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Summer finally arrived in Wisconsin in June, although those suffering the persistent lakefront fog may disagree. Kate and I enjoyed a brief, albeit cool, getaway to Bayfield involving a couple great Big Top Chautauqua concerts, a little golf, an Apostle Islands cruise and, on the return trip, a visit to the Wisconsin Concrete Park in Phillips. We then took a weekend trip to Chicago to see the new musical "The Last Ship" and to celebrate our 45th wedding anniversary on June 28. So... a good month for us and, I hope, a good one for you. The markets performed reasonably well, too, with all client portfolios up for the month. So, on we go. Have a great Independence Day holiday and a wonderful July. Stay safe and stay cool!

Bruce Heling, CFP CPA
June 27, 2014

July 2014

HELING ASSOCIATES
Bringing the Personal to Financial Planning

THE PERSONAL PLANNER

Personal Financial Planning Tips for Today and the Rest of Your Life

Can You Make Some Green by Investing Green?

The release in April of the long-awaited report from the United Nations' Intergovernmental Panel on Climate Change has spurred renewed discussion of ways to combat climate change and its effects. The report, written by leading scientists from around the globe, says that to keep greenhouse emissions below critical levels, the world must make substantial changes--and quickly--in how energy is produced and consumed.

That finding has focused fresh attention on so-called "green investing." Here are some considerations that can be especially important in this arena.

No shortage of choices

If you're interested in exploring green investments, you have a variety of possible options. They include renewable energy sources, technologies that can improve the environmental footprint of existing energy sources, clean water, clean air, and technologies that can help reduce overall consumption, particularly of nonbiodegradable substances.

The broad scope of green technologies can make it difficult to choose among the myriad investment opportunities, especially if you don't have expertise in a particular field or the time or energy to acquire that knowledge. Unless you're familiar with the science behind a specific company's product or service, you might benefit from casting a wider net. Though diversification can't guarantee a profit or eliminate the possibility of a loss, it can help you manage the amount of risk you face from a single company.

A great technology is not the same thing as a great stock

Even if you have special knowledge of a particular field, don't let that blind you to a company's business fundamentals. If you're considering a small company stock, don't forget that small caps can be extremely volatile. In addition to the risks involved with all stocks, a small-company stock can be affected disproportionately by the actions of a single large investor or a report by a single investment research department, especially if the stock is thinly traded. If that worries you, one alternative might be to invest in larger companies that have made a significant commitment to initiatives in that field and that might have other business advantages. Though they may not have a small company's rapid growth potential or appeal as a possible takeover target, they often have more resources than a smaller company to make acquisitions or manufacture and market globally more efficiently.

Important considerations

Certain factors that apply to all stocks are especially important when considering an investment in green companies.

What's the competitive landscape? An idea that seems promising can quickly be superseded by the latest innovation. While it's difficult to forecast technical turning points, it's helpful to know the major players in that space, their key development efforts, and roughly how they're positioned.

How dependent is a company on external support? Many countries are making significant green investments, racing to establish dominance on the global playing field of green technologies. Emerging technologies often are dependent on some form of government support, such as tax credits, loan guarantees, or sponsored pilot programs. However, political support for such initiatives can come and go, as can investor enthusiasm for specific technologies.

How capital-intensive is the technology? Many green technology companies may have little or no profits yet but a substantial need for capital from a cash flow standpoint or as a result of the technology itself. That could make a company vulnerable to a potential credit crunch or rising borrowing costs, which could affect its ability to develop and market even the most promising technology.

Note: *All investing involves risk, including the potential loss of principal, and there can be no guarantee that any strategy will be successful.*

Why Not Make Your Next Trip a Volunteer Vacation?

One option for finding volunteer vacation opportunities in the United States or overseas is the nonprofit organization Just Give. To view a list of resources for potential volunteers, visit the organization's website, [www.justgive.org.](http://www.justgive.org)

Is your idea of a perfect vacation spending time alone on a beach with a good book? Or would you prefer a more active vacation where you are part of a group, constantly challenging yourself, and using your talents and skills to help others? If the latter sounds more appealing, then a volunteer vacation might be right for you.

Why take a volunteer vacation?

Having the chance to give back, meet new people, form friendships, and immerse yourself in a different culture are some of the top reasons to take a volunteer vacation. And no matter why and where you choose to travel, you'll have experiences that are not available to the average tourist.

A volunteer vacation also allows you to work with others who share your interests. For example, if you love the outdoors, you can work with park rangers on a national parks project in the United States or travel with a conservation group to Peru. Or if you've always wanted to work with children, you can find a service project at an orphanage in Haiti, or volunteer at a camp for children with special needs in Hawaii.

Who can serve as a volunteer?

