



Your Taxes and Financial Matters

By: **Richard P. Król**

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Some will qualify for the "recovery rebate credit"

Have you spotted the new refundable credit on your federal income tax form? The "recovery rebate credit," created by the *Economic Stimulus Act of 2008*, is related to last year's economic stimulus payments. You may be able to claim it if you received less than the maximum stimulus amount or if your financial situation has changed. (There are phase-out income levels that reduce or eliminate the credit.)

The background. The 2008 stimulus checks were an advance payment of the recovery rebate credit. When you filed your 2007 federal income tax return by the due date (including extensions), you received a "rebate" based on filing status, income, and number of children.

The payment consisted of two parts: a basic credit of up to \$1,200 for married filing jointly (\$600 for individuals), and an additional \$300 for each child.

The effect on your 2008 tax return. This year you'll complete a worksheet that uses your 2008 tax information to reconcile the rebate you received with the total credit you qualify for. Any extra benefit reduces your 2008 taxes, dollar for dollar.

What if the worksheet shows you received more than you qualify for? You are not required to pay the extra back, so there is no effect on your return.

But say you added a child to your family in 2008. In that case, you might be eligible to claim another \$300. A change in dependency status or income could also result in an additional benefit. You might qualify for the credit even if you were ineligible for the initial stimulus rebate.

Who owes self-employment tax?

If you earned more than \$400 during 2008 from work as a sole proprietor or independent contractor, you may owe self-employment tax. That is true no matter what your age, even if you are receiving social security benefits.

The tax is assessed on your earnings from self-employment, which can include income from qualified joint ventures and partnerships, as well as fees you earn working as a director for a corporation. In this context, "earnings" generally means your income after deducting expenses incurred while operating your business. If you have multiple businesses, you combine the net income and losses.

For your 2008 return, the self-employment tax rate is 15.3% of the first \$102,000 that you earned. For 2009, the taxable base rises to \$106,800. Income above the base is still subject to Medicare tax at a 2.9% rate.

What happens when you earn social security wages or tips from an employer and also have a side business? Your wages count toward the taxable base. Depending on how much you earn as an employee, your self-employment income may be subject to part or all of the tax.

You can pay self-employment tax on a quarterly basis as part of your estimated tax payments. One half of the total self-employment tax that you pay during the year is deductible on your income tax return, and you do not have to itemize to claim the deduction.

If you have additional questions about the many strategies available to you, they may be directed to me at 800-CPA-KROL (272-5765), or you may write to:

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Investments

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Fixed Income's Role in Saving for Retirement

As we move through life, financial goals can change. For example, as investors get closer to retirement they typically think about how they'll fund their living expenses. For many investors maintaining a steady income stream is a key focus for their retirement years. Customizing your portfolio to include fixed income securities can help you accommodate this goal.

How are your Assets Allocated?

Proper asset allocation is essential for investors looking to save for retirement. Asset allocation describes the percentage of an investor's total financial assets invested in different investment categories, or 'asset classes.' The major financial asset classes are stocks (equity), bonds (fixed income) and cash. Based on your risk tolerance and financial goals, you may wish to allocate a portion of your total assets to bonds. For example, many investors looking to generate an income stream invest a higher proportion of their portfolios in bonds.

What is a Bond?

Bonds are debt obligations issued by governments, municipalities, agencies and corporations. The issuer promises to repay principal in full at the bond's maturity, and to pay periodic interest income at a specified interest rate over the life of the bond. Bonds typically allow investors to anticipate interest and principal cash flow over time, while also providing maturity and flexibility to match investment needs.

Bonds are often used as an important component of a balanced portfolio. Through the diverse fixed income market, you can choose individual securities based on your specific investment goals and level of risk tolerance. Issuers such as the U.S. government, municipalities and corporate entities allow diversification across industrial and geographic sectors and credit quality, while different maturity structures—from 1 year to 30 years—provide the ability to match securities to your financial time frame. And by choosing fixed coupon bonds you'll receive a steady stream of interest income, usually on a semi-annual basis, until the bond matures. In addition, many investors use bonds to reduce exposure to the uncertainties of the equity market and to help protect the value of their portfolios through diversification.¹

Structuring your Bond Portfolio

If you are saving for retirement you may also want to consider implementing a laddered portfolio strategy. Using this strategy, you can diversify your holdings by including investments in short-, intermediate-, and long-term fixed income securities; taking advantage of the higher liquidity of shorter-term securities while also attaining the higher returns typically available through longer-term securities. In addition, a laddered portfolio can provide a predictable flow of interest income and a level of price stability during turbulent interest rate cycles.

Consider the Risks Involved

Before you invest, remember that all fixed income securities are subject to risks that you should consider. In particular, bond prices are susceptible to interest rate fluctuations; generally, if interest rates fall, bond prices rise and, inversely, if interest rates rise, bond prices fall. Another point to remember: If you hold your bonds to maturity, your principal will be returned in full, but, if you sell your bonds prior to maturity the price you receive may be more or less than your original purchase price.

You should also consider every bond's creditworthiness; if an issuer is unable to meet its financial obligations it may fail to make interest and principal repayments. If you are looking to safeguard principal you should consider 'investment grade' bonds (those rated 'Aaa/AAA' through 'Baa/BBB' by Moody's Investors Service and Standard & Poor's, respectively).

