Issue Ten, March'10

MFS JOURNAL

Produced and Edited by the Staff at McNamara Financial Services, Inc.

Staff News

Congratulations are in order for Justin McNamara who recently passed the rigorous course work and exam to become a Certified Financial Planner (TM)!

Megan Muzzi welcomed a healthy baby girl, Madison Marie, into the world on February 22nd. Mom and baby are doing well!

While she is out on leave, we welcome Deanna Hutchinson to the team as Megan's temporary replacement.

In This Issue:

Mike's Corner

Important Numbers for 2010

If you are contributing to a 401k, Roth 401k, 403b, 457 plan, or a SARSEP the most you may contribute in 2010 is $16,500. If you happen to be over age 50 you can add another $5500. If you are contributing to a SIMPLE IRA in 2010 the most that you may contribute is $11,500. You get a $2,500 bonus if you are over age 50. For traditional IRAs and Roth IRAs the maximum contribution is $5,000 with a $1,000 "catch-up" provision for those age 50 and above. You will need to check with your tax person as to whether or not you may be able to deduct an IRA for 2010. If you are single and your Adjusted Gross Income (AGI) is less than $105,000 you may fund a Roth IRA. If AGI is over $120,000 you are completely ineligible to fund a Roth. If AGI is between these two numbers you can fund part of a Roth. If you are married, the AGI range for Roth eligibility is $167,000 to $177,000. Again, please check with your tax person on this. Every year about this time we have number of clients who find out after the fact that they are not eligible to have done a Roth. The paperwork to fix this is not fun. For 2010 only, if your AGI is more than $100,000 you may convert an IRA to a Roth IRA, pay the taxes now and have tax-free income later. This makes sense for a few people, but not most in my opinion. This is a one-time option for 2010 only.

On the income tax front, most people I work with don't really know their tax bracket (everyone thinks it's high) and how tax brackets really work. Well, here you go. We have a graduated income tax system where you get to pay a higher tax as you make more taxable income. Everyone starts at the 10% rate and then as you hit higher levels of taxable income you pay a higher percentage on that level only. It's like going up stairs. Taxable income is what you pay taxes on after subtracting contributions to deductible retirement plans and taking your exemptions and deductions (and maybe some other things). For 2010 if you are married and your taxable income is under $16,750 you are in the 10% tax bracket. If over $16,750 but not over $68,000 then you are at 15%. If over $68,000 but less than $137,300, than welcome to the 25% bracket. If over $137,300 but less than $209,250 you've made it to the 28% bracket. If over $209,250 but less than $373,650 then 33% is the number. And if over $373,650, congratulations, you made it to the big time at 35%! If you are single the 10% bracket is under $8,375. The 15% bracket is from $8,375 to $34,000. The 25% bracket is from $34,000 to $82,400. The 28% bracket ranges from $82,400 to $171,850. The 33% bracket is from $171,850 to $373,650 and the 35% bracket is over $373,650. It's interesting to note that single folks virtually pay the same taxes as married couples at the two highest brackets. I wonder if they know that?

For 2010 folks above the 15% federal bracket pay 15% on capital gains and those at 15% or lower have zero capital gains tax. Let's hope that they don't make these numbers higher in the future.

Most working folks don't know their social security tax bill or their Medicare tax bill either. I am going to remedy that right now as well. Everyone pays 6.2% of his/her earned income to social security to a maximum income of $106,800. By the way, your employers also pay that same amount on your behalf. So, if you are self-employed you can just double the tax. Medicare is funded by all of us at 1.45% on all earned income with no cap. The sum of both taxes is 7.65% (or 15.3% if self-employed). When you get some time total up the dollars you paid to both Social Security and Medicare. It think everybody ought to know that number.

Mass state tax is 5.3%. If you are married and in the 15% bracket and live in MA, your total tax on all dollars above $16,750 is 27.95% (15%+5.3%+7.65%). If you are in the 25% federal bracket, your total tax on all dollars above $68,000 is 37.85% (%25+5.3%+7.65%)

I hope our federal and state governments are spending all of this money wisely. As always, call me if you have any questions.

Mike

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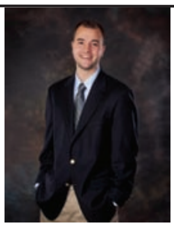
McNamara Financial The Next Generation



Justin McNamara

For the first time ever, my quarterly column will not be about investments. There are changes afoot at McNamara Financial, and I'm so excited about them that I had to give you all a preview.

The changes stem from our firm belief that the next 20 years in this industry are going to be significantly different than the last 20. In response, the next generation of advisors at McNamara Financial (Alyssa, Kirk, and I) are developing an entirely new business model.

Our focus will be on clients in the accumulation stages of their lives (because those are our peers). Our services will be more planning oriented, with less emphasis on investments. The idea is that in an increasingly complex world, clients need more and more help with the big picture. We will of course continue to offer investment and insurance services.

Perhaps the biggest change will be to our compensation structure. As it stands now, we earn the vast majority of our income from investment management. This works well if clients have money that we can manage, but not so well if they don't. In the future we will offer an a la carte menu of services centered on financial planning. Planning services will be billed separately from investments and insurance. They will be available via an annual fee, or even hourly as necessary.

If you have any questions or comments, please give us a call. We would love to hear form you. And as always if you know anyone who could use our services, please pass our name along.

-Justin

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Planning And Insurance

Alyssa McNamara Reed

I welcomed a baby girl into my life about 6 months ago. Her name is Myla, and she is perfect! I truly cherish every day that I have with her. Watching her grow like a weed has made me realize how short life is. Of course I practice what I preach, so I got life insurance in place before her arrival. In all honesty, I have incredible peace of mind knowing she would be taken care of if I'm gone.

Of course, most people know that they need life insurance. But I find that most people have no idea how much they need, and are most often under-insured.

From my point of view, it's pretty simple: find the difference between the survivor's income and living expenses (usually a bigger number), and project that forward for the survivor's lifetime. Add any debts outstanding (mortgage, credit card, car loan) or future liabilities (i.e. college) and there you have it.

Of course that math gets a little tricky, even for me! We have a software program that helps us do these calculations. We can factor in different time periods, like (1) kids living at home, (2) kids grown up and out on their own, (3) retirement. Income and expenses, as you likely know, can be very different during these periods. We also factor in assets that you currently have, future investment earnings, and inflation.

This method might not be perfect, but it's the most educated guess I can make. If we haven't done this for you, give us a call. You will have some homework to do to prepare, but it's worth it.

I wish you all the best for 2010. -Alyssa

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Quick Notes

* IRA Contributions - The April 15th deadline is fast approaching! If you need or would like to make an IRA contribution for year 2009, **we must receive the check in our office by April 14th**. 2009 contribution guidelines are $5,000 if you are under age 50 and $6,000 if you are age 50 and above. Call the office with any questions you might have.

* RMD - The government has put RMDs back in effect for 2010. Yes, this year if you are age 70 ½ you are required to take an RMD (Required Minimum Distribution). Please contact us if you would like to talk more about this.