EYE ON MONEY

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There Is Still a Federal Tax Credit Available for Adding **Alternative Energy Equipment** to Your Home

THE FEDERAL GOVERNMENT WILL STILL gladly foot the bill for about a third of your cost to add solar panels, a fuel cell, a wind turbine, or a geothermal heat pump to your home.

Unlike the federal tax credit for adding energy-efficient windows, doors, and the like that expired at the end of 2011, the tax credit for adding alternative energy equipment to your home is effective through 2016.

The credit, known as the Residential Energy Efficient Property Credit, is equal to 30% of what you spend on qualifying equipment. There are no caps on the amount you claim, except for fuel cells. And labor costs can generally be included when figuring the credit.

For example, if you spend $15,000 purchasing and installing a solar water heater in your home, you can claim a federal tax credit for $5,000. Think of it as the federal government's way of encouraging you to invest in alternative energy equipment.

The credit may be claimed for adding the following types of equipment to your home.

- A geothermal heat pump used to heat and cool your home.
- A solar water heater used to heat water for your home. The credit cannot be claimed for equipment used to heat swimming pools or hot tubs.
- Solar panels that are used to generate electricity for your home.
- Small wind turbines that collect energy from the wind and convert it to electricity for your home.
- A residential fuel cell and microturbine system for your home.

Not surprisingly, each piece of equipment must meet specific efficiency requirements before it qualifies for the credit. You can check the manufacturer's tax credit certification statement to determine whether the equipment you are considering is eligible for the credit. The statement can usually be found on the manufacturer's website or with the equipment packaging.

In addition to meeting efficiency requirements, the equipment must be installed in your principal residence or your second home—sorry, no rentals. And, in the case of a fuel cell, the credit only applies to equipment installed in a principal residence—no second homes or rentals. ■

Please consult your tax advisor for more information about this tax credit.

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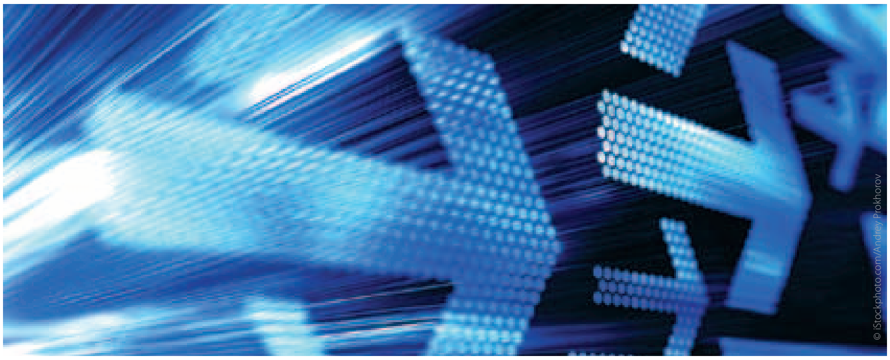
FYI



5 REASONS TO MOVE YOUR OLD RETIREMENT ACCOUNTS INTO AN IRA

YOU WILL GENERALLY HAVE FOUR CHOICES about how to handle the savings in your 401(k) or other workplace retirement accounts when you change employers or retire. You may be able to leave your savings where they are, transfer them to your new employer's retirement plan, cash them out, or transfer them to an individual retirement account (IRA). For many people, the last choice—move the savings to an IRA—may be the best choice. Here are five reasons why.

1 Maintain the tax-favored nature of your savings. When you transfer your savings from a former employer's retirement plan to an IRA, your savings can continue to grow tax-deferred or, in the case of a Roth account, tax-free. If you cash out your old retirement accounts, the tax advantages are gone for good (unless you move the money into an IRA within 60 days).

2 There are no taxes or penalties on a direct transfer to an IRA. You can transfer your savings from your retirement accounts directly into an IRA without incurring any taxes or penalties on the move. In contrast, if you cash out your retirement accounts, you will owe income tax on any part of the cash distribution that was not taxed previously, which may be all of it. You will also generally owe a 10% early-withdrawal penalty if you are under age 59½ when you receive the distribution.

3 Simplify the management of your retirement assets. If you have savings spread among the retirement plans of several former employers, consolidating them into one IRA can help simplify matters. With just one account to review, you may find it easier to assess your overall financial picture, maintain your proper asset allocation, and manage your investments.

4 Expand your investment choices. Moving to an IRA can dramatically expand your investment choices well beyond the twenty or so mutual funds typically offered by a workplace retirement plan. With an IRA, your choices will generally include a wide range of stocks, bonds, mutual funds, exchange-traded funds (ETFs), and other types of investments.

5 Gain access to a Roth IRA. Are income limits preventing you from contributing directly to a Roth IRA? Good news! You can transfer the savings in your old retirement accounts to a Roth IRA no matter how high your income is. So, if the idea of paying income taxes on your savings now and then potentially never paying another cent of income taxes on those savings and their future earnings appeals to you, consider transferring your old retirement accounts to a Roth IRA. ■

Please consult your financial advisor regarding how to handle your old retirement accounts.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How much will it cost to raise a child?

