

Social Security and earnings

Continued from Page 2 your "normal" retirement age: \$1 in benefits for each \$2 you earn above an annual limit.

Last year, that limit was \$12,000; this year, it's \$12,480. In the year you will reach "normal" retirement age, the reduction is less—\$1 in benefits for each \$3 you earn above \$33,240 in 2006, until you reach the point at which you can earn all you are able to without penalty. This point is reached once the recipient arrives at their normal retirement age.

For example, a retiree with earned income of \$25,000 and a Social Security benefit of \$1,000 per month would receive just \$478 each month after a reduction due to earnings.

Done with the SSA, you now emerge on the radar screen of the Internal Revenue Service, which is required to get its share and finds you an especially fertile target if you have substantial income beyond Social Security. A SSA Web site calculator helps you to understand how the earnings test would apply to you.

If you are filing a federal income tax return as an individual and have "provisional income"—defined as adjusted gross income plus nontaxable interest (such as interest from tax-exempt bonds and income dividends from municipal bond mutual funds) plus 50 percent of your Social Security benefits—between \$25,000 and \$34,000, you may have to pay income tax on that 50 percent. If your combined income exceeds \$34,000, up to 85 percent of your benefits may be taxable.

If you file a joint return and you and your spouse have provisional income (as defined above) of between \$32,000 and \$44,000, you may have to pay tax on 50 percent of your Social Security benefits. However, up to 85 percent of your benefits become taxable when your combined income exceeds \$44,000. This is a complex rule, so consider contacting the Social Security Administration or your tax adviser for more information.

March 2006— This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by James A. Frazin, CPP®, a local member of the FPA.

Own a small business?

Confused about your retirement account options as a small business owner or self-employed person? Is your insurance company or payroll processor telling you that they have the cheapest plans? Not sure how to put the most in for yourself while keeping your employees happy? Not sure what your "fiduciary" obligations are? Need help in picking the right funds? Call toll-free 866-882-7817 to set up a no-obligation, free one-hour consultation. Jim Frazin is a fee-only Certified Financial Planning® professional.

*Jim Frazin, CFP® is an Investment Advisory Representative of First Affirmative Financial Network, LLC, an independent investment advisory firm registered with the SEC. Investments are not federally insured by NCUA/NCUSIF or FDIC and are not credit union guaranteed and may lose value.

Call, mail, or visit us

Cypress West Federal Credit Union is a member owned, not-for-profit financial cooperative

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FAX 650.872.2656
Q400 (Talk with our computer) 800.430.3448
Modem (Dial in to our computer) 650.742.9693
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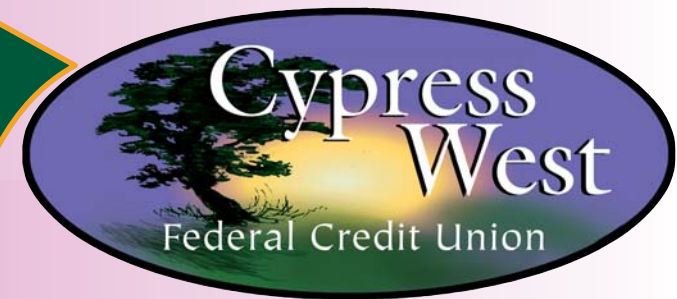
The credit Union will be closed:

Friday, April 14, (half day, from 1 PM on), in observance of *Good Friday*

Monday, May 29, in observance of *Memorial Day*.

Monday, July 5, in observance of *Independence Day*.

Spring 2006



www.cypresswestfcu.org

Your credit union offers the no-surprises, no-nonsense credit card

Let's face it. We all know the credit card truth. Come on, you can say it. You can name the elephant in the living room: Is it CitiBank, Chase, BankAmerica, Wells Fargo, or...?

So, we know you have someone else's credit card in your purses and hip pockets. Are we the jealous types? Noooo. Are we green with envy that you take them out to dinner and not us? Noooo. Do we fill your mail box with obscene offers? Do we lure your children with candy and puppies? Do we make promises one month and change them the next on the pretext of giving you a "better Web experience?" Are we selling your most private financial information to the highest bidder? Are we stuffing your front pockets with "wonderful" offers of "free air miles" with one hand, and with the other, picking your back pocket by charging you outrageous late fees (like from day one), massive cash advance fees, bloated balance transfer fees, and average balance calculations that mash you from the moment you smack down your card? Not only, "no," but "Heck, no." And guess what? Nobody's job was outsourced either.

Do we have a *real* grace period, do we like to share? Yessssss. We are the rational types, pragmatists, realists with a large dose of loyalty — to you — offering a no-nonsense, no-surprises credit card.

