

This Publication is presented to you compliments of:

**Iowa State Bank
Investment Services**

Money At Work

Summer 2009

Featured in this issue:

Page 1 - Tax breaks in the new stimulus law

Page 2 - Do you need diversification

Page 3 - Don't fear the probate process

Section 529 Plans: Twice is as nice

Page 4 - Five key changes for retirement plans

For Your Investment Planning Needs Contact:

Barbara Kazma 515-246-6362

Pat Johnson 515-244-5619

Iowa State Bank Investment Services

627 E. Locust Street

Des Moines, IA 50309

(888) 824-0111

(515) 244-3413

Barbara Kazma and Pat Johnson are registered representatives of LaSalle St. Securities, LLC. Securities are offered only through: **LaSalle St. Securities, LLC**

Tax breaks in the new stimulus law

The new economic stimulus law – the American Recovery and Reinvestment Act of 2009 – contains many tax breaks for individuals. Here is a brief overview.

Making Work Pay credit: An employee or self-employed individual may claim a credit equal to the lesser of 6.2% of earned income, or \$400 for single filers or \$800 for joint filers. This new credit, which is available for 2009 and 2010, phases out if your modified adjusted gross income (MAGI) is \$75,000 or more for single filers and \$150,000 for joint filers.

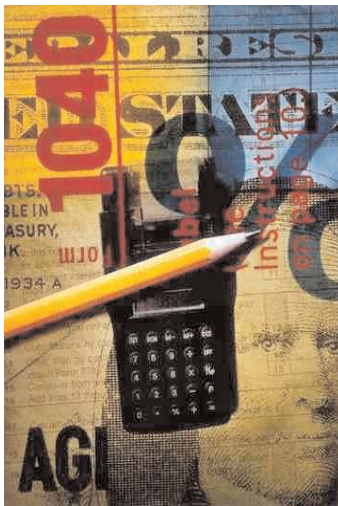
Alternative minimum tax: Congress “patched” the alternative minimum tax (AMT) for 2009 by extending the use of personal credits to offset AMT liability and increasing the exemption amounts.

Small business stock: Previously, you could exclude tax on 50% of the gain on the sale of “qualified small-business stock” (QSBS). The new law increases the tax exclusion to 75% for QSBS acquired after February 17, 2009, and before January 1, 2011.

New cars: You can deduct sales and excise taxes attributable to the first \$49,500 of a new vehicle’s price. The deduction is phased out for a MAGI exceeding \$125,000 for single filers and \$250,000 for joint filers. It is only available for purchases between February 17 and December 31, 2009.

Education credit: The Hope education credit is enhanced for 2009 and 2010 and renamed the “American Opportunity Tax Credit.” The maximum credit is increased to \$2,500 (up from \$1,800 for 2008) and will be available for all four years of study. Also the phase-out thresholds are boosted to \$80,000 of MAGI for single filers and \$160,000 for joint filers.

First-time homebuyer’s credit: The new law increases the maximum credit to \$8,000 (from \$7,500 for 2008) for purchases after December 31, 2008, and before December 1, 2009. Unlike the credit for 2008, you are not required to repay the credit over 15 years if you live in the home at least three years. But the credit for 2009 still phases out for a MAGI exceeding \$75,000 for single filers and \$150,000 for joint filers.



Continued on Page 2

Tax breaks in the new stimulus law

Continued from Page 1

Section 529 distributions: For 2009 and 2010, distributions from a Section 529 plan used to pay for computers or computer technology at college are tax-free as qualified education expenses.

Retiree payments: The new law provides a one-time payment of \$250 to taxpayers living on a fixed income, such as Social Security recipients, railroad retirees, disabled veterans and certain government retirees.

Unemployment benefits: For 2009, no income tax is imposed on the first \$2,400 of unemployment benefits received.

COBRA benefits: An individual losing a job between September 1, 2008, and December 31, 2009, can receive COBRA coverage by paying only 35% of the required amount. Employers paying the balance will receive employment tax credit.

Energy incentives: The new law also includes a slew of tax benefits for making energy-saving improvements to a residence.

This is only a brief summary. Obtain guidance from your professional tax and financial advisors.

