

Parental Dependence and Taxes

As the tax filing deadline nears, everyone is looking to save every last dime possible. If you're providing support for an elderly parent, you may be able to claim him or her as a dependent on your taxes.

It's always wise to check with a qualified tax professional about your individual circumstances, but Steven J. Elliott outlines some key rules you can review to determine whether you may qualify.

Income and support: A parent must have an income of \$3,650 or less (excluding Social Security income and railroad retirement benefits) before you're able to claim him or her as a dependent. You also must be providing more than half of the parent's support. That can include costs, such as housing, food, and medicine.

Residency: Where the parents live is irrelevant, according to Elliott, a CPA and tax director with Schwartz & Co., in Bellmore, N.Y. They can live with a child, independently in an apartment, or reside in an assisted living facility, for instance. "Unlike the rules for many dependency exemptions, the parent doesn't have to be living in a claimant's home," he says.

Multiple support sources: Sometimes multiple siblings chip in to support a parent. Elliott says that if one sibling is providing

more than one-half of a parent's support, only that sibling can claim the exemption.

But when multiple kids are contributing to a parent's support, they must decide among themselves who is going to claim the parent. "To be included in the possible pool to claim the dependency exemption, you have to be providing at least 10 percent of care," comments Elliott. No one can be providing more than 50 percent.

The sibling who claims the dependency exemption can change from year to year, as long as every group member provided at least 10 percent of the care costs.

The siblings who provide support but aren't claiming the exemption need to fill out IRS Multiple Support Declaration (IRS Form 2120), and the person taking the exemption needs to include it with his or her tax return.

For more information, see IRS Publication 501, Exemptions, Standard Deduction, and Filing Information. (www.irs.gov/pub/irs-pdf/p501.pdf)

Tax status: Claiming the dependency exemption sometimes can benefit one sibling more than another. For example, if someone is single and claims the parent as a dependent, his or her tax filing status changes to head of household, points out Elliott. "When they change their filing status from single to head of household, much more of their income is going to be taxed at

lower rates. So they not only get the dependency exemption, they also get to change their filing status," Elliott comments.

Pitfalls: Elliott says there are no legal or tax pitfalls associated with the arrangement, but he has seen parents whose pride is wounded by becoming a dependent. He's also seen bickering among siblings about who claims the parent as a dependent.

Surrendering the keys, not independence

Giving up driving is a traumatic moment that signals the end of independence for some seniors. No longer being able to drive can also bring on isolation, boredom, and loneliness.

When it's time for an elderly parent or relative to surrender the car keys, having a plan in place for alternate transportation can ease the trauma.

Various Canadian and American public and private groups have tried to address the problem by developing ride sharing programs, offering free or discounted fares on public transit, and creating dial-a-ride services.

One, for example, the Independent Transportation Network (<http://itnamerica.org/content/Overview.php>), has started chapters across the United States, and it connects seniors needing rides with volunteer drivers. It charges a membership fee, and there are affiliates in big cities, such as in Chicago, Boston, and L.A. It's also taking root in smaller cities, including Racine, Wis., Davenport, Iowa, and Westbrook, Maine.

Additional resources:

- The Beverly Foundation (www.beverlyfoundation.org)--The group aims to enhance mobility and transportation for seniors, and the site includes fact sheets, brochures, and reports about senior transit options.
- Eldercare Locator (www.eldercare.gov/Eldercare.NET/Public/Index.aspx)--The site allows you to search by city or zip code for transportation options.
- National Center on Senior Transportation (http://seniortransportation.easterseals.com/site/PageServer?pagename=NCST2_older)--It offers transit-related information and safe driving information geared to seniors.
- Canadian resources--Find Canada-based senior transit information at www.drivingmissdaisy.net, www.satsofedmonton.org/index.html, www.seniorservicedirectory.com, and www.torontoride.ca

Getting a better read on retirement

Ipsos Reid recently conducted a survey on behalf of the Standard Life Assurance Company of Canada concerning Canadians' understanding of employer-sponsored retirement plans.

One finding was that nearly half of respondents (44 percent overall) don't know what their projected income will be upon retirement.

One reason for that is that respondents say they spend little time reviewing retirement plan statements, with 49 percent reporting that they only skim through such

statements. Five percent ignore them entirely.

Why? Many, 36 percent, can't understand the information presented in such reports and 24 percent feel the material is presented in a less than engaging manner.

In response to the survey, Standard Life developed three videos. They explain in plain language how to read retirement statements and locate information to answer three key questions. They are:

1. How am I doing? That is, how did my investments perform since the last statement?

2. Am I on track with my retirement and income objectives?

3. What can I do to reach my retirement goals?

The videos are available in both English and French. You can view them at www.youtube.com/StandardLifeCA#p/a/320640F0448555BD/0/dSHkE90q5IE

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