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**Social Security: (cont'd)**

**3) File and Suspend:**

A new strategy emerged from the Senior Citizens' Freedom to Work Act of 2000 that allows a retiree that has reached full retirement age to file a claim, but then immediately suspend payments of benefits. This allows spouses to claim the 50% spousal benefit while the suspended account holder can continue to earn additional credits and increase his eventual benefit. This strategy would pay the 50% spousal benefit provided she has reached full retirement age otherwise the payout would be reduced accordingly.

**4) Claim and Switch:**

Another strategy born from the Senior Citizens' Freedom to Work Act of 2000 is the ability for a married spouse to file for 50% spousal benefit while continuing to work. Once she reaches age 70, she would then switch to her own benefits.

*EXAMPLE:* Jack is four years older than Jessica. Both work and have similar income levels. Jessica files for spousal benefits upon reaching full retirement age. She continues to work and receive benefits under Jack's benefits. Upon reaching 70, Jessica "switches" and begins taking her full benefits (which were increased due to her continued employment) and she ceases to receive spousal benefits under Jack.

These strategies need to be carefully considered. Each person and couple bring a unique set of circumstances in determining the most advantageous approach. Key determining factors include work history and age difference, as well as general health and well being of each individual. What works for one person or couple may not be

appropriate for another. It should also be noted that regardless of the strategy utilized one should always file for Medicare at age 65.

If you would like to discuss further the various options regarding Social Security, please do not hesitate to contact our office. ■

Contributions by Sarah J. Creath, CFP® and James A. Kaffenbarger, Jr., CFP®.

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**Social Security:  
Options to Consider**

Michael B. Bono, CPA



Many folks today think about Social Security as simply an income stream based on a lifetime of earnings that they are eligible to receive at age 62. Additionally, most are aware they will receive a larger monthly amount (approximately 25% more) by simply waiting until they reach their full retirement age (FRA) before taking benefits. An individual's FRA is based on their date of birth which establishes their full benefit payout. Currently, the FRA is at age 66. This article will explore some of the lesser known options of Social Security and how it is possible to increase one's payout above the normal full retirement benefit.

**1) Delay until age 70:**

The most straightforward way of increasing your payout is to not collect until age 70. For each year you delay, your payout will increase by an additional 8%! You may also receive an additional Cost of Living Allowance (COLA) to boot. Furthermore, if you decide to continue to work between your FRA and age 70, you can continue to increase the number of lifetime credits, thereby increasing your payout even further.

*EXAMPLE:* Suppose Sarah's full benefit is \$16,000 per year at age 65. Assuming a 3% annual COLA increase, if Sarah chooses to wait just four years until age 70, her annual benefit amount will increase to \$23,776.

**2) Claim, Withdraw, Reclaim:**

The Social Security Administration (SSA) allows retirees who claim benefits the option to later withdraw their application for benefits so they may later reclaim at a higher monthly rate.

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Essentially, the SSA is allowing retirees a "Do-Over" for mistakenly taking early benefits. Taking early benefits results in an approximate 25% reduction in benefits. In order to withdraw a current claim, the retiree simply needs to fill out Form SSA-521 and submit it to their local Social Security Office. The SSA will stop further payments and assess a bill for all payments previously made. The retiree must pay this bill in a lump sum. Once paid, the retiree's social security account is ready to be reclaimed, but at a higher pay out amount. Obviously, this could be problematic to return such a large amount of money. However, it also creates a strategy that one could employ.

*EXAMPLE:* Suppose Justin takes the early payout at age 62. Instead of spending his monthly benefit checks totaling \$16,000 for his first year, he deposits them in a stable investment earning 5%. At age 66, Justin then files Form SSA-521, and withdraws his current monthly benefit. Shortly after his submission, he receives a bill for all benefits he received (including spousal) totaling \$66,938.

Assuming an annual 3% COLA, he then pays the bill from his investment account and keeps the earnings of \$7,165. There are no interest and penalties to be paid, and his account is available for a new claim at a future date which will pay a much higher monthly benefit. It should be noted, Justin will be able to file for a credit or take as an itemized deduction amounts paid back to the Social Security Administration which were taxed in previous years. (continued on back)

## Trust Owned Property

*Are you actually insured?*

Brandi B. Graham and  
Darren L. Wilcox, Esq., CFP®



**Do you have a Living Trust? Are you the beneficiary or trustee of an existing trust? Do you have property that is owned by a trust?** If you answered "Yes" to any of these questions, it may be a good time to review your insurance coverage.

