

Charting your secure financial future Money Matters

Financial news, information and advice for the savvy Mariner
from Transport Workers Tax Service, LLC and CFS/Retirement & Tax Solutions

Summer 2007



Mariner Tax Updates

Colleen H. Emery, CPA

Congratulations to Sheila Bohlman, E.A.!
Sheila passed the Enrolled Agent exam in January 2007.



What is an Enrolled Agent?

An Enrolled Agent (EA) is a federally-authorized tax practitioner who has technical expertise in the field of taxation and who is empowered by the U.S. Department of the Treasury to represent taxpayers before all administrative levels of the Internal Revenue Service for audits, collections, and appeals.

What does the term "Enrolled Agent" mean?

"Enrolled" means to be licensed to practice by the federal government, and "Agent" means authorized to appear in place of the taxpayer at the IRS. Only Enrolled Agents, attorneys, and CPAs may represent taxpayers before the IRS. The Enrolled Agent profession dates back to 1884, when Congress acted to regulate persons who represented citizens in their dealings with the U.S. Treasury Department.

How does one become an Enrolled Agent?

The license is earned in one of two ways, by passing a comprehensive examination which covers all aspects of the tax code or having worked at the IRS for five years in a position which regularly interpreted and applied the tax code and its regulations. All candidates are subjected to a rigorous background check conducted by the IRS.

Department of Justice (DOJ) Update

Due to a recent DOJ case brought against a tax preparer specializing in mariners' tax preparation, this is an appropriate place to re summarize:

Thanks to the Johnson and Westling tax court cases, merchant mariners **can take a per diem deduction** for the "IE" portion of M (meals) and IE (incidental expenses) while on the vessel.

PLEASE NOTE - ONLY THE "IE" PORTION IS DEDUCTIBLE - NOT THE "M" PORTION. This makes sense because meals are provided at no charge by the employer. The "IE" portion is legitimate and has been affirmed to be so by a DOJ representative directly to Colleen Emery, Principal of TWTS.

But, in the above referenced case, the taxpayers were charged with taking both the M and IE and were liable for the tax deficiencies as a result of taking the meal per diem.

If the DOJ is successful in this suit, one possible outcome will be for the DOJ to request a complete list for whom the targeted preparer has claimed "mariner deductions" in the last several years.

At press time the outcome of the DOJ case is pending and should be released by August 15th.

2007 Tax Tips & Update

• The sales tax deduction has been extended into the 2007 tax year. This is beneficial for Mariners who reside in states with no sales tax.

• Increased recordkeeping for charitable contributions. All cash donations MUST be substantiated by either a bank record or a written note from the charity; regardless of the dollar amount. More records are required for non-cash charitable deductions and all items must be in good condition or better.

For the first time in ten years, the income limitation for Roth IRAs has increased. The phase-out range begins at \$99,000 for single individuals and \$156,00 for married couples, effective for 2007.

The amount you can contribute will increase as well. While the maximum contribution into your IRAs remains at \$4,000 for 2007, it will increase to \$5,000 for 2008. Anyone 50 or older by December 31st can add an additional \$1,000 per year into their IRA. You have until April 15, 2008 to contribute to your Roth or traditional IRA for 2007.

• The **maximum earnings subject to social security taxes is \$97,500 for 2007**, up from \$94,200 in 2006.

• The **standard mileage rate is \$.485 per business mile** for 2007, increasing from \$.445 per mile in 2007.



Maximize Your Retirement Options

Mark E. Engberg (Investment Advisor Representative)
Bruce W. Robson, CFP®

John F. Kennedy once said, "Change is the law of life. And those who look only to the past or present are certain to miss the future." This is certainly true of preparing for retirement. If we continue to expect that the ways of the past will see us through to our future, we will be left behind. The methods that helped prior generations prepare for retirement are quickly disappearing, and we must start using others.

For years, the strong trend has been for employers to replace the traditional, so called defined benefit pension plans with defined contribution salary deferral savings plans.

If your employer still offers the traditional pension or not, you can significantly strengthen your retirement security by participating in your employer's salary deferral retirement savings plan. The most common type of these plans is the 401(k), but also includes the 403b, 457 and SIMPLE IRA's.