Whether you're a solo traveler, a retiree, a student, a family with younger children, or a grandparent with teenage grandchildren, you can find a suitable volunteer opportunity. Many vacations don't require any experience--just a willingness to help and enjoy the camaraderie of working with individuals from your host community and members of your volunteer group. However, you'll get more out of your trip if you find one that matches your interests, skill set, and stamina level. Though you can choose to travel to a remote location or an underdeveloped country, you can also make a difference in a less adventurous setting. For example, you can help teach English at a school in a major city, work on an art conservation project in a museum, or care for injured animals at a zoo. The choice is yours.

What can you expect from your trip?

Trip length varies, but many last from one to four weeks. During that time, you'll be expected to devote a substantial number of hours to project work.

Yet volunteer vacations aren't all work and no play. Trips generally incorporate rest days or leisure periods where you're free to explore on your own or participate in a group tour, giving you unique insight into the area and a chance to unwind.

How much will your trip cost?

Some people are surprised to learn that there's a cost associated with volunteering, but you'll generally need to pay for your own travel expenses. Your trip may cost hundreds or thousands of dollars, depending on your destination, itinerary, and accommodations.

You may be able to offset part of the cost of your trip by deducting certain trip-related expenses when you file your federal income tax return. To get any tax benefits, your trip must be sponsored by a qualified organization (check with the charity or the IRS); the personal element of your trip must be insignificant (i.e., the time spent on pleasure, recreation, or vacation); and you must itemize your income tax deductions. You can generally deduct actual unreimbursed costs related to your volunteer service (such as airfare, lodging, and meals) but you can't deduct the value of your time or services. These are just general guidelines--for more information, ask your tax advisor and review IRS publication 526, Charitable Contributions.

What questions should you ask?

Before you sign up for a volunteer vacation, it's very important to make sure that you're traveling with an organization you trust. Trips may be sponsored by churches, national or global nonprofit volunteer organizations, or for-profit companies. Here are some of the questions you should ask before signing up. Some of this information may be found in literature provided by the sponsoring organization:

- How long has the group or organization been conducting volunteer vacations?
- How large is the volunteer group?
- How experienced are the team leaders? How well do they know the culture and the area?
- Will training be necessary, and if so, when and where will it be provided?
- What does the trip fee cover? Airfare? Meals? Transportation to the work site?
- Are costs or fees refundable? Make sure you read all policies and understand what will happen if you're unable to travel.
- What about insurance? You may be asked to provide proof of health insurance, or if traveling overseas, purchase medical and emergency evacuation coverage.
- How do you prepare, and what will you need to bring? You should be given a checklist of tasks to complete before your trip, and packing guidelines.

Charitable Gifts of Items You No Longer Need

Consult a tax professional and visit the IRS website for more information.

If you have used clothing, household goods, or a car that you no longer need, you may be able to do good by contributing the property to charity while obtaining an income tax deduction for your charitable contribution. Subject to certain limitations, the amount of your charitable contribution is usually the fair market value (the price that property would sell for on the open market) of the property at the time of the contribution.

Used clothing and household goods

You generally cannot take a deduction for donations of used clothing or household goods unless the property is in good used condition or better. However, you can take a deduction for used clothing or household goods that are not in good used condition or better if the claimed value is greater than $500 and you include a qualified appraisal with your tax return.

The value of used clothing or household goods is usually far less than what you paid for the property. A good indication of the value of used clothing is the price that a buyer would pay in used clothing stores, such as consignment or thrift stores. Used household goods may have little or no value because of their worn condition, or because they are out of style or no longer useful.

Used cars

The value of a used car can usually be determined using a used car pricing guide for a private party sale. The price listed should be for a car of the same make, model, and year, and with similar options and accessories. Adjustments may be needed for wear and tear, and mileage.

However, your deduction for a donated car may be limited to the amount for which the charity then sells the car. This rule applies if the claimed value for the car is over $500 unless: (1) the charity makes a significant intervening use of or material improvement to the car before selling it; or (2) the charity gives the vehicle, or sells it for well below fair market value, to a needy individual to further the organization's charitable purpose.

You must attach Copy B of Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, (or other statement from the charity containing the same information) to your tax return. Form 1098-C shows the gross proceeds the charity received if the charity sold the car and whether either of the two exceptions for cars valued at more than $500 applies.

If the charity sells the car for $500 or less (and neither of the two exceptions applies), your deduction is generally limited to the lesser of $500 or the car's fair market value on the date of the contribution.

Other requirements

A receipt is generally required from the charity for all noncash gifts. However, a receipt may not be required where it is impractical to get one (e.g., leaving clothing at a charity's unattended drop site).

A written statement is required from the charity acknowledging all noncash gifts above $250. The acknowledgment must generally include a description and good faith estimate of the value of any goods or services (if any) you received in return for your contribution. Your charitable contribution deduction is reduced if you receive something in return for your contribution.