Over time, we have noticed a significant increase in the number of trusts established by our clients. Many estate planning techniques involve the transfer of tangible property to a trust, including a personal residence and vehicles. The original owners may continue to operate the vehicles and reside in the home without realizing that by doing so, they may have inadvertently created a gap in their insurance coverage, leaving themselves at risk for a loss.

When property is transferred to a trust, the trust becomes the owner of the property and has an insurable interest. The insurable interest of the trust is an important aspect often overlooked in the planning process. Most homeowner policies protect against two types of loss: property damage and personal liability<sup>1</sup>. However, unlike property damage, liability coverage attaches to the person named on the policy, protecting them against loss or

damage caused by the insured's actions or omissions<sup>2</sup>. Failure to adjust the insurance coverage to include the new owner (i.e. the trust) can result in unnecessary exposure to risk. An insurance policy no longer covers you if you do not have an ownership interest in the property.

For example, you decide to transfer your property to your living trust. You hire an attorney to make sure the deed is changed but you do not contact your insurance agent. An insurable event occurs; it may be a fire or it may be that someone was injured on your trust-owned property. If your trust is uninsured or underinsured, that leaves you vulnerable to a financial loss.

This dilemma can sometimes have a relatively simple solution – add the trust as an additional named insured on the policy. However, our experience has found that some insurance carriers are unfamiliar and reluctant to write policies that provide sufficient liability protection for trust entities. If you are the beneficiary, trustee or grantor of a trust that owns tangible property, we encourage you to review your current insurance coverage to determine the correct parties are actually insured. While we are not licensed insurance agents, we would work with you and your insurance agent to assist in plugging any gaps that may exist in current coverage.

The world changes daily and it is important to ensure that you are keeping up with the changes that matter. Otherwise, you risk finding your carefully crafted financial plan vulnerable to uninsured risk and that could have a disastrous impact on your financial goals.

<sup>1</sup> Arlein, M.S., O'Brien, T (Fall 2007). *Will State Farm Be There? Often overlooked property and casualty insurance aspects of common estate planning transactions*. NYSBA Trusts and Estates Law Section Newsletter, Fall 2007; Vol. 40; No. 3. 2 Id. ■

## To Roth or not to Roth...

Todd A. Brost, CFP®



**Pay taxes now or pay taxes later?** If only it was that easy! Due to changes introduced in the 1997 Taxpayer Relief Act, now is the time to take a hard look at whether converting your traditional IRA to a Roth IRA makes sense. Here's a quick lesson on retirement plans:

**A Traditional IRA** can be funded with before-tax or after-tax dollars. Any growth in the account (income or appreciation) is tax-deferred. When a qualified distribution is taken from the Traditional IRA, the entire distribution (less a proration for after-tax contributions) is reported as taxable income.

**A Roth IRA** works very differently. The money contributed to a Roth IRA is not deductible; therefore it goes into the Roth "after-tax". These contributions also grow tax free. Thus, when a qualified distribution is taken from a Roth IRA, none of the distribution is reported as taxable income. Additionally, amounts in the Roth IRA are not subject to the required minimum distribution rules during the lifetime of the owner. Finally, after the Roth IRA has been open for 5 years, taxpayers may withdraw their original contributions free from taxation and penalty.

In the past, higher income taxpayers were excluded from the ability to convert a traditional IRA (or 401(k)) to a Roth. The Taxpayer Relief Act (TIPRA) changed all of that. Beginning this year (2010), TIPRA eliminated the income threshold for conversion of the Traditional IRA to a Roth. Under the Act and as an added bonus, the tax due as a result of the conversion can be spread over two years. Now

anyone, regardless of income, can convert their Traditional IRA into a Roth IRA. That can be a great opportunity for some.

Now that we've covered the basics, here comes the hard part – should you convert and if so, how much?