A middle-income family with a child born in 2010 can expect to spend $226,920 for food, shelter, and other necessities to raise that child to age 18, according to the U.S. Department of Agriculture's annual report, *Expenditures on Children by Families, 2010.*

Estimated cost to raise a 2010 newborn to age 18

	$226,920
Housing	$69,660
Child care and education	$39,420
Food	$36,210
Transportation	$30,900
Miscellaneous	$19,110
Healthcare	$18,420
Clothing	$13,200

- The estimates shown here are for a younger child in a husband-wife family with two children and an annual family income (before taxes) between $57,600 and $99,730 (average = $77,500). The $226,920 amount is in 2010 dollars. The estimate becomes $286,860 once inflation is factored in at a rate of 2.6% per year.
- Higher income families (those with an annual income greater than $99,730) can expect to shell out more per child. The estimate is $377,040 in 2010 dollars or $477,100 in inflation-adjusted dollars for a younger child in a husband-wife family with two children.
- Where you live also affects your child-rearing expenses. Families in the urban Northeast, urban West, and urban Midwest have the highest expenses while families in the South and rural areas have the lowest expenses.

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EVENTS THAT **SIGNAL** THE NEED FOR A **LIFE INSURANCE REVIEW**

AS YOUR LIFE CHANGES, so may your need for life insurance. To help ensure that your life insurance coverage stays in sync with your changing needs and objectives, it is important to periodically review your coverage, especially when major changes occur in your life. Here are a few major life events that generally signal the need for a life insurance review.

Getting married. Life insurance may be the furthest thing from your mind when you are planning your wedding. But as you start your life together, take a moment to consider what might happen if one of you were suddenly gone. If the surviving spouse would suffer financially without the other person's income, it is time to consider purchasing life insurance or increasing your existing coverage. It is also a good time to review all of your beneficiary designations in light of your new marriage.

New home or mortgage. Whenever you finance or refinance a home that you share with your family, be sure to consider whether they could afford to stay in the home without your income. If it looks unlikely, consider increasing your life insurance coverage so that the policy's proceeds are sufficient to cover the mortgage, as well as other expenses your family may need help meeting.

New child. Raising a child is expensive. Estimates suggest that it costs about $227,000 to raise a child to age 18. And if your income is higher than $100,000, the estimate increases to about $377,000.[1] As large as these amounts are, they do not include college or wedding expenses. All told, the arrival of a new child may increase your future expenses by half a million dollars or more—and signal the need to boost your life insurance coverage.

A salary increase. As individuals make more money, they tend to spend more money. Bigger homes, better schools . . . you get the picture. As your income increases, consider adjusting your life insurance coverage to keep pace with your burgeoning expenses and lifestyle. Otherwise your family may one day be in the position of trying—and failing—to cover their current living expenses with the proceeds of a life insurance policy designed for leaner times.

Starting a business. When starting a business with other individuals, give some thought as to how the business will survive in the event of an owner's death. Life insurance is often used in buy-sell agreements to provide the funds necessary for the surviving owners to buy the deceased owner's shares.

Planning your estate. In addition to helping replace your lost income, life insurance can also help replace wealth for your heirs that is lost to estate taxes or gifts to charity. For example, if your estate will be subject to estate taxes (most will not be), the proceeds from a life insurance policy can help pay those taxes so that family businesses, farms, and other assets do not have to be sold simply to cover the taxes on the estate. ■

1 Source: The U.S. Department of Agriculture's report, *Expenditures on Children by Families, 2010.*

If it has been awhile since your life insurance was last reviewed, please contact your financial advisor today. Your advisor can help you determine whether you have appropriate coverage for your needs and financial objectives.

Donor-Advised Funds

An Easy, Flexible, and Tax-Smart Way to Give

With many paths available for charitable giving, selecting the right path for yourself can be a challenge. This article shines a light on one path—the donor-advised fund—that offers charitably-minded individuals and families an easy, flexible, and tax-smart way to manage their giving. Your financial advisor can help you determine if it is an appropriate path for you.

PERHAPS THE EASIEST WAY to grasp the concept of a donor-advised fund is to think of it as a cost-effective alternative to a private foundation. You contribute cash or other assets to a donor-advised fund and become eligible for an immediate tax deduction—often a more generous tax deduction than one might receive as a result of contributing to a private foundation. Your contribution is invested so that your philanthropic funds may potentially grow over time. When you are ready to make grants, you simply advise your fund's sponsoring organization of your choices. You generally have the flexibility to distribute all of your funds quickly or to space your grants out over time. During this time, the sponsoring organization handles the administrative tasks associated with investing and distributing your gift.