Do you need diversification?

Now, probably more than ever, diversification may be a critical element in maintaining a well-managed investment portfolio. Of course, this does not assure a profit, especially in a declining market.

Essentially, diversification refers to including different kinds of investments – such as stocks, bonds, and cash equivalents – in your portfolio. Similarly, it means that you should also maintain a mix of investments in different sectors or industries.

For example, you might view investments in international stocks as a way to offset domestic stock risks. The basic concept is to spread the risk around, rather than “putting all your eggs in one basket.”

Caveat: Even if you rely on fundamental investment principals, such as diversification, that have worked in the past, you are not protected against the potential for an overall loss. There are no absolute guarantees, and you must recognize the inherent risks involved with all of your investments.

The concept of diversification is often combined with an asset allocation strategy that divides up your portfolio – usually with specified percentages – based on your needs and objectives as well as your personal tolerance for risk. You can rely on experienced financial advisers to help you develop the general parameters. As part of this process, you should ask yourself – and answer - the following questions:

What are my investment goals?

What is my time horizon for reaching these goals?

How much can I afford to invest tomorrow?



How much growth will be needed to reach my goals?
What level of risk am I willing to assume in pursuit of my goals?

Of course, everyone’s situation is different. The exact methodology you will use to diversify your portfolio should be tailored to your particular circumstances. As an example, a single 30-year-old just starting down a career path will likely opt for an investment mix different from a married 55-year-old professional with a couple of children in college and retirement looming in the near future. If you are already retired, it is also important to monitor your investments to avoid having the asset allocation veer off course. If this happens you may want to adjust the current allocation or rethink the stated percentages. Furthermore, your situation may be affected by life-changing events, such as getting married or divorced, having a child, switching jobs or careers, starting your own business or retiring. Although these events tend to occur at “busy” times of your life, don’t ignore the impact.

Remember: You don’t have to tackle these issues on your own. Trusted financial advisers can provide the guidance you need.

Don't fear the probate process



For some individuals, the expectations about “probate” rival anxieties over a painful medical or dental surgery. Yet probate is often a fairly innocuous procedure to endure. This is especially true where the decedent has a will that is properly executed.

What exactly is probate? It is the legal procedure for winding up the decedent’s affairs, paying debts, (including medical or nursing home bills) and distributing the assets of the estate. Where there is a will, the heirs typically hire an attorney to have the will validated.

Since the probate is a court-supervised process, legal fees and other administrative fees have to be paid out of the estate. There is also the hassle and delay of a judicial process.

As a result, people often try to pass much of their estate to their heirs outside of probate. This is perfectly legal.

Case in point: Any property owned jointly with another person under a designation of “joint tenancy with a right of survivorship” will pass to the survivor automatically upon the death of the decedent without the probate process. Similarly, any assets such as life insurance, retirement funds and bank accounts, naming a beneficiary will also pass automatically without probate. In fact, if the decedent sets up a trust naming himself or herself as trustee and the heirs as beneficiaries, all the assets transferred to the trust would pass outside of probate. Since the assets pass to the beneficiary immediately upon the decedent’s death, they are not part of the decedent’s estate and, thus, avoid probate.

State law governs probate, so the actual process will differ somewhat from state to state. Some states have simplified probate for estates with assets under \$100,000. Others have provisions for simplified probate requiring the consent of all the beneficiaries. In most states, probate is relatively painless, unless there is a dispute over the will or over the executor’s actions.

Bottom line: Probate is not to be avoided at all costs, but it can be time consuming for heirs of certain estates. If your family owns sizeable assets, you might investigate the benefits of a trust arrangement that can bypass probate. See your legal and financial advisers for more details.

Section 529 Plans: Twice is as nice

With a Section 529 Plan, you can contribute funds to an account that can be tapped tax-free when your beneficiary, such as your child or grandchild, is ready for college. The benefits may be conditioned on certain requirements (e.g., residency, purpose or timing of distributions). Typically, the plan will offer an asset allocation strategy based on the age of the beneficiary.

