Social Security taxes was reduced from 6.2% to 4.2%. This 2% savings has been extended for 2012. For those employees not already contributing the maximum allowable amount, this presents a great opportunity to increase your retirement plan savings.

#### **Potential Mortgage Refinancing Opportunity**

Refinancing at today's interest rates is a very smart move for most people. However, many homeowners are unable to do so because they owe more than their homes are worth. The Home Affordable Refinance Program (HARP) has recently been revised again, dubbed HARP 2.0, to allow more borrowers who owe more than their home is worth to refinance into a lower interest rate. The HARP program had allowed borrowers who owed up to 125% of their home's market value the ability to refinance, and the recent revision to HARP 2.0 removes the 125% cap. To qualify, your loan must be owned or guaranteed by Fannie Mae or Freddie Mac. You can determine if you have a Fannie Mae or Freddie Mac loan by going online ([www.fanniemae.com/loanlookup](http://www.fanniemae.com/loanlookup) or <https://ww3.freddie.mac.com/corporate/>) or by calling (800-7FANNIE or 800-FREDDIE). The program also requires that borrowers have missed no more than one payment during the past twelve months and none during the past six months, and that borrowers have not already refinanced through the HARP program. For those that would like to do this, but whose loans are not owned by Fannie Mae or Freddie Mac, there is a recently proposed and similar refinance plan for other borrowers.

#### **Don't Forget! - 529 Deposits**

Remember to provide your accountant with the total 529 deposit amounts you have made each year. These amounts may be state tax deductible depending on your state of residence. Michigan does allow for an annual tax deduction of up to \$10,000 per family.

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## RFC NEWS:

### Brokerage Account Online Access

Due to the recent brokerage account conversion from First Clearing to National Financial Services, those clients with brokerage accounts who want online account viewing will need to visit a new website (<https://www.mystreetscape.com/my/sigma>). Please contact our office for help obtaining your User ID and initial PIN.

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## DID YOU KNOW?

**CASH RATES** - The average taxable money market fund is currently yielding 0.03%. 4 years ago (February 2008), the average yield was 3.05%, or more than 100 times larger (source: iMoneyNet).

**JOBS** - Private sector jobs in the US, up 257,000 in January 2012, have increased for 16 consecutive months. Whereas, public sector jobs, down 14,000 in January 2012, have decreased in 14 of the last 15 months (source: DOL).

**SPRING IS IN THE AIR** - Training camps for major league baseball teams just began. The minimum salary for a major league baseball player for 2012 is \$480,000. To rank in the top 1% of all US taxpayers (based upon 2009 tax data) required an adjusted gross income level of at least \$343,927 (source: MLB, IRS).

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**Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.**

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<sup>1</sup>Asset Allocation or Diversification does not ensure a profit or guarantee against loss; it is a method used to help manage risk.

<sup>2</sup> Past market performance is no guarantee of future investment performance or success. This is for your informational purposes only and should not be construed as tax advice; please consult your tax advisor.