

BUSINESS



ABOUT YOUR MONEY
By Jim Becker

Financial Gifts for Your Valentine

Valentine's Day is fast approaching, so you'd better get going with the flowers and chocolates for your sweetie. But this year, why not go beyond the traditional gifts and give a present that can make a difference in your loved one's life for years to come? Specifically, why not give a financial gift?

Of course, you could always put some cash or a check in a card, but with a little creativity, you can make a financial gift that has a longer-lasting and more profound impact. Here are a few suggestions:

Give stocks. You will almost certainly surprise someone by giving a gift of stock, perhaps representing a company that makes products or services favored by the recipient. If you're giving shares of stock that you own, you can give up to a value of \$13,000

per year without incurring gift taxes. Since the recipient will be liable for income taxes if he or she eventually sells the stock for a gain, you will need to provide the recipient with the stock's "cost basis" — the amount you paid for the stock.

Give bonds. Some people may not think of bonds as particularly exciting investments, but they have much to offer — including regular interest payments. Furthermore, if you give a municipal bond, you may also be supporting a local infrastructure project, such as the construction or improvement of a hospital or school, that can benefit the community in which your valentine lives. And the interest payments on a tax-free "muni" are exempt from federal taxes and may also be exempt from state and local taxes. (Municipal bonds may be subject to the alternative

minimum tax.)

Help fund an IRA. If your Valentine has an IRA, he or she has chosen a good vehicle in which to save for retirement. A traditional IRA's earnings grow tax deferred, while a Roth IRA's earnings can grow tax free. (However, distributions from a Roth IRA may be subject to taxes and a 10 percent penalty if the account is less than five years old and the account holder is under age 59½.) While you can't make a direct contribution to someone else's IRA, you can write a check for that purpose. And it will likely be appreciated, because many people have trouble fully funding their IRAs each year. (In 2010, the IRA contribution limit is \$5,000, or \$6,000 if the IRA owner is over age 50, although these limits may be increased if they're indexed for inflation.)

Make a charitable gift in your Valentine's name. Charitable organizations need financial assistance more than ever. Consider making a gift to a charity that's important to your Valentine. You'll be supporting a worthy cause, and as an added bonus, you may receive a tax deduction yourself.

Issue a "Get Out of Debt" card. You probably can't take all your Valentine's debts, but you may want to give a card stating you'll handle one car payment or a monthly credit card bill. The lower your Valentine's debt load, the more he or she can invest for the future.

By taking any of these steps, you can help make Valentine's Day even more meaningful for your loved one — and your gift will be remembered long after the holiday is over.



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