Take us to the ballgame, take us on vacation, take us out to dinner, to the movies, take us when you cruise the Web. Put the Cypress West card in your purse or hip pocket. "Cause, we know you ain't using it, Baby. And, if you ain't using it, you don't know how good it is.

Apply today and stay clear of the elephant and its poop. It ain't green and it don't smell like roses.

Compare our card to theirs. Fill in the blanks. CWFCU: nothing fancy and nothing tricky. And theirs?

CWFCU terms	bank 1 terms	bank 2 terms
New purchases APR: The standard rate is 9.40%		
Balance transfer APR: The standard rate is 9.40%		
Cash Advances APR: The standard rate is 9.40%		
Late Payment Fee Min: \$25.00 or 10% of the past due amount to a max. of \$100 when late 10 or more days.		
Transaction Charges on Purchases: None		
Over Limit Fee: 10% of the over-limit amount with a min. of \$25.00 and a max. of \$100.		
Annual Fee: \$0.00		
Grace Period: 25 days on purchases if balance is paid in full. None on cash advances.		
Minimum Finance Charge: None		
Balance Calc. Method: Average Daily Balance		
Cash Advance Fee: None when the cash advance is made at this credit union. Third parties may charge a fee.		

Notice:

Taxes are due Monday, April 17 for 2005

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Cut out and mail to the credit union

Please send me more information about: (check as many boxes as you like)

My Name _____ My Daytime Area Code/Phone _____

My Address _____ My City, State, ZIP _____

<p><input type="checkbox"/> SHARES/PASSBOOK</p> <p><input type="checkbox"/> Savings/Shares/Passbook</p> <p><input type="checkbox"/> Nautilus® Money Market</p> <p><input type="checkbox"/> Regular Share IRA</p> <p><input type="checkbox"/> CERTIFICATES</p> <p><input type="checkbox"/> Summit® Certificate</p> <p><input type="checkbox"/> Regular Certificate</p> <p><input type="checkbox"/> Market Index Certificate</p> <p><input type="checkbox"/> IRA/SEP</p> <p><input type="checkbox"/> TRANSACTION ACCOUNTS</p> <p><input type="checkbox"/> Visa® Credit Card</p> <p><input type="checkbox"/> Visa® Benefits</p> <p><input type="checkbox"/> Visa® Debit Card</p> <p><input type="checkbox"/> Share draft/ATM Card</p> <p><input type="checkbox"/> LOANS</p> <p><input type="checkbox"/> Vehicle</p> <p><input type="checkbox"/> New</p> <p><input type="checkbox"/> Used</p> <p><input type="checkbox"/> Payment Advantage®</p>	<p><input type="checkbox"/> Personal Loans</p> <p><input type="checkbox"/> Signature</p> <p><input type="checkbox"/> Line of Credit/Overdraft protection</p> <p><input type="checkbox"/> Consolidation</p> <p><input type="checkbox"/> Home Loans</p> <p><input type="checkbox"/> Equity</p> <p><input type="checkbox"/> Purchase</p> <p><input type="checkbox"/> Refinance</p> <p><input type="checkbox"/> Personal Financial Planning/Investment Alternatives</p> <p><input type="checkbox"/> More Services</p> <p><input type="checkbox"/> Price Club/Costco</p> <p><input type="checkbox"/> Great America/Marine World Discounts</p> <p><input type="checkbox"/> Group Legal Plan®</p> <p><input type="checkbox"/> Insurance</p> <p><input type="checkbox"/> Accidental Death and Dismemberment</p> <p><input type="checkbox"/> Group Life/other</p> <p><input type="checkbox"/> Federal Deposit Insurance</p> <p><input type="checkbox"/> Other _____</p>
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The perplexing world of Social Security and earnings in retirement

Launched in 1935 during the Great Depression as a principal component of Franklin D. Roosevelt's New Deal recovery program, the Social Security System has earned an unquestionable reputation for the reliability of its stream of monthly checks to retirees, the nation's first comprehensive source of retirement income.

But did the laws that authorized the checks and ensured their reliability also:

- Permit the checks—based on your lifetime income—to be large enough to sustain seniors in comfortable retirement?
- Require Social Security checks to be taxed too much by the same Treasury Department which issued them?
- Reduce the checks too severely for those who needed money before becoming 65.
- Enable beneficiaries to get back all of the money they had paid into the system over the years?

While these questions—and the question of the system's continuing reliability as the ratio of beneficiaries to taxed active workers increases—are debatable and debated by lawmakers, the most baffling for many individual workers as they plan for the approach of

retirement is: when do you start receiving Social Security checks?

The answer, partly rooted in changing regulations, is not easy. Nor is it the same for all individuals.

