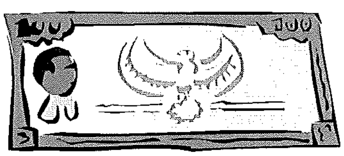
C&D Tax, Accounting & Financial Services, Inc.

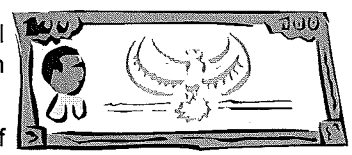
Planning for a secure financial future

US Savings Bonds Update: HH Bonds and Bonds that are NOT Paying Interest

Series HH Savings Bonds will no longer be offered to the public after August 31, 2004. These are the bonds that result in the conversion of Series E and EE Bonds. HH Bonds issued through August 2004 will continue to earn interest until they reach final maturity 20 years after issue.



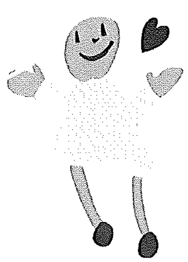
Thousands of investors own billions of dollars of savings bonds that have stopped paying interest. About 55 million Americans own savings bonds, often purchased through payroll savings plans or received as gifts for newborn children. **The value of savings bonds held by investors and earning ZERO interest is an estimated $6 billion.**



Check those savings bonds that you have tucked away to see if it is still earning interest. You can find out more by going to www.publicdebt.treas.gov.

Inside this issue:

Attention Divorced Parents



The allocation of tax dependents of divorced parents (custodial and non-custodial) can be vehemently contested. The IRS requires that Form 8332, *Release of Claim to Exemption for Child of Divorced or Separated Parents* be attached to the non-custodial parent's return, if he/she is claiming the child as a dependent.

While not strictly enforced in the past, recent seminars have revealed that the IRS plans to enforce this requirement more stringently in the future. For this reason, we recommend that all non-custodial parents who will be claiming a child on their tax return get this form signed by the custodial parent. This is required EVEN IF the divorce decree outlines the exemptions to be claimed (every other year, etc.). Call or e-mail our office to get a copy of Form 8332.

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It's Never Too Soon to Plan for Your Golden Years...

Many seniors have to return to work out of need, rather than want, and are delaying their plans for retirement because they didn't set aside enough to live comfortably and do more of what they dreamed of in retirement. It is never too early (or too late) to improve your odds of living in comfort!

1. **PLAN** – failing to plan in advance for retirement is a huge mistake. Quantify what you want, when and then modify the plan as time dictates. (Some call this a BUDGET!) Review your plan at least annually prior to and in retirement.

2. **SAVE** – whenever possible, increase your savings rate by signing up for any and ALL automatic investment plan programs, especially your 401(k) plan at work. "Save till it hurts" and you will be so grateful down the road.

3. **INSURE RISKS** – as part of your pre-retirement or retirement plan, review all your insurance coverage to be sure you have both the adequate amount and appropriate type (including life, disability and long term care). Another way to insure against the vagaries of life is to review your wills, trusts, powers of attorney and beneficiaries.

4. **BE AWARE**
   - Social Security provides 50% or more of income for two-thirds of its recipients.
   - Making the right pension payout choice is critical to your lifelong battle with inflation and taxes. The fastest growing age group today is those aged 100 and greater).
   - Retiring today without an employer funded retirement health plan means you will need about $160,000 in savings to supplement Medicare and cover out-of-pocket costs.

Call Cheryl for your Retirement Planning check-up to help improve your odds!

Have You Looked at Your Life Insurance Lately?

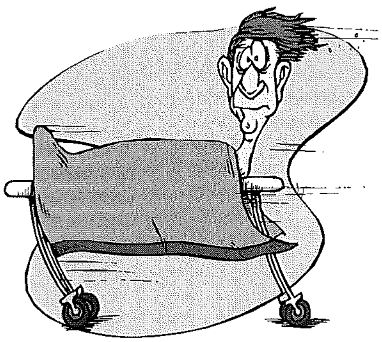
Your life is ever changing. Do the life insurance policies that you purchased still meet your needs? Maybe, but maybe not. If your life has changed course since you purchased your policy – it is even more important to review them.