Creating multiple investment "buckets" from which you can draw during retirement is a sound and prudent approach. You don't want to be strictly dependent on an employer pension and Social Security.

No matter your age, a simple recommendation is to participate in your employer's plan. **We strongly recommend this.** Maximizing your tax-advantaged investments is normally your best choice when it comes to saving additional capital for retirement. The current annual contribution limits are: \$15,500 if below age 50 and \$20,500 if you are age 50 or older. These limits are scheduled to adjust for inflation and increase in \$500 increments. Funding a 401(k) not only reduces your taxable income, it grows tax deferred. In addition, if you are age 55 or older and separating from service, distributions from a 401(k) are not subject to the 10% premature distribution penalty - IRS Code 72(t)(2)(A)(v). This IRS provision creates a powerful planning tool.

Many maritime industry professionals are able to retire at a relatively early age, and a 401(k) account can help make the transition ashore more financially successful and secure. Don't procrastinate in beginning your participation in this simple yet powerful way to help build financial security. Call or email if you need further information or clarification.



To make this newsletter as helpful as possible, we welcome your input. Please call us toll-free or e-mail comments, suggestions or questions to us. Answers to questions of general interest may be published.

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The CFS Mariner Team



pictured: left - Stephanie P. Brown, MBA; center - Mark E. Engberg, Registered Representative; right - Bruce W. Robson, CFP®

Bruce Robson, CFP® is one of the co-founders of CFS/Retirement and Tax Solutions which has been in its present location for 20 years. He supervises a team of 5 Registered Representatives and 5 office staff. "As testimony to our commitment to client service and quality, we currently serve well over 1,000 clients." Bruce's mission is to help families and businesses attain financial security. He enjoys working with his clients to develop strategies that help them get their money to work as hard for them as they did to earn it. Bruce's background includes experience in general planning, insurance, investment analysis and tax planning.

Mark Engberg is a Registered Representative and Investment Advisor Representative through Multi-Financial Securities Corporation. He specializes in retirement planning for members of the Maritime Industry. He retired from the Marine Engineers' Beneficial Association in 2001 with 20 years of service, his last 8 years sailing as Chief Engineer. Mark has an in-depth understanding of the union memberships' retirement benefits. His background enables him to assist with their unique needs, and address specific career / retirement planning decisions. He has been fully licensed and associated with CFS since 1999. In addition to his engineering background, Mark holds a B.S. in Finance (Magnum Cum Laude) from Excelsior College, and is currently enrolled in the CFP® fast track program. He clearly understands the options and benefits available to members of the maritime industry and helps them make well-informed decisions about their financial future.

Stephanie P. Brown, MBA, is a graduate of Salisbury University's Perdue School of Business where she graduated Summa Cum Laude in 2006 with a B.S. in Finance (concentration in Financial Planning). She furthered her education, receiving her MBA this past May 2007 from Salisbury University's Perdue School of Business. Stephanie has been employed with CFS since January of 2005 and serves as Mark E. Engberg's Professional Assistant. Stephanie currently lives in Millsboro, Delaware with her husband, Ryan.

Bruce W. Robson, CFP®
Mark E. Engberg, Registered Representative,
Retired MEBA Chief Engineer
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Road map for Retirement Planning

In this issue of Mariners Money Matters, we look at a systematic approach to planning your retirement. This is an exciting moment in your life. You've worked long and hard to get here. Take the time to assess your current financial situation and what needs to be done to transition from accumulation of assets to living on your pension benefits and savings. Our intent is to provide a basic overview of issues related to retiring and resources available to help with the process.

A basic checklist related to transitioning into retirement would be as follows:

- **Protect your retirement savings**
 - Reduce debt
 - Have an emergency/reserve cash fund
 - Secure adequate insurance coverage
- **Create a retirement income plan**
 - Realistically estimate income and expenses
 - Your funds must provide income over your entire life expectancy and often provide for your surviving spouse
 - Don't overlook the long term effect of inflation on your income needs
- **Select pension benefits and retirement plan distribution options**
 - Be aware of the process, timelines, and options for your retirement plan assets
 - Caution - these decisions are often complex and irrevocable!
 - Get professional assistance if you do not understand the issues at hand
- **Review wills, trusts, powers of attorney, and beneficiary designations**
 - Be sure to keep your retirement account beneficiary designations up to date
 - Consult an experienced estate attorney to assure you have the appropriate legal documents in the event of your death or disability
- **Know when to apply for Social Security**
 - Should you take benefits early (age 62) or at full retirement age?
 - Visit <http://www.ssa.gov/retirement/>
 - Social Security Administration website "How should I prepare for retirement"
 - Retirement Planner & Benefits Calculator
- **Know when to apply for Medicare**
 - The Medicare application process, timelines and premiums can be confusing
 - Applying late may result in delayed benefits and higher premiums
 - Do I drop my employer coverage and/or do I need a supplement?
 - Visit: <http://www.medicare.gov/>
"Medicare & You 2007"

Another planning resource is the Financial Planning Association's website. It provides summary checklists for the retirement process at any age. Visit the "public" section of their site at: <http://www.fpanet.org/public> "Checklists & Quizzes"

Our own website has helpful information with a strong focus on assisting the maritime professional. Visit: <http://www.cfs-retirement.com>

Some of the useful tools and content are as follows:

- Financial Calculators
- Financial Newsletters & Articles
- Archive of past issues "Mariners' Money Matters"
- E-Seminars - watch and listen to a brief financial presentation
- Retirement Resources & Web Links
- On-line Retirement Planning Questionnaire
- Risk Assessment Questionnaires
- Personal Budgeting and Saving Tips
- Useful web-links
- Merchant Mariners Resources and Web Links

If you are a Merchant Mariner, our website provides specific resources and web links for your unique retirement needs. Mark E. Engberg (Investment Advisor Representative with Multi-Financial Securities Corporation) is a retired Chief Engineer from D1-MEBA. Bruce Robson, CFP® (Certified Financial Planner) has 23 years experience in the investment, tax and financial services field. Mark & Bruce have many Maritime Industry clients throughout the country and work closely with this group to service their unique financial planning, tax planning, and investment needs. Feel free to call or email with your retirement planning questions and concerns. Proper planning for this important phase of your life will help assure retirement is secure and rewarding.

Disclaimer: This is a basic summary and is not meant to be comprehensive in nature. The information is provided in general terms and is not intended to substitute for specific advice regarding tax, legal or investment planning matters. Where specific advice is necessary or appropriate, consultation with a competent professional is recommended.

Transport Workers Tax Service, LLC, and CFS- Retirement & Tax Solutions, a financial planning firm, have created an affiliation to better serve our Maritime Industry clients. Our mission is to work together to establish long-term relationships with our clients that better enable us to anticipate and provide for your financial needs. We want to assist you throughout your working careers with tax control strategies and sound financial planning so you can enjoy a comfortable retirement.



Energy Credits for Homeowners

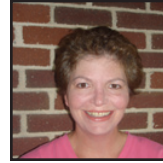
During 2006 and 2007 individuals can make energy-conscious purchases that will provide tax benefits when filing their tax returns.

Eligible expenditures/improvements are too numerous to list here but include qualifying windows, doors, and appliances. The qualifying criteria is different for each and must be installed in the taxpayer's main home in the United States. We suggest you track any expenditures that you think may qualify and, at tax time, your tax professional can help sort out what tax benefits you are eligible for.



Best Tax Tip for 2007

KEEP GOOD RECORDS!



You can avoid headaches at tax time by keeping track of your receipts and other records throughout the year. Good record-keeping will help you remember the various transactions you made during the year, which in turn may make filing your return a less taxing experience. Don't forget your vessel schedules. We can not calculate your daily per diem deduction without them. Contact us for a free expense log to track your expenditures.

TWTS Has Moved!

Our new address is
1100 Pemberton Drive
1st Floor
Salisbury, MD 21801



Our 'ducks are all in a row' we've moved onto a beautiful lake and are able to see the ducks from our offices and conference room! We invite you to stop by and say hello. We are still just 45 minutes from Calhoon MEBA school and en route from Baltimore to Norfolk.

✱ Checklist for Retirement Planning

CFS

✱ We've Moved

✱ DOJ Update

✱ Congratulations to Sheila Bohman, E.A.

TWTS

Newsletter Content

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