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TOP 10 TAX PLANNING TIPS

Consider converting a Traditional IRA to a Roth IRA. Pay tax now at a lower rate assuming increasing rates or income in the future and have tax free income going forward.

Shift after tax investments into tax free or tax deferred investments. For example, purchase tax free muni-bonds, fund Roth IRA's, or purchase annuities.

Establish a 529 education plan for your child or grandchild. The fund earns tax free so long as the beneficiary uses the money for education. Kansas, Missouri and several other states allow an income tax deduction up to certain limits for the amount contributed.

Contribute to a health savings account (HSA), assuming you have a high deductible health care plan. The account earns tax free income if the funds are used to pay for qualified medical expenses.

Purchase permanent life insurance for your child or grandchild. (The younger the better). The premiums are low, the earnings are tax free, the cash value may be borrowed against for college funding and you may gift the policy to the child when they become gainfully employed.

Maximize your 401-K contribution if your employer has a plan. If not, maximize an IRA contribution. It may be a Roth or Traditional IRA depending on your age and tax bracket.

If you are 70 1/2 or older and are thus required to take IRA distributions (RMD), send your RMD directly to the charity of your choice. You comply with the RMD rules and the distribution does not increase your adjusted gross income (AGI). This provision expired December 31, 2009 but was extended through 2011.

If your child or grandchild has a job and thus has earned income in their name, make a gift to them by contributing directly to their Roth IRA.

Donate appreciated property to charity. You avoid the capital gain since it is not considered a sale and you get a charitable deduction. Several limitations apply here, so don't try this one without professional advice.

Invest in your home. The energy credit has been extended to December 31, 2011. If you purchase (install and pay for) qualifying property by December 31st you may claim a credit equal to 10% of the cost up to a maximum of $500. Qualifying property means things that are designed to prevent heat loss or gain such as high efficiency HVAC, insulation, exterior doors and windows, and water heaters. For details visit www.energystar.gov/.

In many of the cases mentioned above there are limitations or qualifications that must be met. If you have any questions please contact me.

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