Arizona Investment Alliance Financial Group, Inc.

The Quarterly Rapport

1st Quarter 2012

3049 W. Ina Road Suite 101 Tucson, AZ 85741 Phone: (520) 323-3036 (800) 323-3036 Fax: (520) 323-3329 E-mail: AIAREDSKINS@AOL.COM

Visit us on our Website at: www.AIATucson.com

From the Desk of . . . .

Chuck Testino

I hope you had a wonderful holiday season filled with memorable times with family and friends! In this quarter's newsletter, we have compiled an interesting group of articles to educate, to inform and to save you money.

On the lighter side in the article, "Creating a Strong Password and Remembering It!" we challenge you to create on-line passwords that have strength and are memorable. Also, note the increases available to contribution limits in 2012 in our chart below.

As the year begins I wish you happiness, success and prosperity throughout the year. My staff and I are always here to help and will continue to look for opportunities for you as the year progresses. ~~ Chuck

Non-Qualified Annuities and the IRS

The IRS has ruled that annuity policies issued by the same company, to the same policyholder, during any calendar year shall be treated as one annuity policy. This ruling essentially affects how withdrawals are processed from the two annuity policies. Any withdrawals from non-qualified annuities has the interest coming out first. If a policy owner having two annuities purchased from the same company within the same calendar year withdraws an amount over the amount of interest in one of the policies, the amount above the credited interest of the first policy would be removed from the second policy since the IRS views the two policies as one policy.

Example:

Let's say two non-qualified annuities purchased in the same year with the same company each started with $10,000. Interest of $1,000 accumulated in each of the policies and a withdrawal of $2,500 was requested by the policyholder. Based on IRS rulings, the interest of $1,000 would need to be taken from each of the policies to fulfill the withdrawal request with the remaining $500 principal taken from the contract of the policyholder's choice. In essence, a policyholder is not allowed to take the entire withdrawal from one policy, while the other continues to accumulate untouched.

2012 Contribution Limits

Plan	2012 Limit		Over Age 50		"Catch-Up"		Total
IRA/Roth	5,000	+	1,000	+	N/A	=	6,000
403b	17,000	+	5,500	+	3,000	=	25,500
457/401(k)	17,000	+	5,500	+	N/A	=	22,500

**Note - If you will be 50 or older by the end of 2012, you have the benefit of being able to make "catch up" contributions. *SEP IRAs do not allow for catch up contributions.*

Are You Retiring?

If you are planning on retiring this year, call me to review all of the options that are available to you. The state of Arizona offers many choices for those who are going to retire and it can be very confusing.

I will review these options with you and explain the differences between each option given. You **DO NOT** want to leave lifetime benefit payments on the table.

I will show you how to maximize your benefits to sustain a lifetime income stream that is suited for your personal needs. You should review and finalize these options **THREE MONTHS (3)** prior to retirement. Call me at (520) 323-3036 to set an appointment now.

Don't forget to update your address book with our new address below

Chuck Testino

Arizona Investment Alliance Financial Group Inc.

3049 W. Ina Road Suite 101
Tucson, AZ 85741

Phone: (520) 323-3036
(800) 323-3036
Fax: (520) 323-3329

E-mail: AIAREDSKINS@AOL.COM

Website: www.AIATucson.com

The "ABCs" of "GLWBs"

Up until recently guarantees were not associated the indexed or variable annuity. Because consumers were reluctant to invest in products that did not provide guarantees, many companies began introducing a variety of riders that a policyholder could purchase that guaranteed a benefit to the consumer. In the sea of labels given to these riders, it is often confusing as to what these acronyms offer the consumer. Below is a summary of some of the more common guarantees found on indexed and variable annuities.

GLWB – Guaranteed Lifetime Withdrawal Benefit
A guarantee of an annual withdrawal of a specified amount over a specified period, regardless of the account's value. The withdrawal amount is determined based on age of the annuitant.

GMIB – Guaranteed Minimum Income Benefit
A guarantee that the owner can eventually annuitize a certain minimum guaranteed income, regardless of how poorly the owner's investment choices performed.

GMAB – Guaranteed Minimum Accumulation Benefit
A guarantee that the owner will receive at least a return of principal, in a lump sum, after a specified waiting period.

GDB – Guaranteed Death Benefit
Guaranteed of purchase payment minus withdrawals before the annuitization of the policy.

MOST Overlooked TAX Deductions

One thing we know for sure is that missed deductions can be costly. About 45 million of us itemize on our 1040s - claiming more than $1 trillion worth of deductions. Another 92 million taxpayers claim about $700 billion worth using standard deductions - and some of you who take the easy way out probably shortchange yourselves. (If you turned 65 in 2011, remember that you now deserve a bigger standard deduction than the younger folks.)

State Sales Taxes

Although all taxpayers have a shot at this write-off, it makes sense primarily for those who live in states that do not impose an income tax. The IRS has tables that show how much residents of various states can deduct, based on their income and state and local sales tax rates. But the tables aren't the last word.

If you purchased a vehicle, boat or airplane, you get to add the sales tax you paid to the amount shown in the IRS table for your state. The same goes for any homebuilding materials you purchased. These add-on items are easy to overlook, but big-ticket items could make the sales-tax deduction a better deal even if you live in a state with an income tax. The IRS has a calculator on its Web site to help you figure the deduction.

Reinvested dividends

This isn't really a tax deduction, but it is an important subtraction that can save you a bundle. If, like most investors, your mutual fund dividends are automatically used to buy extra shares, remember that each reinvestment increases your tax basis in the fund. That, in turn, reduces the taxable capital gain (or increases the tax-saving loss) when you redeem shares. Forgetting to include the reinvested dividends in your basis results in double taxation of the dividends.

Out-of-pocket charitable contributions

Little things add up and you can write off out-of-pocket costs incurred while doing work for a charity. For example, ingredients for casseroles you prepare for a nonprofit organization's soup kitchen and stamps you buy for your school's fundraising mailing count as a charitable contribution. Keep your receipts and if your contribution totals more than $250, you'll need an acknowledgement from the charity documenting the services you provided. If you drove your car for charity in 2011, remember to deduct 14 cents per mile plus parking and tolls paid in your philanthropic journeys.