The flexibility to make a tax-deductible donation now and grants later can be very desirable in certain circumstances. Let's say, for instance, that you want to make a charitable gift by the end of the year for tax reasons, but you do not have enough time to choose the charities you want to benefit from your gift. A donor-advised fund allows you the time to make thoughtful choices while meeting your immediate financial goal of a tax deduction. Or let's say that you want to establish a tradition of giving in your family. A donor-advised fund provides the structure to invest your gift and make grants on an ongoing basis, perhaps involving members of your family in the selection of grant recipients.

Donor-advised funds are offered by public charities known as sponsoring organizations. Assets you contribute to the sponsoring organization are held in a private account—your donor-advised fund. Although you no longer own the assets you contributed (the sponsoring organization owns them), you can recommend how they are to be invested and distributed. The sponsoring organization has the authority to decline your recommendations, but it will generally follow them provided they adhere to the organization's policies and guidelines.

Although a private foundation that you set up offers you more control over investment and grant decisions, a donor-advised fund is generally a simpler, lower-cost way to manage your charitable giving. Let's take a look at some of the advantages of choosing a donor-advised fund.

Tax benefits. First and foremost among the tax benefits associated with donor-advised funds: your irrevocable contribution to a sponsoring organization is eligible for an immediate tax deduction.

Contributions of appreciated stock and assets held for longer than one year avoid capital gains tax and can generally be deducted at their fair market value.

Assets you contribute avoid estate taxes because they are no longer part of your estate.

And last, but not least: your contributions

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How a Donor-Advised Fund Works

You make a tax-deductible contribution to a sponsor of donor-advised funds.

Your contribution is invested and held in a separate account.

You recommend grants from your account to your favorite IRS-qualified public charities.

The sponsor makes the grants, provided your charities are within its guidelines.

can grow tax-free within a donor-advised fund, potentially increasing the amount available to support your favorite charities.

As with charitable gifts in general, you must itemize deductions on your tax return to claim a deduction for your contribution. Plus, the deduction for your charitable contributions is subject to limits based on your adjusted gross income (AGI).

The limits, however, are more favorable for contributions to a donor-advised fund than to a private non-operating foundation. As a result, donations to a donor-advised fund may result in a larger tax deduction. For example, the deduction for cash donations to donor-advised funds and other public charities is generally limited to 50% of your AGI, while the deduction for cash donations to private non-operating foundations is generally limited to 30% of your AGI. (Contributions that exceed the AGI limits may be carried forward and deducted for five years. Other limits may affect your deductions.)

Please consult your tax advisor for a more complete understanding of the tax benefits available for contributions to donor-advised funds and private foundations. The description given here is brief and does not encompass all of the possible scenarios.

Privacy. If you prefer to keep your charitable activities private, a donor-advised fund may be the right charitable vehicle for you. When recommending grants, you may have the option to have the grants made anonymously rather than in your fund's name. Plus, sponsoring organizations do not report grants to the IRS on a fund-by-fund basis, helping to further shield your charitable activities. Anonymity is not an option with a private foundation, which must report its distributions on tax returns that become a matter of public record.

Ease of administration. Donor-advised funds are generally easy to manage. The sponsoring organization typically handles the administrative tasks, such as tracking your contributions, investments, and grants, providing you with periodic financial statements, and handling IRS filings. This leaves you free to focus on recommending grants.

The sponsoring organization typically assesses a fee from your account for administration, but the cost is generally significantly less than the cost to establish and run your own private foundation.