Before you make that decision, ask yourself the following questions:

- What do you expect your tax bracket to be later in life?
- Do I have the cash to pay the tax on the amount of the conversion (this can be spread out over 2011 and 2012)?
- Do I have more than 5 years before I'll need the money?
- Do I plan to use a good portion of my IRA for charitable contributions?

These questions don't take into consideration "outside factors" such as whether the current tax rates will stay steady into the future – but obviously, we can't predict what changes will come to tax rates or tax brackets...

As you can see, the decision to convert to a Roth IRA is complicated. We are currently working with many of our clients to see if a conversion makes financial sense. Despite the complexity, we see the change in the rules as a potentially major opportunity for a great many taxpayers. We're happy to discuss a Roth Conversion with you and to help you understand all of the issues that go into the decision. Please call us to review your situation. ■

## A Tribute Benjamin S. Williams

John G. Ullman



We want to recognize the numerous contributions of **Benjamin S. Williams** on behalf of our Clients, Staff, Board of Directors, Shareholders, and Company from 1978 through Ben's recent passing in 2010.

Ben and Betty Williams were original Founders of John G. Ullman & Associates, Inc. (JGUA) in 1978, with Ben serving on our Board of Directors until 1996, making most significant and frequent contributions for our Firm. Subsequent to retirement from a long and highly successful career at Corning Glass Works (Corning Inc.), Ben joined JGUA as our interim Director of Sales and Marketing, partnering with Burdette (Bud) Gleason, (then a recently retired Superintendent of The Corning-Painted Post Area School District) in managing our growing and increasingly complex business operations.

Through Ben's many years of business leadership positions, including serving as National Sales Manager of a Corning Division, the processes of recruiting, training, and developing exceptional individuals as Account Executives all benefited enormously and regularly from Ben's knowledge, experience, and vast skills.

Shortly after Ben's completion of active service with our Firm an annual award was established in his name. This prestigious and coveted award is presented to outstanding Account Executives who accomplish exceptional quantitatively determined achievements. Consistent with Ben's style, the Benjamin S. Williams Award needs to be earned. As a result, there are years when no one might obtain the high level of performance required to be a designee and other years where more than one Account Executive could be a recipient. It is most appropriate that the most recent Benjamin S. Williams Award was earned by Thomas G. Snow, Senior Vice President, serving clients of the Firm since 1982.

Subsequent to his retirement from our Board of Directors, Ben remained extremely active for many years as a close friend and adviser.

Our most sincere condolences to Ben's wife, Betty, their children, Steven and Susan, their granddaughter, Katheryn, Godson, John G. M. Ullman, and their countless numbers of friends in Kentucky, Chicago, Corning, Sedona, and elsewhere.

Ben is greatly missed. Known by his many friends as "Gentle Ben", his smile, distinctive laugh, warmth and sincerity, positive attitude, devotion to family, friends, companies, and his country will long be remembered by all who came in contact with him. ■

## Your Privacy Matters

JGUA has begun implementing a secure email system through a partnership with Cisco. This new system allows for the secure electronic transmission of personally identifiable information, tax returns and account reports. If you have any questions, please contact your Account Executive.

## Recent Staff News

# ULLMAN



**Mr. James D. Epp, Esq.** joined the firm in June 2009 as an Associate Account Executive. James graduated *Cum Laude* with a JD from Regent University School of Law and graduated *Magna Cum Laude* with a Bachelors Degree in Communication from Roberts Wesleyan College. James entered the wealth management field four years ago after nearly a decade of private law practice. James is currently pursuing his Certified Financial Planner® designation.

**Mrs. Wendy R. Oman** joined the firm in June 2009 as a Corporate Accounting Assistant. She has an Associate Degree in Retail Business Management from Harrisburg Community College. Wendy has recently taken on the additional responsibility of Compliance Assistant. Her willingness to take on new responsibilities and help wherever needed makes her a great team player.

**Ms. Amy L. Stark** joined the firm in October 2009 as the Marketing and Tax Department Assistant. She has an Associate Degree in Human Services from Corning Community College. She is also a graduate of Ridley Lowell School of Business. Amy is a welcome addition to our staff.

**Mrs. Heidi J. Grimins** joined the firm in January 2010 as a Tax Associate. Heidi is a graduate of Alfred University with a BS in Accounting. Heidi comes with several years of accounting and income tax experience making her a perfect fit with our Tax Department.