An appraisal is generally needed when you donate an item or group of items of property if the claimed value is more than $5,000. You must also complete Section B of Form 8283 and attach it to your tax return. Section B of Form 8283 should be signed by both the appraiser and a responsible officer of the charity. However, you do not need an appraisal for the donation of a car if the deduction is limited to the gross proceeds of its sale by the charity.

Limits on deductions

Charitable contribution deductions are generally limited to 50% of your adjusted gross income (AGI) (or 30% or 20% of AGI depending on the type of charity and the property donated). Disallowed amounts can generally be carried over and deducted in the following five years, subject to the percentage limits in those years. If you donate property with a fair market value that is more than your income tax basis in it (not usually a concern when donating used goods), your deduction is generally limited to your basis in the property, except for capital gain property when you use the 30% of AGI limit.

The total of your charitable contribution deductions and certain other itemized deductions is limited (but not reduced by more than 80%) if your adjusted gross income in 2014 is more than $254,200 (for single taxpayers, $305,050 for married filing jointly taxpayers).

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Have the rules for 401(k) in-plan Roth conversions changed?

Yes. Thanks to the American Taxpayer Relief Act of 2012 (ATRA), the rules for making 401(k) in-plan Roth conversions have gotten substantially easier. (These rules also apply to 403(b) and 457(b) plans.)

A 401(k) in-plan Roth conversion (also called an "in-plan Roth rollover") allows you to transfer the non-Roth portion of your 401(k) account into a designated Roth account within the same plan. The amount you convert is subject to federal income tax in the year of the conversion (except for any nontaxable basis you have in the amount transferred), but qualified distributions from the Roth account are entirely income tax free. The 10% early distribution penalty doesn't apply to amounts you convert (but that penalty tax may be reclaimed by the IRS if you take a nonqualified distribution from your Roth account within five years of the conversion).

While in-plan conversions have been around since 2010, they haven't been widely used, because they were available only if you were otherwise entitled to a distribution from your plan--for example, upon terminating employment, turning 59½, becoming disabled, or in other limited circumstances. But in that case, you already had the option of rolling your funds over (converting) into a Roth IRA.

ATRA eliminated the requirement that you be eligible for a distribution from the plan in order to make an in-plan conversion. Now, if your plan permits, you can convert any vested part of your 401(k) plan account into a designated Roth account regardless of whether you're otherwise eligible for a plan distribution. The IRS has also just recently issued regulations that provide additional clarity on how in-plan conversions work.

Caution: Whether a Roth conversion makes sense financially depends on a number of factors, including your current and anticipated future tax rates, the availability of funds with which to pay the current tax bill, and when you plan to begin receiving distributions from the plan. Also, you should consider that the additional income from a conversion may impact tax credits, deductions, and phaseouts; marginal tax rates; alternative minimum tax liability; and eligibility for college financial aid.

Is there a new one-rollover-per-year rule for IRAs?

Yes--starting in 2015.

The Internal Revenue Code says that if you receive a distribution from an IRA, you can't make a tax-free (60-day) rollover into another IRA if you've already completed a tax-free rollover within the previous 12 months. The long-standing position of the IRS, reflected in Publication 590 and proposed regulations, was that this rule applied separately to each IRA you own.

Using an IRS example, assume you have two traditional IRAs, IRA-1 and IRA-2. You take a distribution from IRA-1 and within 60 days roll it over into your new traditional IRA-3. Under the old rule, you could not make another tax-free 60-day rollover from IRA-1 (or IRA-3) within one year from the date of your distribution. But you could still make a tax-free rollover from IRA-2 to any other traditional IRA.

Recently a taxpayer, Mr. Bobrow, did just what the example above seemed to allow, taking a distribution from IRA-1 and repaying it back to IRA-1 within 60 days, and then taking a distribution from IRA-2 and repaying it back to IRA-2 within 60 days. Unfortunately for the taxpayer, the IRS decided this was no longer the correct interpretation, and told Mr. Bobrow that his transactions violated the one-rollover-per-year rule. The case made its way to the Tax Court, which agreed with the IRS and held that regardless of how many IRAs he or she maintains, a taxpayer may make only one nontaxable 60-day rollover within each 12-month period.

Not surprisingly, the IRS has announced that it will follow the Bobrow case beginning in 2015 (more technically, the new rule will not apply to any rollover that involves a distribution occurring before January 1, 2015). For the rest of 2014 the "old" one-rollover-per-year rule in IRS Publication 590 (see above) will apply to any IRA distributions you receive. But keep in mind that you can make unlimited direct transfers (as opposed to 60-day rollovers) between IRAs--these aren't subject to the one-rollover-per-year rule. So if you don't have a need to actually use the cash for some period of time, it's generally safer to use the direct transfer approach and avoid this potential problem altogether.

(Note: The one-rollover-per-year rule also applies--separately--to your Roth IRAs.)