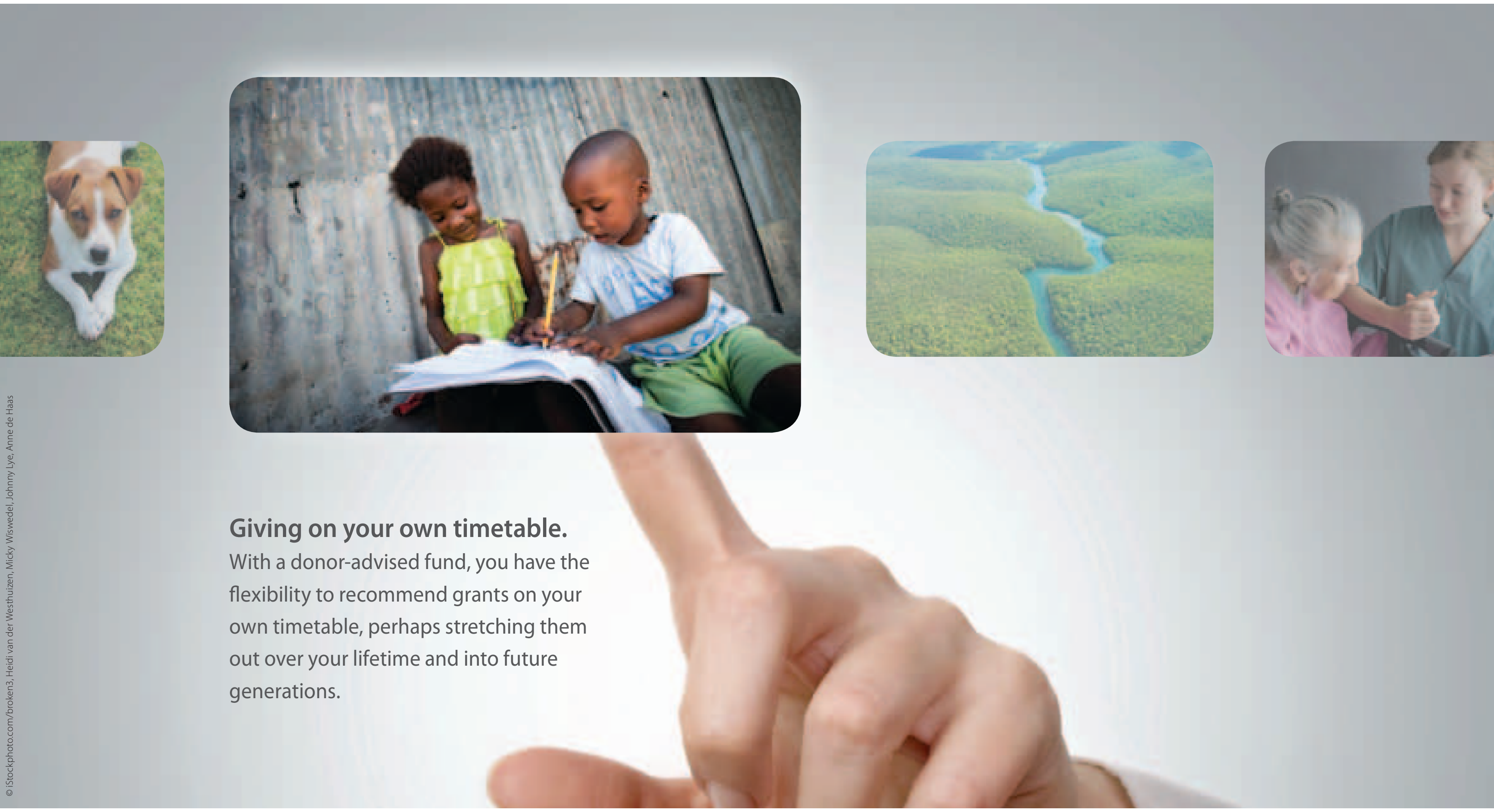
Are the advantages offered by donor-advised funds worth giving up final say over investment management and grant recipients? Only you can decide this, but many donors have found the trade-off to be well worth it. As of 2006, there were 2,398 sponsoring organizations in the U.S. and 160,000 donor-advised funds, with assets in those funds totaling $31.1 billion, according to IRS data.

Several types of charities sponsor donor-advised funds, including community foundations, universities, and charitable

Compare grant-making vehicles.

	Donor-Advised Funds	Private Foundations (Non-operating)
Grant decisions	The donor can recommend grants, but to protect tax deductibility, the sponsoring organization has the final say.	The donor has maximum control over grant decisions.
Investment decisions	The donor typically chooses how his or her donations are allocated among investment pools, with the sponsoring organization having the final say.	The donor has maximum control over investment decisions.
Privacy	The donor may choose to have the grants made anonymously.	Grants are disclosed on tax returns, which are available for public inspection.
Charitable deduction limits		
Cash donations:	50% of adjusted gross income (AGI)	30% of AGI
Appreciated securities held longer than one year:	30% of AGI	20% of AGI

Note: Other factors may also limit your itemized deductions.



Giving on your own timetable.
With a donor-advised fund, you have the flexibility to recommend grants on your own timetable, perhaps stretching them out over your lifetime and into future generations.

organizations formed by financial institutions. The differences among the sponsoring organizations can be significant, so it is important to review their policies before making a contribution. Here are a few policy items to consider.

Eligible grant recipients. In general, grant recipients must be IRS-qualified public charities, such as nonprofit educational, religious, hospital, environmental, or charitable organizations. Although some sponsoring organizations will permit grants to nearly any qualified public charity in the U.S. provided certain conditions are met (for example, grants may not be used to pay for goods or services for you or your family), other organizations may impose additional limits. Before signing on, find out if the organization's guidelines for grant recipients are a good match for your charitable objectives.

Assets you may donate. Donor-advised funds can be opened with cash or many types of appreciated assets, including stocks, bonds, mutual fund shares, and real estate. Not all sponsoring organizations, however, will accept all types of assets.

Minimum contributions, balances, and grants. To help determine whether a sponsoring organization is a good fit for you, be sure to check out its requirements regarding the minimum initial contribution, the minimum value of additional contributions, the minimum account balance, and the minimum grant amounts. In regards to the minimum amount necessary to open a donor-advised fund, the amount typically ranges from $5,000 to $25,000—putting donor-advised funds well within the reach of many charitably inclined individuals.

Investment options. Sponsoring organizations typically allow you to select the investment pools in which your contributions are invested, although the sponsoring organization has the ultimate say.

Payout requirements. Unlike a private foundation, federal law does not currently require a donor-advised fund to pay out a certain percentage annually. Some sponsoring organizations, however, have set their own minimum distribution requirements.

