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Drew's Clues

DREW FERRARA your, Bucks County Specialist

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Ask the Expert

Q. We're trying to decide if we want a single-family home, or if a duplex would be a good idea. What do you think?

A. There are advantages to both.

The single-family home

With a single-family home, you don't have to deal with a renter and your home is a very private place.

You would get income tax deductions for interest on the mortgage and for property taxes you pay.

In the future, if you decide to sell the new home, or your present home, you are entitled to an exclusion of capital gains in the amount of \$500,000 for a couple or \$250,000 for an individual.

If you operate a business from home, you can deduct operating expenses for a home office, including depreciation for the portion of your home that you use for your business.

The duplex

Buying a duplex is an excellent way to build equity and reduce taxes. More importantly, the income you receive will pay all or part of your mortgage.

For example, if you buy a duplex for \$200,000 and finance 96.5 percent of it with an FHA loan at 5 percent interest, your monthly mortgage payment (without taxes and homeowner insurance) would be \$1,036. But you could rent the half of the duplex you don't live in for \$1,000. In the first year, you and your tenant will pay off \$2,782 of your loan.

You can deduct half the interest you pay on the mortgage from income, and you also have a depreciation deduction. In the case of the \$200,000 duplex, if you depreciate the property (less the value of the land) over a 27.5 year period, you would have a nice deduction.

The amount depends on how the depreciation is calculated. Of course, any expense you have for maintenance or repairs of the rented half of the property is deductible. For young people who have not been homeowners, buying a duplex is a good way to get started in real estate. After owning the property for a few years, their savings could add up to the amount needed for a down payment on another home or rental property.

The original duplex would pay for itself over time, and the value of the property could rise as it appreciates.



How to gift the hosts

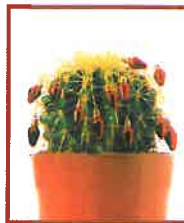
You may wonder what you could do to show your appreciation when you will be a house guest. The length and frequency of your visits are factors to be considered.

If you visit only once or twice a year, it's nice to bring a gift, though it may not actually be expected. In cases where the hosts bring a gift when staying at your place, you must bring a gift.

When visiting over night or for a weekend, taking the hosts out to breakfast before you leave is a nice touch. Other tips from Charlotte Ford's Guide to Manners for the Modern Age:

- Instead of bringing a gift, some people wait until

after the visit to send one. Then, they have an idea about what the hosts would like.



- If you frequently visit with the same person, but they are unable to travel to your home, taking them to dinner at a restaurant is nice. Or, instead of gifting each time, you could reciprocate with a membership to a wine- fruit- or cheese- of-the-month club.

- A thank-you note is always appreciated by the hosts, but sending a thank-you note by email is now acceptable.

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Optimism and better health

When the new year rolls around do you feel optimistic about your future?

If you do, you have a proven healthy outlook on life. Researchers at the University of Pittsburgh have found that people who have an optimistic attitude are less likely to develop heart disease and cancer.

To test their attitudes, 100,000 women who were free of any disease were given personality tests to assess their optimism and their "cynical hostility."

During the period of the study, 120 more of the most cynical subjects developed heart disease than did those in the most optimistic group.



Location, Location, Location

Ask anyone. Buying a home in a "good" location is what you should do. But what's good for one person may not be ideal for someone else.

One factor to consider is whether the quality of a neighborhood is going up or down. When many homes in an area are for sale because of foreclosures, that might not signal a "down" verdict. If homes are of good quality, they will be resold and the neighborhood will again be stable. Those who buy now could get more for their money than they could get somewhere else.

Some other questions you might ask yourself or your real estate agent:

- Are there any kids in the neighborhood? Families with young children will find this question important. They may not want to

frequently drive their kids to play dates. On the other hand, couples with no kids or grown kids might not want to be bothered.

- Where's Mom? A home that's a few minutes driving time from parents, relatives or friends is a factor in some decisions.
- How close are the stores? Do you want to be near a mall, supermarket, or a walking-distance grocery store?
- Is public transportation available? How close is it to this home and where does it go?
- Are there good roads leading to work? Distance from work and roadways to get there can make a difference.
- How about parks and sports facilities? Driving time is an issue for people who go to the park often. Others don't care.
- Is there a hospital, medical or urgent care center in the area?

- This is becoming a consideration for more people.
- Would this be a home I could retire in? Maybe a one-story in a quiet area is best.
- How about living in a trendy, refurbished historical area or near a college?
- Do I dream of moving to another state? Maybe it's time to sell. Selling prices in many areas are stabilizing. In late October, there were just over 250,000 homes on the market, the smallest number since 1982, according to Fox Business. There are more people living in the United States than there were in 1982, but the number of available homes is still significant and decreasing.

Drew Ferrara, Your Bucks County Specialist



New tax tips for 2009 Federal Income Tax Returns

It's time to gather your receipts and income statements. Tax time is approaching, and you might as well get a handle now on how much work you will have to do.

When you have made a list of your possible deductions, you can determine whether to use the Standard Deduction form or to itemize. Put the amount of Standard Deductions next to your list total to determine which is greater.

Don't forget to calculate above-the-line deductions. They are important because they decrease your Adjusted Gross Income before deductions. They are allowed even if you take the Standard Deduction.

Health Savings Accounts are one example. You can claim a deduction for money you paid into the HSA and money paid into it for you by someone other than your employer.