Previously, you could change the investment mix for a Section 529 account only once a year (in addition to changes made if you switched beneficiaries). Now the federal government has granted more flexibility. Accordingly, you are able to change your investment strategy twice in 2009 if you so desire. An additional change is still allowed for a switch in beneficiaries.

Note: investors should consider the investment objectives, risks, charges and expenses associated with the municipal fund securities before investing. This information is found in the issuer’s official statement and should be read carefully before investing.



Five key changes for retirement plans

The Worker, Retiree, and Employer Recovery Act of 2008 affects participants in qualified retirement plans and IRAs, as well as clarifying certain provisions for employers in the Pension Protection Act of 2006 (PPA). Here are five key changes.

1. Required minimum distributions: As a general rule, you must begin taking a required minimum distribution (RMD) from your qualified retirement plans, including 401(k) plans and traditional IRAs, by April 1 of the year after the year in which you turn age 70 ½. If you do not take the RMD, you are liable for a penalty tax equal to 50% of the required amount.

The amount of the RMD is based on your life expectancy and, significantly, the value of your accounts on the last day of the previous year (e.g., December 31, 2007, for 2008 distributions). The new law suspends the RMD rule for defined contribution plans and IRAs, but only for the 2009 tax year. The rule for RMDs will be reinstated for 2010 unless subsequent legislation is enacted.

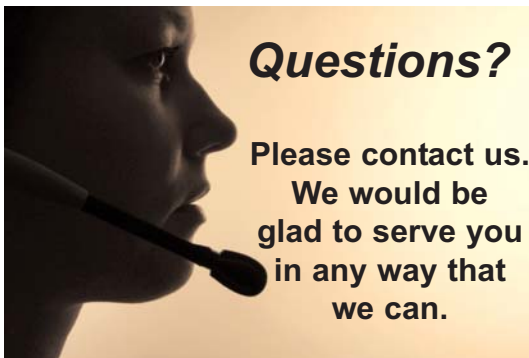
2. Nonspouse rollovers: Prior to the PPA, only a surviving spouse was able to roll over proceeds tax-free from a qualified plan to a traditional IRA. A nonspouse beneficiary – such as a child or grandchild – could not use this technique. But the PPA permits tax-free rollovers for plan distributions after 2006 as long as they are made directly from one trustee to another.



3. Single-employer plans: The PPA set transitional funding requirements for pension plans, but some employers may have difficulty meeting the targets under current economic conditions. For instance, the target percentage for 2009 is 94%. The PPA requires employers that do not meet this target to subsequently provide 100% funding. Under the new law, this rule is relaxed so the employer can limit subsequent funding to the target percentage.

4. Multiemployer plans: The new law liberalizes PPA funding rules for multiemployer plans in endangered or “critical” status. For example, effective for plan years beginning after September 30, 2008, and before October 1, 2009, the current funding status of multiemployer plans may be frozen, based on the prior year’s status. Also, the rehabilitation period is extended from 10 to 13 years for plans in endangered or critical status in 2008 or 2009 (from 15 to 18 years for plans in “seriously endangered” condition).

5. Automatic enrollment plans: The PPA encouraged employers to adopt the automatic enrollment feature in defined-benefit plans. The new law clarifies the withdrawal rules for automatic enrollment plans and extends coverage to other qualified retirement accounts like SIMPLE (Savings Incentive Match Plan for Employees of Small Employers) plans.



This newsletter/advertisement is produced for our clients, friends and associates through an arrangement with WPI Communications, Inc. for the representatives' use. Although the editorial content is professionally researched, written and edited, neither our firm nor any of its agents, representatives or associates make any representations regarding the accuracy of the content or its applicability to your situation. The information in this communication is not intended as tax or legal advice. In accordance with IRS Circular 230, the information provided herein may not be relied on for purposes of avoiding any federal tax penalties. Any tax advice contained in the body of this material was not intended or written to be used, and cannot be used, by the recipient for the purpose of 1) avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions, or 2) promoting, marketing or recommending to another party any transaction or matter addressed herein. You are encouraged to seek tax or legal advice from an independent advisor.



LASALLE ST.

LASALLE ST. SECURITIES, L.L.C.

Member FINRA/SIPC

940 N. Industrial Dr.
Elmhurst, IL 60126