Succession plan. What happens to any funds remaining in your donor-advised fund at the end of your lifetime or if you become incapacitated? Some sponsoring organizations will let you name a successor who can continue to make grant recommendations after your death or incapacity. If your goal is to establish a lasting charitable legacy, you may want to find out how many generations your donor-advised fund will permit. ■

If the idea of making a donation now and recommending grants to your favorite charities on your own timetable appeals to you, a donor-advised fund may be a good charitable vehicle for you.

It may also be an option for individuals and families who are weary of the administrative tasks and expenses associated with running their own private foundations.

Of course, donor-advised funds are just one of many paths you might take to achieve your charitable objectives. Please consult your financial advisor about the paths that suit you best.

PLEASE NOTE: Investing involves risk including loss of principal.

Investing in Dividend Stocks

An introduction to this potential source of income and capital growth.

WHEN SEARCHING FOR STOCKS TO ADD to your portfolio, take a look at dividend-paying stocks.

A company that pays shareholders a portion of their net earnings on a regular basis tends to be a stable, mature company that believes it can better reward shareholders by paying dividends rather than reinvesting every dime back into growing the company and ultimately its share price. Among the corporate giants that regularly pay dividends are Exxon Mobil, Coca-Cola, and Microsoft.

Cash dividends are typically paid on a quarterly basis, creating a potential income stream for investors. The income can be reinvested, or it can be pocketed by investors—an approach favored by retirees in search of income to fund their retirement years.

The income stream provided by dividend-paying stocks can fluctuate and at times dry up if companies decide to suspend dividends. The upside to a fluctuating dividend is that it offers the potential for a rising dividend. A dividend that rises over time can help an investor's income keep pace with inflation.

Dividends are usually expressed as a percentage of the share price, known as the "yield". The yield is calculated by dividing the annual dividend per share by the current share price. For example, a stock that pays a $2 annual dividend and that is selling for $100 per share has a 2% yield ($2/$100).

Be sure to look at a company's financial strength, in addition to yield, when picking dividend stocks. Because yield is a function of share price, an especially high yield may be a sign of a company in trouble. Returning to the earlier example, let's say the outlook for the company is poor and its share price drops to $20 per share. If the company decides to maintain the $2 dividend, the dividend now represents a 10% yield. While the yield may be attractive, it may not be sustainable in the long run.

Individual stocks are not the only way to add a dividend element to your portfolio. Several mutual funds and exchange-traded funds (ETFs) focus specifically on dividend stocks. Even funds that target the broader stock market are often comprised in part of dividend-paying stocks. For example, if you own a fund that tracks the S&P 500, your portfolio is already receiving dividends from the many dividend-paying companies included in that index.

When it comes to taxes, dividends currently receive preferential treatment over other types of investment income, such as the income from taxable bonds. A 2003 tax relief act reduced the top tax rate on qualified dividends to 15%; previously dividends had been taxed as ordinary income. The preferential treatment is temporary, though, and is set to expire after December 31, 2012 unless Congress acts to extend it. If it expires without further Congressional action, dividends will once again be taxed as ordinary income beginning in 2013.

At least through the end of 2012, qualified dividends from U.S. and some foreign corporations are eligible for the 15% tax rate (0% if you are in the bottom two income tax brackets). To use the preferential rate, you must hold the stock for at least 61 days around the stock's ex-dividend date. If you hold it for less time, the dividends are taxed as ordinary income. (A different holding period may apply to qualified dividends from preferred stocks.)

The preferential tax rate on qualified dividends applies only to stocks held in taxable accounts. Dividends from stocks held in tax-deferred accounts, such as 401(k) plans and IRAs, will eventually be taxed as ordinary income when cash is withdrawn from the account.

Dividend stocks play an important role in many investors' portfolios. Your financial advisor can help you determine the role they should play in yours. ■

PLEASE NOTE:

- *All investments are subject to risk.*
- *Past performance is no guarantee of future results.*
- *Dividend-paying stocks may not experience the same price appreciation as non-dividend-paying stocks.*
- *Before investing in a mutual fund, investors should consider the fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.*

Why invest in dividend stocks?

- They are a potential source of income.
- They offer the potential for capital growth.
- Dividends may help cushion losses in market downturns.
- Qualified dividends are currently taxed less heavily than taxable interest income.

Why is a stock's ex-dividend date important?

- When a company declares a cash dividend, a record date and an ex-dividend date are set. The record date is the date when the company checks its list of shareholders to determine who will receive the dividend. The ex-dividend date, which generally occurs two business days before the record date, is the date when the stock begins trading without the dividend. In order to receive the dividend, shareholders must purchase the stock before the ex-dividend date.
- When investing through a taxable account, it is generally a good idea to avoid buying shares right before the ex-dividend date so that you do not end up with more than you bargained for: an immediate tax liability. Let's say you purchase one share of stock for $50 on the day before the ex-dividend date, which entitles you to a $1 per share dividend. On the ex-dividend date, the share price is reduced by the amount of the dividend. Assuming no other market movements, you still have $50 ($49 in share value and a $1 distribution), but you also now owe tax on the $1 distribution.
- The ex-dividend date also impacts how dividends in taxable accounts are taxed. In order to use the 15% tax rate on qualified dividends (or the 0% if you are eligible for it), you generally must hold the stock for at least 61 days around the stock's ex-dividend date.

