



## Your Taxes and Financial Matters

By: **Richard P. Król**

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### Need more retirement income? Consider a reverse mortgage.

The boom in housing markets across the country has made many older Americans house-rich and cash-poor. Reverse mortgages provide a way for seniors to tap their home equity for home improvements, health care expenses, and additional retirement income.

As the name implies, a reverse mortgage is the opposite of a traditional mortgage. With a traditional mortgage, you borrow a sum of money to purchase a home, then pay off the debt over time. With a reverse mortgage, you receive loan proceeds as a lump-sum payout, an annuity, a line of credit, or a combination of all three. No payments are made as long as you reside in the property. The loan, with any accrued interest, comes due when you move out or pass away.

**To qualify for a reverse mortgage**, you need to be at least 62 years old and own the home outright (or have a balance that can be paid off with the loan proceeds). How much you can borrow depends on your age, the home's market value, and interest rates.

When applying for a reverse mortgage, you do not have to prove you have enough income to make monthly payments (there aren't any). Also, neither you nor your heirs will have to scrounge for money to repay the loan. That's because the loan balance to be repaid cannot exceed the home's value. If, for example, you pass away when the home is worth \$250,000 but the loan balance is \$300,000, your heirs will owe the lower amount.

**But there is also a downside.** Closing costs on a reverse mortgage can be very steep, often as high as 8% of the home's value. In addition, borrowers may have to purchase mortgage insurance, and they are still liable for property taxes and homeowner's insurance. Moreover, some reverse mortgages require full payment of the loan balance (plus accrued interest) if the home is vacated for a specified period of time. If you end up making a prolonged, but temporary, stay in a nursing home, your loan could come due. Another factor to consider is how the loan proceeds might affect your Medicaid eligibility.

#### What you need to know about private mortgage insurance.

If you are in the market for a home, you have probably heard of private mortgage insurance or PMI. It's insurance that protects lenders, not borrowers, if the mortgage goes into default. Lenders generally require PMI if you're unwilling or unable to make a down payment of at least 20% of the home's purchase price. Depending on your credit history, your income, the size of your mortgage and other factors, PMI can run from \$50 to several hundred dollars a month. After building up equity in your home (in technical terms, when your loan-to-value ratio drops below 78% of the original loan balance), your PMI policy can be cancelled. But building up that much equity, especially with a conventional long-term mortgage, can take a decade or longer.

Is everyone who cannot afford a big down payment required to take out a PMI policy? If you are financing a home with a conventional mortgage, the short answer is: probably. Homes financed with a Veteran's Administration (VA) or Federal Housing Administration (FHA) mortgage do not require PMI. That is because the federal government protects these lenders by paying off the outstanding mortgage balance if the borrower defaults. Lenders who finance conventional mortgages do not have that protection. From the lender's perspective, if you borrow more than 80% of the home's market value, you are more likely to default on the loan. (And, yes, lenders can bring out studies to prove their point.) To compensate

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## Music News

By: **Marek Żebrowski and Krysta Close**

### Fall Harvest of Polish Music and Culture

In the coming months Polish music will resonate throughout the Golden State. A great wealth of concerts and other cultural activities are planned, which the local Polish community should enjoy to the fullest, actively participating in the rich offerings that dot the fall calendar.

The month of August will be under the auspices of Frederic Chopin. The romantic story and music of Poland's greatest composer will be deftly portrayed in a play, *Monsieur Chopin*. This production will run from August 9 through August 26, 2007 at the Geffen Playhouse in West Los Angeles. *Monsieur Chopin* is written by Hershey Felder and directed by Joel Zwick whose film, *My Big Fat Greek Wedding*, was highly acclaimed world-wide. Hershey Felder-an actor, pianist, composer and Harvard scholar-traveled across the world to study Chopin's life and manuscripts, and lived in Chopin's still existing residences. This play is guaranteed to provide illuminating insights even to those of us who are already very familiar with Chopin's music.

The month of September will culminate with a celebration of another of Poland's great pianists, composer, and statesman, Ignacy Jan Paderewski. The 2007 Paderewski Reprise concerts will take place on Sunday, September 30, in Paso Robles-a charming spa town in the Central Coast region-where Paderewski owned thousands of acres of vineyards and almond groves. Two exciting programs will be presented at the Paso Robles Inn historic Ballroom: a noontime concert featuring winners of a youth piano competition, and a 4 p.m. concert of works by Paderewski, Stojowski, Meyer, and Chopin, performed by internationally acclaimed artists. Judging by the overflowing crowds flocking to the Paderewski Festival in the past, you may want to book your tickets and finalize your travel plans as soon as you can.

Several exciting events are planned for the beginning of October, which is celebrated locally as the Polish Heritage Month. At noon on October 3, a free concert of Polish music will be presented during the Music at Noon program at the United University Church on the USC campus in Los Angeles. This concert will include the American premieres of works by Krzesimir Dębski, Wojciech Kilar, and Krzysztof Meyer. The performers will include faculty and students of the Thornton School of Music.

