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Today marks the first day that the often-watched Dow crested the October 2007 high of 14,164 to set a new all-time high, approximately 120% higher than the low of March 9, 2009. Today's numbers don't mean the economic recovery is over, and there's no guarantee that the market will continue its upward trend, but appreciating the view from the peak, if only for a day, is enjoyable.

One other note... The IRS confirmed last week that the annual ESA contribution limit will remain at $2,000 for 2013. (There was pending legislation that would have lowered the limit to $500 per year.)

If you look at all the snow, it's hard to believe that spring is coming in just two weeks. If you watch too much TV, it's hard to believe the economy and the markets are moving in the right direction. This week in particular, it's better to check the calendar, and the Dow.

Thank you for your business!

-jv

March 2013

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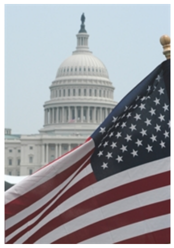
VISION FINANCIAL ADVISORY CORP
DELIVERING FINANCIAL CLARITY

The American Taxpayer Relief Act of 2012



The new year started with some political drama, as Congress passed legislation on January 1, 2013, to prevent the country from going over the "fiscal cliff." The American Taxpayer Relief Act of 2012 (ATRA) permanently extends a number of major tax provisions and temporarily extends many others. The legislation also temporarily postpones major automatic spending cuts that were scheduled to take place at the beginning of the year. Here's what you need to know.

Permanent federal income tax rates

For most individuals, the legislation permanently extends the lower federal income tax rates that have existed for the last decade. That means most taxpayers will continue to pay tax according to the same six tax brackets (10%, 15%, 25%, 28%, 33%, and 35%) that applied for 2012. The top federal income tax rate, however, will increase to 39.6% beginning in 2013 for individuals with income that exceeds $400,000 ($450,000 for married couples filing joint returns).

Long-term capital gains and dividends

Generally, the lower tax rates that applied to long-term capital gains and qualifying dividends have been permanently extended for most individuals as well. If you're in the 10% or 15% marginal income tax bracket, a special 0% rate generally applies. If you are in the 25%, 28%, 33%, or 35% tax bracket, a 15% maximum rate generally applies. Beginning in 2013, however, those who pay tax at the higher 39.6% federal income tax rate (i.e., individuals with income that exceeds $400,000, or married couples filing jointly with income that exceeds $450,000) will be subject to a maximum rate of 20% for long-term capital gains and qualifying dividends.

Alternative minimum tax (AMT)

ATRA permanently extends AMT relief, retroactively increasing the AMT exemption amounts for 2012, and providing that the exemption amounts will be indexed for inflation in future years. The Act also permanently extends provisions that allowed nonrefundable personal income tax credits to be used to offset AMT liability.

Estate tax

The new legislation makes permanent the exemption amounts ($5 million, indexed for inflation) for the estate tax, the gift tax, and the generation-skipping transfer tax--the same exemptions that were in effect for 2011 and 2012. The top tax rate, however, is increased to 40% (up from 35%) beginning in 2013. The Act also permanently extends the "portability" provision in effect for 2011 and 2012 that allows the executor of a deceased individual's estate to transfer any unused exemption amount to the individual's surviving spouse.

Itemized deductions and personal exemptions

ATRA provides that, beginning in 2013, personal and dependency exemptions will be phased out for those with incomes exceeding specified income thresholds. Similarly, itemized deductions will be limited. For both the personal and dependency exemptions phaseout and the itemized deduction limitation, the threshold is $250,000 for single individuals ($300,000 for married individuals filing joint federal income tax returns).

No extension of 2% payroll tax reduction

Many workers were surprised when they received their first 2013 paycheck. That's because one thing the new legislation did not do was extend the temporary 2% reduction in the Social Security (OASDI) portion of the FICA payroll tax that expired at the end of 2012. As a result, most workers are now receiving about 2% less in take-home pay.

Other provisions

The new legislation extends a host of other tax provisions that had expired--some are extended permanently, others temporarily. For more information, contact a tax professional or visit [www.irs.gov.](http://www.irs.gov)

Questions and Answers about Social Security

Did you know that according to the Social Security Administration, 94% of all workers are covered under Social Security?

Whether you're close to retirement or years away from receiving Social Security benefits, you may not know much about the intricacies of this important program. Here are some questions and answers that can help you learn more.

Will Social Security be around when you need it?

You've probably heard media reports about the worrisome financial condition of Social Security, but how heavily should you weigh this information? While it's very likely that some changes will be made to Social Security (e.g., payroll taxes may increase, benefits may be reduced by a certain percentage, or cost-of-living adjustments may be calculated differently), there's been no proposal to eliminate Social Security. Although no one knows what will happen, if you're approaching retirement, it's probable that you'll receive the benefits you've been expecting. If you're still a long way from retirement, it may be wise to consider various scenarios when planning for Social Security income.

How does the Social Security Administration know how much you've earned?