Be Smart When
Giving the Gift of Education

How you structure the gift can help you meet your financial objectives, as well as your personal ones.

ONE OF THE BEST GIFTS you can ever give to a child or a grandchild is the gift of education. But before you hand them cash or a savings bond to put toward their college expenses, please consider that there may be better ways to structure your gift. We'll touch on three of them here.

529 college savings plan. If the child is years away from college, consider using a 529 savings plan to save for his or her college education.

Money you invest within these state-sponsored plans has the potential to grow tax-free and can be withdrawn tax-free if used for qualified higher education expenses, such as college tuition and generally room and board. Because the investment earnings in your 529 account are not subject to taxes each year, you may end up with more savings by the time your student is ready to enter college.

Plus, 529 plans offer a unique gift tax advantage: you can contribute five times more than normal in a single year without your gift being subject to the federal gift tax. This is an especially attractive feature for wealthy individuals who want to transfer wealth to the younger generation without their gifts being subject to the gift tax or eating into the amount that their estates can exempt from estate taxes later on.

Normally, you can give up to $13,000—the annual federal gift tax exclusion amount for 2012—to as many people as you'd like in a single year without your gifts being subject to the federal gift tax. With a 529 plan, you can contribute up to $65,000 per beneficiary in a single year without your gifts being taxable. And if you are married and file a joint tax return, you and your spouse can jointly contribute up to $130,000 per beneficiary in a single year.

Here's how this works. If you contribute more than $13,000 to a 529 account in a single year, you can elect on your gift tax return to treat up to $65,000 of your contribution ($130,000 if you are married filing jointly) as if it were made equally over a five-year period. This makes it possible for you to apply the annual gift tax exclusion to a portion of your contribution in each of the five years. If you do not outlive the five-year period, a pro-rated portion of your 529 gift will be added to your estate for estate tax purposes.

Of course, one might hesitate to make a sizable gift directly to a child—and you do not have to with a 529 plan. You retain control of the 529 plan accounts that you open—not the beneficiaries you designate. As the account owner, you decide how your contributions are invested. You control withdrawals from the account. You can change the beneficiary listed on the

Why use a 529 plan to save for college?

- Investment earnings grow tax-free.
- Withdrawals for qualified education expenses are exempt from federal taxes.
- You can contribute up to $65,000 per beneficiary in a single year without your gift being subject to the federal gift tax.
- Possible perks from your state for choosing its plan.
- Anyone can contribute—no income restrictions!
- You maintain control of the account—not the student.
- You can reclaim the funds in the account for yourself.
- You can change the account's beneficiary.
- Low impact on financial aid eligibility.
- Assets are generally protected from creditors.

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College by the numbers.

$17,131

Average annual published price for public four-year colleges.

Includes tuition, fees, and room and board. (2011-12, in-state)
Source: College Board

$38,589

Average annual published price for private four-year colleges.

Includes tuition, fees, and room and board. (2011-12)
Source: College Board

$25,250

Average student loan debt at graduation.

2010 graduates.
Source: The Project on Student Debt, Institute for College Access & Success

account—a handy option if you change your mind or if your beneficiary decides not to go to college. You can even withdraw money from the account for your own use, although you'll generally owe taxes and a 10% penalty on the earnings you withdraw.

529 college savings plans are offered by nearly every state in the union, with some states offering more than one plan. You can participate in almost any state's plan, regardless of where you or the student live or where the student will attend college. Only a few states limit plan participation to state residents.

It is a good idea to review a few 529 plans before settling on one. Be sure to take a look at your own state's plan; it may offer state tax breaks and other perks that you won't receive elsewhere. Of course, there are other factors to consider as well, such as each plan's investment options and fees. Your financial advisor can help you narrow down the choices and settle on a 529 plan that is appropriate for your objectives.

Coverdell education savings account. Another tax-favored account designed to help families save for education expenses is the Coverdell education savings account (ESA).

As with a 529 plan, money you contribute to a Coverdell ESA has the potential to grow tax-free and can be withdrawn tax-free if used for qualified higher education expenses. Unlike a 529 plan, however, money can also be withdrawn tax-free from a Coverdell ESA for qualified elementary and secondary education expenses. At least it can for now.

Unless Congress acts, tax-free withdrawals for elementary and secondary education expenses will expire at the end of 2012—a point you may want to keep in mind if you are considering this type of account primarily as a savings vehicle for grades K–12. The annual contribution limit per beneficiary is also scheduled to be scaled back to $500 from the current $2,000 at the end of 2012.