Another above-the-line deduction is a tax break that is part of the American Recovery and Reinvestment Act of 2009. The above-the-line deduction is the amount of state and local sales taxes paid on up to \$49,500 for the purchase of a new car, light truck, motor home or motorcycle, if it was bought between February 16 and December 31, 2009.

The IRS offers these tax tips

- If you file electronically instead of using a paper tax form, you will receive your refund in as few as 10 days.

- Check the identification and Social Security numbers for each person listed. Missing or incorrect numbers will delay your tax refund.
- Double-check your figures if you are filing a paper return. Check to see that you have used the right figure from the right tax table.
- Sign the form. Both spouses and the tax preparer must sign it or it will be sent back to you for a signature.
 - When mailing a return, use the coded envelope included with your tax package or check the section called

"Where Do You File?"

- Electronic payment options are convenient and safe for paying taxes. Authorize an electronic funds withdrawal or use a credit or debit card.
- An extension of time to file a return should be filed by the April due date. It is not an extension of time to pay so if you have an idea of how much you owe, include a check.
- If you are sending a check with your paper return, make it out to "United States Treasury" and enclose it with, but not attach it to, the tax return or the Form 1040V Payment Voucher. The check should include the taxpayer's Social Security number, daytime phone number, the tax year and the type of form filed.



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Cleanview Estates

4 or 5 bedrooms 3 1/2 baths; elegant two story foyer. Formal living and dining rooms, and first floor office/library. Huge main bedroom with walk-in closet, sitting area and bath with whirlpool.

Proudly offered at \$649,900



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NEW CONSTRUCTION in Langhorne. 4 bedroom 2 1/2 bath. All models include the exclusive "Dream House" package. 32 new homes in the Neshaminy School District.

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Wychwood Glen

NEW CONSTRUCTION in Langhorne. 4 bedroom 2 1/2 bath. Two Stunning Homes adjacent to Core Creek Park.

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Oxford Falls

12 BRAND NEW spacious 2-story town homes with basements & Garages in Langhorne (Falls Township). Impressive list of Standard Features and Luxurious Options Starting at \$309,900

Martin Luther King, Jr.

January 15, 1929 - April 4, 1968

MLK was an American Clergyman, activist and prominent leader in the African-American Civil Rights Movement. His main legacy was to secure progress on civil rights in the United States, and he has become a human rights icon: King is recognized as a martyr by two Christian churches. A Baptist minister, King became a civil rights activist early in his career. He led the 1955 Montgomery Bus Boycott and helped found the Southern Christian Leadership Conference in 1957, serving as its first president. King's efforts led to the 1963 March on Washington, where King delivered his "I Have a Dream speech". There, he raised public consciousness of the civil rights movement and established himself as one



of the greatest Orators in U.S. history. In 1964, King became the youngest person to receive the Nobel Peace Prize for his work to end racial segregation and racial discrimination through civil disobedience and other non-violent means. By the time of his death in 1968, he had refocused his efforts on ending poverty and opposing the Vietnam War, both from a religious perspective. King was assassinated on April 4, 1968, in Memphis, Tennessee. He was posthumously awarded the Presidential Medal of Freedom in 1977 and Congressional Gold Medal in 2004; Martin Luther King, Jr. Day was established as a U.S. national holiday in 1986.

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The Kindle

an Alternative to Text Books for your Student

Kindle saves a student's textbook costs, but has some drawbacks

The high cost of college textbooks is tempting many students to buy an Amazon Kindle DX (\$489). It saves about half the price of buying each textbook.

Amazon wants to adapt the Kindle to academia. The DX has a large screen and is much lighter to carry around than a couple of text books.

Students have discovered that it's easy to highlight passages with yellow, then move those excerpts or pages to a separate screen. But the unit still



has a ways to go before most students will trade in their hard copies.

Amazon gave the Kindle to

about 200 students and loaded it with their textbooks. The Associated Press asked them how they felt about the unit.

Most liked the prospect of having anytime access to a semester's worth of reading on the Kindle, which can wirelessly download books or get material by being plugged into a PC.

They liked how light it is, just over a pound, and many said they would overlook any technical difficulties if it meant not having to carry books. They also liked the electronic screen, which is easier on the eyes than reading from a computer monitor.

Sizes of Champagne



When someone offers to open a bottle of Champagne, you can never predict how many glasses you will get. The range of bottle sizes and their delightful names are not widely known, but to the connoisseur such knowledge is basic. Some of the bottle names and sizes are:

- Piccolo: Italian for "small," 1/4 bottle.
- Demi: French for "half," half a bottle.
- Standard: At .75 liters, it fills about eight Champagne flute glasses.
- Magnum: Latin for "great," it's twice the size of a Standard bottle, 1.5 liters, according to champagnemagic.com.
- Jeroboam: Named for the founder and first king of Israel, 931-910 BC, it means "May the people grow numerous"



and at 3 liters, it holds 32 glasses.

- Rohoboam: named for the King of Judah, 922-908 BC, it's the equivalent of 6 Standards. (Just a little over a gallon)
- Methuselah: A 6 liter bottle pouring 64 glasses of bubbly. Its named for a Biblical patriarch who lived to the age of 969
- Salmanazar: named for the King of Assyria, 859-824 BC, it holds 9 liters
- Balthazar: A 12 liter bottle named for a Regent of Babylon 539BC
- Nebuchadnezzar: The largest of them all at 15 liters! 20 Standard bottles, four gallons, or 160 Flutes of Champagne. Its named for a 5th century BC King of Babalon.