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Carr Talks

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WEEKLY SUMMARY

With gold soaring over $1,500 an ounce and the US dollar falling to record recent lows against the Euro, no wonder the average price of a gallon of gas is touching $4 a gallon in many places.

The high price of gold is reflective of a nervous global economy waiting to see if the US can get its fiscal house in order. That S&P, a global rating agency, has put US debt of essentially credit watch (that there is a one in three chance that there will be a down grade in the sovereign debt of the US in the next 3 years) has given US investors a serious wakeup call as to how badly the US budget is out of whack.

With congress out for the Easter break, they will have a lot of work to do when they return to restore confidence to the buyers of US debt that inflation is not going to be a problem, and that their investment in USD will not be eroded and devalued by inflation.

Corporate profits, and hence the stock market continue to improve as signs of a tentative recovery take root. But housing and real estate continue to be a huge drag on the economy with no real sign of credit and mortgage access getting any better. The employment picture is slowly improving. However, McDonalds hiring 50,000 people in one day is scary on many levels.

Record Retention

Tax returns. Save your tax returns and supporting documents for at least three years. That's how long the IRS has to audit you. There are, however, exceptions. The IRS has up to six years to audit you if you under-report your income by 25% or more. There is no statute of limitations on audits of fraudulent returns. If in doubt, keep six years. Better Business Services Inc and Taxlogic have online access to business and personal returns since 2001.

There's also no statute of limitations on audits of taxpayers who don't file a return. Taxpayers who e-file should print a copy of the e-mail acknowledging receipt of their return and keep it with their records. Those who file paper returns should send them to the IRS via certified mail and keep a copy of the receipt. (This will also provide proof that you mailed your return before the deadline.)

Keep W-2s, 1099s, acknowledgments from charities and other supporting documents for as long as you keep your tax returns. Some experts recommend you keep copies of tax returns forever, because they provide a record of your financial history. You may need previous returns to apply for a mortgage or student loan.

Real estate records. Hold on to your closing statements, purchase and sales invoices, HUD1 document and Title Company Package and proof of payment and insurance records for at least four years **AFTER** you sell the property..

You should also keep records of any major improvements made to your home, such as an addition or a new roof. When you sell, you can add the cost of these improvements to the amount you paid for your home, which will reduce taxes on capital gains.

Most homeowners don't have to worry about paying taxes on the sale of their homes. For singles, up to $250,000 in profit on the sale of a primary home is excluded from taxes; married couples can pocket up to $500,000 tax-free.

Investments. As is the case with real estate, you should hold on to documents that show the purchase price of your stocks and mutual funds until three years after you sell. You should also keep records of dividends, reinvested dividends, loads and stock splits.

These documents will show the IRS how much you paid for your investments, known as the basis. Without proof of the basis, you could be liable for taxes on the entire proceeds of a sale, even if you sell at a loss. If you claim a loss for worthless securities, hold on to the supporting documents for at least seven years after you file your return.

Financial institutions will be required to track the basis for stocks held by their customers starting this year, mutual funds in 2012, and bonds in 2013. They'll also report this info to the IRS.

However, the law doesn't require financial institutions to provide the basis for securities purchased before the effective dates. So you should keep records of securities bought before Jan. 1 (or in the case of mutual funds and bonds, before 2012 and 2013, respectively).

Bank and credit card statements. Keep credit card receipts and canceled checks that support your tax deductions on your tax return for as long as you keep the return. Statements that aren't related to your tax returns should be saved for a year then discarded. Canceled checks that aren't related to your taxes can be shredded after you've reconciled them with your bank statement.

Many banks don't send canceled checks to customers. But you can order copies of tax-related checks as soon as you get your bank statement, or keep the statement and order tax-related checks in the event of an audit. In general, banks that don't provide canceled checks must keep copies for seven years, the FDIC says. You may have to pay a fee for copies more than a year old.

The IRS allows electronic storage systems as long as they provide an accurate and accessible record of the data.

www.carr.co.nz/stats

	Last Week	End of Week	Next Week	12/31/2011
Gold	$1,487.10	$1,504.90	$1,520.00	$1,600.00
Oil	$109.39	$112.35	$115.00	$120.00
Dow Jones	12,341.83	12,505.99	12,600.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	8.80 %	8.80 %	8.80 %	9.50 %

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