The annual contribution limit is per beneficiary, not donor. Regardless of how many Coverdell ESAs are opened for a beneficiary, no more than a total of $2,000 per year can be contributed annually for that beneficiary.

To contribute directly to a Coverdell ESA, your modified adjusted gross income (AGI) must be less than $110,000 ($220,000 if you are married and file jointly). If your modified AGI exceeds $95,000 ($190,000 if you are married and file jointly), the maximum amount you can contribute will be reduced.

If income limits prevent you from contributing directly, you can give cash directly to the beneficiary to deposit into his or her Coverdell ESA, assuming the beneficiary's income is below the limit.

When you open a Coverdell ESA, you will be asked to name the person who will oversee the account for the benefit of the child. This person is typically the beneficiary's parent or guardian. So, if you are a grandparent, aunt, uncle, or simply a family

friend, you will not be in charge of the Coverdell ESA—a point to consider when choosing between a Coverdell ESA and a 529 plan, which offers you much greater control over your gift.

Pay tuition directly to the school. If you want to help someone with his or her immediate education expenses, be sure to consider whether your gift will be subject to gift taxes before you hand the cash to the student.

Remember, you can give up to $13,000 per person to as many individuals as you'd like each year without your gifts being subject to the federal gift tax. If you want to contribute more than $13,000 per year to a student's education, you can avoid the federal gift tax by paying the tuition directly to the school.

Some schools may even permit you to prepay tuition for future years, which can be an effective way to reduce your taxable estate. Keep in mind, however, that you risk losing the prepaid amount if your student attends a different school.

Seek professional advice. If you would like to help your children, grandchildren, or other loved ones pay for their educations, talk to your financial advisor about it. Your financial advisor can help you identify ways to structure your gifts that potentially benefit both you and the students. ■

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Dubrovnik Croatia

BY BRIAN JOHNSTON

Dubrovnik is about as far south as you can go and still be in Croatia and the magnificent highlight of any visit to the area. Its Renaissance grandeur dates from its heyday as a trading city and sea power, and when an earthquake flattened it in 1667, rich merchants and aristocrats built stunning palaces and churches that show a remarkable architectural uniformity. You could spend hours, if not days, exploring the pedestrian-only Old Town, which is crammed with centuries-old statuary, hidden monastery courtyards, and fine public buildings onto which have been sensitively grafted shops and restaurants galore.

Despite the city's grandeur, Dubrovnik is not a museum. Locals hang their washing off baroque balconies and fry fish behind kitchen windows in back alleys where cats skulk in the shade. There are plenty of tourists about, for sure: they've polished the flagstones of the main street, Stradun, to a slippery sheen with their feet. But they've had a helping hand from old Croatian ladies dressed in black, shaggy-haired local teenagers walking home from school, and shuffling nuns.

Gundulic Square has its fair share of upmarket restaurants resplendent with white tablecloths, but in the daytime also hosts a fruit market where housewives (and sensible tourists) fill brown paper bags with fat figs and peaches. And in Luza Square, the epicenter for congregating tour groups, young Croatians meet on the steps of the church of St Blaise (patron saint of the city) and send text messages beneath the square's famous statue of a knight wielding a sword, erected in 1419 to mark the place of public proclamations.

The other marvel of Dubrovnik is that, cultured and stately though it might be, it also manages the feel of a laid-back Mediterranean resort. You can slouch round here in swimwear or shorts, or kick back in open-air bars serving inventive cocktails to a hip young crowd. And during the Summer Festival, which runs from mid-July to late August, the streets and squares come alive with performing arts, music, Dubrovnik's Old Town juts into the Adriatic Sea in southern Croatia, left. A bird's-eye view of the main street and the Franciscan monastery, upper right. Medieval walls and fortresses ring the Old Town, lower right, and provide great vantage points from which to enjoy views of the harbor and the city.

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folk dancing, and displays of international artists.

Soak it all up: few cities are this beautiful or this charming. It isn't even that hard to get away from the tourist crowds, as few even seem to venture into the city's many fine museums. Most of these focus on religious art, reliquaries, and church vessels, but the Franciscan Monastery has a medieval pharmacy displaying old measuring balances, bottles, and scientific equipment. You can also admire old coins, armor, and porcelain at the Rector's Palace, which is a graceful mansion in the heart of the Old Town, and quite often practically empty. And if you're after a change from history, Dubrovnik Aquarium offers seahorses, colored anemones, conger eels, and stingrays instead.

Save some energy for the best of all Dubrovnik experiences, a walk along the city's impressive battlements, which ring the entire Old Town. A full circuit, which is 1.2 miles, provides dozens of fine vantage points from which to spot the city's famous landmarks, study the pattern of alleyways, and gaze over the sea as yachts come and go in the harbor. There are even a few bars along the way, tucked between ramparts and sea cliffs—not for those without a head for heights, but providing plunging vistas to accompany a cold beer.