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Music News

By: **Marek Żebrowski and Krysta Close**

Susan Svrček – Contemporary Polish Music Champion



Barbara Myszynska.

Krzesimir Dębski and Susan Svrček greet a fan at Zipper Hall

Two important performances featuring piano music by Polish composers were presented recently in the Los Angeles area. The first took place on March 17 at the Zipper Concert Hall on the campus of the Colburn School of Music. The second concert was held at the Alfred Newman Recital Hall on the USC campus on March 28.

The common denominator for these two events was provided by Susan Svrček, a local pianist who throughout her career has specialized in performing modern music. She is one of the founding members of Piano Spheres, a gifted group of Southern California musicians who exclusively program contemporary music, now enjoying its fifteenth season.

The first half of Ms. Svrček's Zipper Hall program was devoted to piano compositions by Tom Flaherty, Jeffrey Holmes, and Virko Baley. Flaherty's opening *Nightstars* (1996) was the longest and most amorphous of the three piano essays, with moments of arresting beauty interspersed by episodes of creative wasteland. It was followed by Cyan by Jeffrey Holmes, a work composed in 2007 especially for Ms. Svrček. According to notes provided by the composer, Cyan is meant to convey "a general feeling of the coldness of winter, the motions of water, the darkness of the night, and nihilism that I see and feel everywhere." Such diverse phenomena certainly add up to an ambitious agenda, perhaps more appropriate for a large-scale symphonic work. The first half of the program closed with Virko Baley's *Nocturnal No. 2, "Tears"* originally dating from 1960 but revised in 1998, and a more recent *Pajarillo* (2001). The *Nocturnal's* poetic opening and its tighter formal layout provided some framework for the composer's ideas, whilst the post-modern *Pajarillo* beguiled the listener with its flamenco-inspired rhythms and its tongue-in-cheek humor.

After the intermission, the charmingly familiar suite, *Melodie ludowe* [Folk Melodies] by Lutosławski brought the audience back in time to the mid 1940s, when Polish composers were forced to inventively use folk idioms in order to keep the communist censors and cultural czars at bay. Lutosławski's language here is delicate and discriminating with finely-wrought harmonies, and just as sophisticated as it would be two decades later, when Lutosławski could compose without any formal diktats. The concert closed on a strong and effective counterpart to Lutosławski, a 2003 composition by Krzesimir Dębski, entitled *Organismi*. With it, Dębski, a prolific composer of concert, stage and film music, provided a welcome surprise for the Zipper Hall audience. *Organismi* is a compositional tour de force—both as a brilliant piano piece and as an efficient use of a very traditional formal design. Listening to the well-structured motivic development, one had a sense of hearing a modern-day Chaconne, with all its power, sweep, and irrefutable consequence of every musical gesture. The work received its American premiere that evening, and it certainly should surface on concert

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Legal

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What the election results mean for immigrants

The decisive victory of Barack Obama in November's election, coupled with gains by the Democrats in the U.S. Senate and the House of Representatives, could be good news for immigrants. However, it's likely they will have to wait at least 1-2 years for immigration reform, as it appears low on the agenda of priorities for an Obama administration.

Obama clearly voiced his support for immigration reform in his Presidential campaign. His transition website (www.change.gov) states that it is the policy of the Obama Administration to "support a system that allows undocumented immigrants who are in good standing to pay a fine, learn English, and go to the back of the line for the opportunity to become citizens." However, it is notable that this goal is listed behind other immigration policy goals such as "creating secure borders" and "removing incentives to enter illegally". His recent choice for Director of Homeland Security, Janet Napolitano, was tough on border security while serving as Governor of Arizona. (During a subsequent issue I will discuss what the selection of Ms. Napolitano means for immigration policy.)

If and when Obama chooses to make immigration reform a priority, he will likely have more support for it in Congress. The Democratic Party gained at least 7 seats in the Senate and will hold at least a 58-40 advantage there. In the House, the Democrats also had substantial gains and have a 255-175 advantage. In 2007, the McCain-Kennedy immigration reform bill never reached a vote in the Senate because it lacked the necessary 60 votes to cut-off debate or prevent a promised filibuster by the Republicans. Generally, Democrats tended to support immigration reform while Republicans opposed it – although there were many exceptions in both parties. After January, when the newly-elected Congress is sworn in, there may be enough votes to pass immigration reform, depending upon the timing and substance of such a bill and to what extent the public supports or opposes it.

The big impediment for undocumented immigrants now is that the Obama Administration will have many other priorities in the coming year, including an economic stimulus package, health care reform, the energy crisis, tax legislation and ending the war in Iraq. In an interview on CNN recently, Barack Obama listed immigration as a priority item below these other five. Obama did discuss immigration reform in his post-election meeting with his opponent Senator John McCain and it could be that this becomes their own, special planned bipartisan legislative project in the coming 2-3 years.

The fact is that in these difficult economic times, an immigration reform bill is likely to be politically unpopular. I believe it will be left off of the legislative agenda in 2009 and considered in 2010 at the earliest. ☐

Jan Gruen – Gruszecki

(Native of Wieszchowo – Dom Dziecka)

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