**Mrs. Judith A. Palumbo, Esq.** joined the firm in May 2010 as an Associate Account Executive. Judy earned a JD from John Marshall College of Law – Cleveland State University, a Bachelors Degree in Finance from SUNY Old Westbury and an A.S. degree in Business Administration from Corning Community College. Judy has had 14 years experience as an Estate Planning Attorney and is a welcome addition to our team.

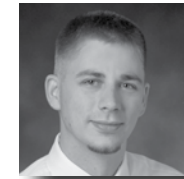
## JGUA Staff

**Mrs. Jennifer L. Sweet** joined the firm in January 2009 as an Account Coordinator. She possesses an Associate Degree in Office Technology from Corning Community College. Jennifer recently completed the Registered Paraplanner course and passed the comprehensive exam.

## Awards



**Thomas G. Snow, Sr.** Vice President, was awarded the Benjamin S. Williams Award. This award is given to the Account Executive who demonstrates outstanding client service. It was named in honor of Benjamin S. Williams, who joined the firm as an interim director of sales and marketing after a successful career at Corning Incorporated. Tom exhibited high levels of client retention and exceeded his new business development goals for 2009. He has played a major role in the growth of the company since joining the firm in 1982.



**Steven A. Kauffman, Sr.** IT Programmer/Analyst was awarded the Burdette Gleason Award. This award has been given annually by the firm since 1992 to an employee who demonstrates superior service both internally and externally. It was named in honor of former Ullman employee and retired superintendent of schools Burdette "Bud" Gleason. Steve has been with the firm since 2007. He was selected for his knowledge, superior customer service and teamwork in 2009.



**Edward H. Schusler, Sr.** Vice President was awarded the John J. Dunphy Award. This award was named in honor of retired Ullman Board member John J. Dunphy and is given by the firm to the staff member who goes above and beyond to make a significant difference within the firm.

# Milestones

## 25 Years



**Ms. Karen B. Meriwether, CFP®**, celebrated 25 years with JGUA in 2009. She began her career in January 1984 as an Account Executive and in 2002 was promoted to Senior Vice President. Karen, as part of the Account Executive Marketing Team, was awarded the Benjamin S. Williams award for outstanding business development in 2001. Karen's dedication throughout the years has been instrumental in the growth of the firm.



**Mr. Edward H. Schusler** celebrated 25 years with JGUA in 2009. He joined the firm in January 1984 as an Account Executive and in 2002 was promoted to Senior Vice President. Ed recently received the John J. Dunphy award. He was selected to receive this award for the many contributions he has made since joining the firm.



**Ms. Nora A. Smith** also celebrated her 25<sup>th</sup> anniversary in 2009. Nora joined the firm in October 1984 as a Data Entry Clerk. As we upgraded our computer systems Nora was called upon to do the programming for our reports and applications. She is now the Information Technology Manager and is responsible for running reports, trouble shooting and testing and implementing new software.

## 15 Years

**Mrs. Nancy Larson** celebrated 15 years with JGUA in 2009. She joined the firm in March 1994 as a receptionist. Nancy retired at the end of December. We wish her well as she begins her new journey.

## 10 Years

We have several staff members that celebrated 10 years with JGUA.

**Mrs. Kim M. Puffer** joined the firm in August 1999 as a Receptionist. In 2006 she was named Data Entry Coordinator/ Trading Assistant.

**Mrs. Dora B. Hankey** joined the firm in August 1999 as an Administrative Assistant and now is a Registered Paraplanner® who works directly with Senior Vice President, Karen Meriwether.

**Mr. James D. Hankey** joined the firm in August 1999 as the Manager of Client Operations. In 2001 Jim received the John J. Dunphy award for employee excellence. In 2002 he was named Vice President of Information Technology. In 2006 Jim was again awarded the John J. Dunphy award.

**Ms. Donna J. Kelly** joined the firm in September 1999 as Data Entry Specialist working with the Trading and Tax Departments. In 2008 she took the position of Special Project Assistant with the IT Department. Donna was awarded the Burdette Gleason award in 2000 and participated in many of the United Way's "Day of Caring" projects.