If you can, walk the ramparts just before sunset, when the pale yellow walls of historic Dubrovnik shimmer, rooftop tiles turn to molten red, and the sea is ripples in pink and purple: the end of another glorious day on the Croatian coast. ■

What's On This Summer

What's happening in the theatres, concert halls, and museums this summer? Plenty. There is so much happening that in places it is spilling out into the streets and the parks. Here's a sampling of what is being offered for your entertainment this summer.

Baltimore, MD

Artscape *July 20–22, 2012*

America's largest free arts festival—Artscape—combines fine arts, photography, and craft exhibitions with music, theatre, and dance performances for a three-day celebration in Baltimore each summer. Encompassing 12 city blocks and 3 stages, Artscape typically draws about 350,000 visitors.

Bentonville, AR

The Hudson River School Exhibition *Through September 3, 2012*

The Crystal Bridges Museum of American Art presents a special exhibition of 45 works by Hudson River School artists on loan from the New-York Historical Society. Among the artists represented are Thomas Cole, John F. Kensett, Albert Bierstadt, Jasper F. Cropsey, and Asher B. Durand.

Chicago, IL

Lollapalooza *August 3-5, 2012*

Over 100 performers—hip-hop, electronica, reggae, indie, rock, modern roots, and many more—will take to the stages in Chicago's Grant Park during the first weekend in August.

Lenox, MA

Tanglewood 75th Anniversary Celebration Concert *July 14, 2012*

In celebration of its 75th anniversary, Tanglewood presents a gala concert featuring the Boston Symphony, Boston Pops, and Tanglewood Music Center orchestras, with performances by Emanuel Ax, Yo-Yo Ma, Anne-Sophie Mutter, Peter Serkin, and others, led by conductors John Williams, Keith Lockhart, and Andris Nelsons.

New Orleans, LA

Essence Music Festival *July 6–8, 2012*

Aretha Franklin, Mary J. Blige, the Pointer Sisters. . . Just a few of the performers taking the stage at the New Orleans Superdome this Fourth of July weekend in the largest African-American cultural event of the summer.

Philadelphia, PA

Dead Sea Scrolls *Through October 14, 2012*

Ancient artifacts from Israel—including 2000-year-old Dead Sea Scrolls—are on exhibit this summer at The Franklin Institute. The Dead Sea Scrolls were discovered about 60 years ago in caves near the Dead Sea and contain the oldest known copies of the Hebrew Bible. In addition to the scrolls, some 500 artifacts—religious articles, weapons, stone carvings, textiles, mosaics, jewelry, and ceramics—will help illuminate life in ancient Israel.

United Kingdom

London 2012 Festival *June 21–September 9, 2012*

Artists from all over the world are in the United Kingdom this summer taking part in this finale to the Cultural Olympiad. From dance, music, and theatre to fashion, food, and film, there is something for everyone in this nationwide festival of more than 1,000 performances and events. You can narrow down your choices at http://festival.london2012.com. While some events are ticketed, the majority are free to attend.

Vail, CO

Bravo Vail Valley Music Festival's 25th Season *June 25–August 4, 2012*

Featuring three world-class resident orchestras—the New York Philharmonic, the Philadelphia Orchestra, and the Dallas Symphony Orchestra—and a slate of classical, chamber, jazz, and pops music, the Bravo music festival celebrates its 25th anniversary in various Vail Valley venues this summer. ■

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QUIZ

London 2012

1. How many times has London previously hosted the Olympics?

A. Once
B. Twice

2. No longer limited to balance beams, rings, and vaults, gymnasts will compete on this apparatus at the London 2012 Games:

A. Trampoline
B. Trapeze

3. The equestrian events will be held in this Royal Park, also home to the Royal Observatory and the Prime Meridian Line:

A. Greenwich Park
B. Bushy Park

4. The official London 2012 mascots are:

A. Harry and Hermione
B. Wenlock and Mandeville

5. The marathon and cycling road races will begin and end on this ceremonial road in front of Buckingham Palace:

A. The Mall
B. Oxford Street

6. This sport will make its first Olympic appearance at the London 2012 Games:

A. BMX cycling
B. Women's boxing

7. London's new Velodrome will be the venue for:

A. Track cycling
B. Canoe slalom

8. Which sport will be held at Horse Guards Parade, within a stone's throw of the Prime Minister's residence?

A. Beach volleyball
B. Wrestling

9. 4,000 of these little critters were relocated to a nature preserve during the construction of the Olympic Park:

A. Newts
B. Chipmunks

10. Rail links to the Olympic Park have the capacity to transport this many people to the Park every hour:

A. 24,000
B. 240,000

11. The 2014 Winter Olympics will be hosted by:

A. Pyeongchang, South Korea
B. Sochi, Russia

12. After London, the next city in line to host the Summer Olympics is:

A. Rio de Janeiro, Brazil
B. Madrid, Spain

ANSWERS: 1–B, 2–A, 3–A, 4–B, 5–A, 6–B, 7–A, 8–A, 9–A, 10–B, 11–B, 12-A.