



Regulations Update: Do they Benefit you?

By Richard Nelson, First Point Comprehensive Wealth Planning

New Tax Basis Regulation

In an effort to help investors efficiently keep track of cost basis information, a new regulation will take effect for 2012. Congress expanded the scope of reporting obligations on Form 1099-B to include adjusted cost basis information of securities sold or transferred and whether any gain or loss with respect to the security is short-term or long-term. This legislation applied to certain “covered securities” and is being phased in over a three-year period beginning with equities in 2011, mutual funds and dividend reinvestment plans (DRPs) in 2012 and all other securities in 2013.

The changes outlined by the legislation impact investors in many ways, including the reporting of basis for covered versus non-covered which will provide two different sets of data being reported to the IRS:

1. Gross proceeds will continue to be reported to the IRS for non-covered securities.
2. Realized gain and loss and holding periods for covered securities beginning with equities in tax year 2011.

What does this mean to you?

This means that your cost basis will follow your investment, simplifying record keeping. If you transfer stock between companies, a detailed history about your cost basis will be included with the transfer. This was not the case in previous years and is a positive change.

Individual Retirement Accounts (IRAs)

As you prepare your taxes, it may be beneficial to consider your IRA options. For the 2012 tax year, the dollar limits for IRA contributions are \$5,000 if you are age 49 or younger or \$6,000 if you are age 50 or older. Contributions to a traditional IRA might be fully deductible, partially deductible or entirely nondeductible, depending your age, income, marital status, and whether you or your spouse are covered by an employer’s retirement plan.

As always, I am here to help as you work to balance a healthy return on your investment portfolio and alleviate your tax burden.

We encourage you to consult your tax advisor on tax benefits.

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