The market for life insurance products has become more competitive. How does your policy stack up to the products available today? You could be paying too much for too little... or you could be right on track – isn't it worth the time to be sure?

Financial markets have not been kind to investors over the past few years. Are the life insurance premiums that you're paying sufficient to keep your existing policies healthy?

For more information, contact Cheryl at C&D Tax. We will need your most recent policy statement and a permission slip to request an *inforce policy illustration signed.* Once she has this information, she will be able to put together a summary that we can review together on where you are now and what, if any, changes might be appropriate.

Long-Term Care Insurance



Is Long-Term Care Insurance part of your financial planning and asset protection strategy? It should be, but it is hard to separate myths from facts. Consider these facts:

- Nearly 80% of Americans will live to be age 65 or older and it's projected that 70% of us will experience a long-term care event.
- The average daily rate for a private room in a nursing home in the Phoenix area is $174 per day or $63,510 annually.
- Many people mistakenly think Medicare covers long-term care. Medicare covers less than 14% of the total cost of long-term care in the US and requires that specific conditions be met.
- Almost 32% of the cost of long-term care is paid for by families from income, savings and investments. Less than 10% comes from private insurance and that's because so few individuals have purchased long-term care insurance.
- Medicaid picks up 44% of the tab for long-term care in the US. But to qualify, an individual must spend down assets almost to the poverty level. This can impact lifestyle and assets of healthy family members.

If you want to know more, please contact Cheryl at C&D Tax.

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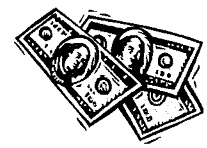
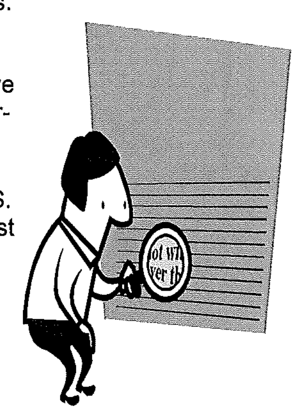


If You have a Revocable Living Trust, you need to read this!!

If you have not reviewed your trust documents in several years, we recommend that you do so. Please take a look at your directions and your appointments to see if they still apply in your situation.



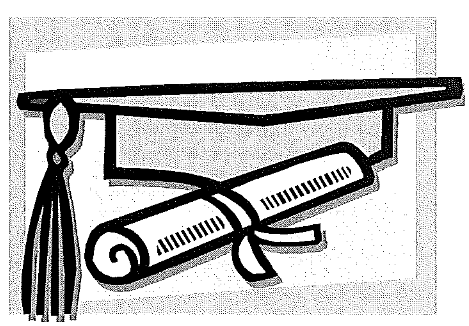
It is also recommended that your Durable Power of Attorney over Assets and your Power of Attorney over Health Care be updated every 3 to 4 years.

With the enactment of the new HIPAA (Privacy Act) Laws, updating your Power of Attorney over Health Care and your Living Will with the new language is recommended. This will help enable your loved ones to have access to the medical information they may need to make good decisions.

How Will You Pay for College?

Education may be the single most rewarding investment you can ever make, whether for a child, grandchild, niece or nephew, or for anyone, even yourself. A good education empowers and enriches one in ways that are sometimes beyond measure: personal growth, relationships and quality of life.

Graduation will be here before you know it. When that time comes, you will want to savor the joy of the day and take pride in your child or grandchild's accomplishments, secure in the knowledge that you have prepared for the next big step – college. Saving for college can be affordable, especially if you start early.



By investing in a 529 Plan, you enjoy tax advantages, you control the investment decisions and the ultimate use of the money. Unlike the Coverdell Education IRA, there are no income limits to contribute to the 529 Plan. A 529 plan allows you to change the beneficiary as frequently as you like.

By contributing as little as $25 per month, anyone can participate. There are no eligibility, income or age restrictions on account owners or beneficiaries.

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Did you Enjoy the CD that you Received with Your Tax Return copy this Year?

Next tax season, you will be asked whether you want a paper copy of your return, or whether you would prefer a CD copy. If you find that you want both copies, there will be an additional charge.

Let us know if you enjoyed using the CD!! This new idea has further uses, but we would like to hear some feedback. E-mail cherylw@cdtax.com and let her know what you thought about the CD.