Only a day later, on October 4, the legacy of Paderewski in California will be recognized officially at the unveiling of the Paderewski Monument at the University of Southern California. The ceremony will begin at 5 p.m. right outside of the Music School building. A high-level delegation, including Poland's First Lady, Madame Maria Kaczyńska, the Minister of Culture, and Poland's Ambassador to the United States are expected to attend. This momentous event offers an exciting opportunity for local Polish-Americans to celebrate the first monument commemorating a Polish national in Southern California. Coordinated by the Polish Music Center at USC, the Polish-American Congress, and the Polish-American Historical Association, fund-raising for this important project continues. Contributions from many members of the local Polish community are still needed, for we have not even begun to match the incredible generosity and superhuman efforts of Paderewski on behalf of his beloved Poland in her hour of need during the days of World War I. Please call 213-821-1356 for information about donating to this worthy cause.

Still on October 4, at 6 p.m., the annual Paderewski Lecture-Recital will be presented at the Newman Recital Hall on the USC campus. This year, the music of prominent Polish composer Krzysztof Meyer will be featured. Krzysztof Meyer, a professor of composition at the Hochschule

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## Investments

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### Changing Jobs and Your 401(k)

If you have contributed to your former employer's 401(k) Plan, you understand the importance of saving and the benefits of this type of investment. Now that you've left your former employer and can no longer make tax-deferred contributions, you have an opportunity not only to address what you'd like to do with this particular retirement account, but to review your entire retirement strategy. Even though the best overall strategy is to continue to save, there are a number of options to consider regarding the way you save, and for how long.

#### Understanding Your 401(k) Options

Once you leave your employer, you have four main choices to consider when determining what to do with your 401(k):

**✓ Leave your money in your old employer's plan.** You don't have to do anything. You can leave your money in your old employer's plan and put any immediate decisions on hold. This might appeal to those who do not want to lose the mix of investments they currently have. On the other hand, your investment options may be limited, and you cannot make any additional contributions to the plan. If your account is valued at \$5,000 or less, your former employer may roll over your account to an IRA.

**✓ Move your money to a new employer's plan.** You may have the option of transferring the funds directly into your new employer's plan. Most of the time, the investment options are different, so you'll need to take a careful look at how your money was invested in your old plan when choosing the mix in your new plan. But you can use this opportunity to choose a mix that is more to your liking.

**✓ Receive a distribution.** When you leave an employer, you may consider receiving a distribution from that company's 401(k) savings. You will receive a check, minus 20 percent federal income tax withholding. Unless employment is terminated during or after the year you attain age 55, withdrawals before age 59½ are subject to a 10% penalty in addition to federal income tax. Plus, the distribution might push you into a higher tax bracket for the year. Finally, if you take and spend your 401(k) savings today you will have less to retire on later.

**✓ Roll your money over into an IRA.** A Rollover IRA is designed to defer taxation on distributions until withdrawals begin. Since you pay no current taxes, the rollover account allows the entire rollover amount an opportunity to grow tax-deferred until distribution. When funds are withdrawn from a Rollover IRA, they are taxed at your ordinary income tax rate. This tax deferral can be a very valuable advantage. Also, a Rollover IRA will often offer you greater investment flexibility than an employer's 401(k) Plan.

#### For More Information

For help deciding whether a Traditional or Roth IRA is appropriate for you, please write in care of

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## Legal

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### R-1 Visas Offer Quick Method of Immigration for the Religious

By: **Christopher A. Kerosky**

At the present time, there are few quick and easy ways to bring anyone to the U.S. R visas (A religious visas@) may be an exception. It allows someone qualified to receive a temporary R visa within a few short months, and to remain in the US for up to three years. Then, based upon the same qualifications and following a second application to the INS, the applicant can usually obtain permanent residence in the U.S.

R visa is for A religious workers@ - essentially someone sponsored by a church, synagogue or religious institution to work for that institution in a traditionally religious function. The government regulations give the following examples of qualifying jobs: liturgical workers, religious instructors, religious counselors, cantors, religious school teachers, workers in religious hospitals or religious health care facilities, missionaries, religious translators, or religious broadcasters. The regulations specifically exclude janitors, maintenance workers, clerks, fund raisers or persons involved solely in the solicitation of donations. Our office has represented many churches and synagogues who have obtained visas for persons who work in a wide variety of ways B including working with the choir, the liturgy, the religious school, even the library.

The religious work does not need to be salaried, but the applicant must be able to prove that he or she will have no need to work elsewhere. Our clients have been approved for visas where the religious worker was paid only a small stipend plus room and board.

The law does not require the applicant to have a specific type of degree or certificate of ordination to qualify as a religious worker. But you must show the person has been a member of the religious denomination for at least two years.

Persons apply for the visa at the US consulate in Moscow, Kiev or whatever the appropriate consulate in their home country. They should come to the interview with appropriate documentation from the religious institution and an application signed by church officials in the US. Our experience has been that these applications are generally granted if the person meets the basic qualifications for the visa. It is probably the quickest and surest method to bring persons from Russia, the Ukraine or other republics of the former Soviet Union.

*This article discusses a legal issue. It is not intended to be a substitute for legal advice. We recommend that you get competent legal advice specific to your case.* □

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