If you work for an employer, your employer will deduct Social Security taxes from your paycheck and report your wages to the Social Security Administration (SSA). If you're self-employed, you pay your self-employment Social Security taxes and report your earnings to the SSA by filing your federal income tax return. To view your lifetime earnings record, you can sign up to access your Social Security Statement online at the SSA's website, www.socialsecurity.gov.

Will a retirement pension affect your Social Security benefit?

If your pension is from a job where you paid Social Security taxes, it won't affect your Social Security benefit. However, if your pension is from a job where you did not pay Social Security taxes (such as certain government jobs) two special provisions may apply.

The first provision, called the government pension offset (GPO), may apply if you're entitled to receive a government pension as well as Social Security spousal retirement or survivor's benefits based on your spouse's (or former spouse's) earnings. Under this provision, your spousal or survivor's benefit may be reduced by two-thirds of your government pension (some exceptions apply).

The second provision, called the windfall elimination provision (WEP), affects how your Social Security retirement or disability benefit is figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit is modified, resulting in a lower Social Security benefit.

If someone else receives benefits based on your earnings record, will your benefit be reduced as a result?

Your benefit will not be affected if other people, such as your spouse, former spouse, or dependent children, receive Social Security benefits based on your earnings record.

If you delay receiving benefits until after full retirement age, should you still sign up for Medicare at age 65?

Even if you plan on waiting until full retirement age or later to take your Social Security retirement benefits, make sure to sign up for Medicare three months before you reach age 65. If you enroll late for Medicare Part B (medical insurance) your coverage may be delayed or cost more later. Visit the Medicare website, www.medicare.gov to learn more.

Do IRA withdrawals count toward the Social Security earnings limit?

Prior to full retirement age, an earnings limit applies if you receive Social Security benefits. If you earn more than this amount, your benefit will be reduced. However, only wages from a job or net earnings from self-employment count toward this limit. Unearned income, such as IRA withdrawals, investment earnings, or capital gains, does not count.

What if you change your mind about when to begin Social Security benefits?

You have a limited opportunity to change your mind after you've applied for benefits. You can complete Form SSA-521, Request for Withdrawal of Application, and reapply at a later date. But if you're already receiving benefits, you can withdraw your claim only if it has been less than 12 months since you first became entitled to benefits, and you're limited to one withdrawal per lifetime. In addition, there are financial consequences--you must repay all benefits already paid to you or your family members based on your application, as well as any money withheld from your checks, including Medicare premiums or income taxes.

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Compounding Can Add Fuel to Your Portfolio

Note: The examples in this article are hypothetical and for illustrative purposes only. They assume a steady 6% annual rate of return, which does not represent the return on any actual investment and cannot be guaranteed. Moreover, the examples do not take into account fees and taxes, which would have lowered the final results. Speak with a financial professional about how these examples might relate to your own investing circumstances.

If you enter the terms "Albert Einstein" and "compounding" into an Internet search engine, you'll discover a wide variety of quotes attributed to the great inventor. Some results say Einstein called compounding the "greatest mathematical discovery of all time," while others say he called it the "most powerful force in the universe." Despite the many variations, Einstein's point is valid: compounding can add fuel to your portfolio's growth. The key is to allow enough time to let it go to work.

Time and money can work together

The premise behind compounding is fairly simple. If an investment's earnings are reinvested back into a portfolio, those earnings may themselves earn returns. Then those returns earn returns, and so on. For instance, say you invest $1,000 and earn a return of 6%--or $60--in one year. If you reinvest, combining that $60 with your $1,000 principal, and earn the same 6% the following year, your earnings in year two would increase to $63.60. Over time, compounding can snowball and really add up.

Say at age 45 you begin investing $3,000 annually in an account that earns 6% per year, with earnings reinvested. At age 65, your $60,000 principal investment would be worth almost twice as much--about $117,000. That's not bad, right?

Now consider what happens if you begin investing at age 35, using the same assumptions. By 65, your $90,000 principal would nearly triple to just over $250,000.

Finally, consider the results if you start at age 20: your $135,000 investment would be worth a jaw-dropping five times as much--$676,524. That's the power of compounding at work.

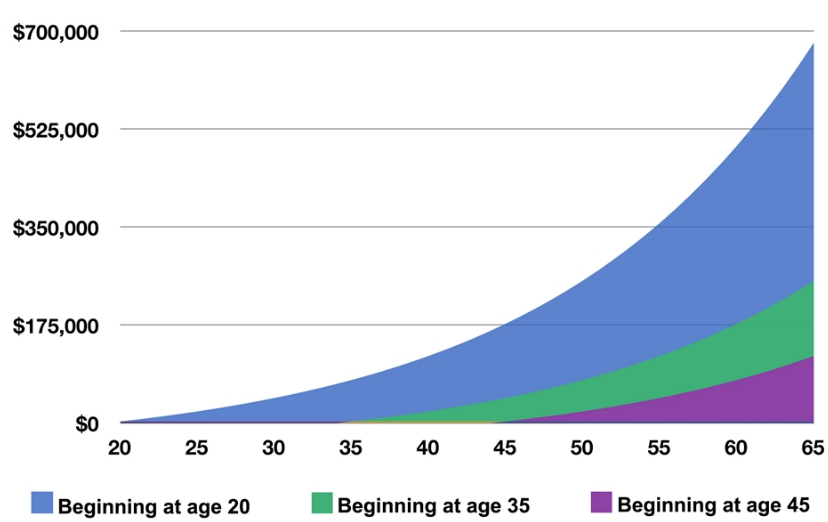
But how long do I have to wait?