Yet, it is very important. On it depends not only when you start to receive checks, how large your checks will be—the earlier you start, the smaller your checks—and how much you may earn from other work once you start, but also how much net Social Security income you will have left after income taxes.

To understand how these things are determined, you first have to understand the regulatory concept of your "normal retirement age" (also called your "full retirement age") at which your retirement benefits equal your "primary insurance amount." For those born in 1937 or earlier, it is 65. For those born in 1960 or later, it is 67. For those born in 1938 through 1959, it is in-between. (Useful tables which spell out this and other relevant regulations appear on the Social Security Administration's Web site, www.ssa.gov).

If you decide to start withdrawing Social Security before your "normal" retirement age, you may

retire as early as age 62, but your benefits may be reduced as much as 30 percent if you were born after 1959 or 25 percent if you became 62 in 2005—a reduction that shrinks your monthly checks permanently.

If you decide to defer getting Social Security past your "normal" retirement age (delayed retirement credits), your benefits may be increased by percentages depending on when you were born: from 3 percent if you were born in 1917-1924 to 8 percent if you were born in 1943 or later. You would receive your largest benefit by retiring at 70.

Whatever the SSA determines you should get monthly (to be further adjusted annually for inflation unlike most private sector pensions) may be (further) reduced if you get work for pay after you reach

Your Volunteer Board

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Refer someone who joins the credit union and receive a gift certificate for a box of See's candy. Refer a business where three or more people join and receive a \$25 Visa gift card.

Individual members can

Page 2.

be anyone in your immediate family or a co-worker of a company already affiliated with the credit union. New businesses need to be within 25 miles of our South San Francisco office. Call for details.

Car loan promo is extended:

Does that Prius or Honda Insight look good? How about a Honda Insight hybrid? Cypress West wants to do its part to keep this cool planet cool. So, if you purchase one of those, or any other hybrid, we will give you an extra cool 1/4% off your loan rate.

Offer good through April 28, 2006

Buy that hybrid: take 1/4 point off



Second chance refinance

Do you have a high-interest rate loan with another lender? Want a smaller payment? Cypress West may be able to help. This is your "second chance refinance" headquarters. Bring us your deal with some other lender (sorry, CWFCU loans are inelligible) and we will try to lower your rate by 1/2%, your payment or both subject to floor rates are 4.99% new; 5.99% used. Call today: 800-566-6944.

It's IRA time

Cypress West offers many options for your IRA. We have something for everyone: Conservative? Try a Summit® or conventional CD. We have the Liquid Gold® for those taking required minimum distributions and we have the Market Index Certificate for those who want a market potential "upside" without loss of principal. Call today for a Traditional, Roth, SEP, transfer or rollover. If you want help thinking about stock market opportunities, call Jim Frazin, CFP®, toll free at 866-882-7817.

	Maximum Annual Contrib. + Catch-up if over 50 (i)	Eligibility (iii)	Financial Benefits
Traditional	100% of compensation up to \$4,000 or whichever is less. \$4,000 maximum contribution to IRA of spouse earning < \$4,000.	Earned income and under age 70 1/2. No earned income required for spouse earning < \$4,000.	1. Contributions may be tax-deductible. 2. Earnings are tax-deferred. 3. Benefits are 100% immediately vested.
Roth	100% of compensation up to \$4,000 or whichever is less. \$4,000 maximum contribution to Roth IRA of spouse earning < 4,000.	Single filers with AGI < \$95,000. Married couples filing joint returns with AGI < \$150,000.	1. Tax-free earnings growth. (ii) 2. Tax-free withdrawals for qualified distributions. (ii)
SEP-IRA	25% of employee's compensation or \$44,000 per participant, whichever is less.	All employees over age 21 who have worked for employer for any 3 of 5 preceding calendar years.	1. Contribution is tax-deductible to employer. 2. Earnings are tax-deferred. 3. Benefits are 100% immediately vested.

i) Catch Up Provision for people age 50 and over: If you are age 50 or over in 2005, you may contribute \$500 (for 2006 it is \$1000) extra per year in your IRA or Roth, and up to \$4,000 extra per year in your 403(b) or 401(k) for 2005 (\$5,000 for 2006).

ii) Once the five year requirement is met, distributions will be free from federal income taxes if taken: 1) after age 59 1/2; 2) on account of disability or death; 3) to pay up to \$10,000 of the expenses of purchasing a first home; or 4) to pay qualified education expenses.

iii) Other restrictions and limitations may apply.

Consult with your tax advisor. The information in this chart is carefully compiled from sources believed to be reliable, but CWFCU cannot guarantee its accuracy.

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