If you'd like to estimate how long it might take for your investment to double, you can use a principle known in investment circles as the "Rule of 72." To use the rule, simply divide 72 by the expected rate of return. For example, if you expect to earn an average of 8% over time, the Rule of 72 gauges that your investment would double in approximately nine years. (This rule applies to lump-sum investments, not periodic investment plans such as those given as examples in this article.)

With compounding, the more patience you have, the better off you may be over the long term. The examples in this article assume a steady 6% rate of return each year; however, in reality, no investment return can be guaranteed. Your actual earnings will rise and fall with the changing economic and market conditions. That's why it's so important to stay focused on the long term. Over time, the ups and downs may average out, and your earnings can potentially go to work for you.

Perhaps that's why Einstein called compounding "man's greatest invention." Or was it the "eighth wonder of the world"? Regardless ... you get the idea. When it comes to investing, time can be the power behind your potential success.

Potential Growth of $3,000 Invested Annually



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How can my child get a better financial aid package?

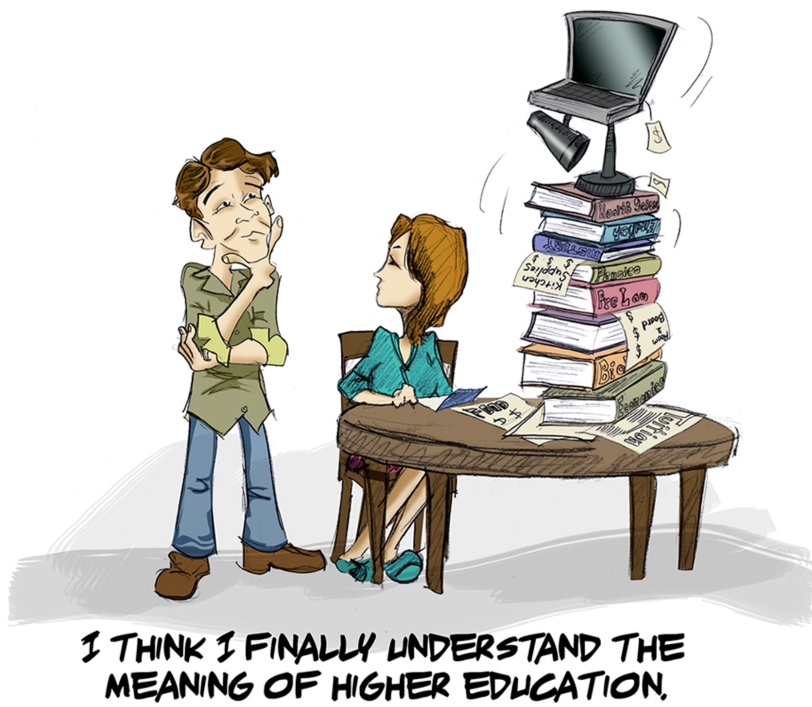
If your child is accepted at a college, he or she will get a financial aid award letter that contains: (1) the college's cost of attendance (COA) (this figure is different for every college); (2) your expected family contribution (EFC), which is calculated from the federal government's aid application (this figure is constant); and (3) the specific types and amount of aid being offered. The difference between the college's COA and your EFC equals your child's financial need. The college's financial aid administrator will attempt to meet this need by offering aid that includes a mix of loans, grants, scholarships, and work-study.

Let's assume you and your child are comparing financial aid awards from several colleges. Is it possible to request a more favorable aid package? The answer is yes. Financial aid administrators have the authority to exercise "professional judgment" to reduce the loan portion of an aid award and increase the grant, scholarship, and/or work-study component. Your chances of prevailing are best in two situations:

(1) You have a special circumstance that affects your ability to pay. Examples include a recent job loss, high medical bills, or some other factor that puts above-average constraints on your income.

(2) Your child has been accepted at two competing colleges, and one has offered a more generous aid package. Many colleges don't mind losing an applicant to a more (or less) selective college, but they generally don't like to lose an applicant to a direct competitor.

Even if neither of these situations applies, you can still contact the college's aid administrator. In any case, the best approach is to send a polite business letter, with a follow-up telephone call or meeting. Explain in positive terms how much your child wants to attend that college and highlight your child's accomplishments. Your success will likely depend on whether your child will help the college meet its enrollment goals, and the amount of discretionary aid the college has available.



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