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Happy Holidays, Everyone!

We are always looking for new clients, so please keep us in mind for anyone needing retirement planning, financial planning in general, annuity and life insurance review and tax planning.

I wish everyone a very happy holiday season and a very prosperous 2013!

~Nikki

December 2012

CMA Monthly News

Take your financial hat off and give it to us.

Estate Planning Issues for Unmarried Couples

According to the U.S. Census Bureau, there were 7.7 million unmarried partners living in the same households in 2010. Yet there are several laws that are potentially beneficial to married couples that are not available to unmarried partners, especially when it comes to estate planning. That's why it's important to recognize the risks faced by unmarried partners and some potential ways to help mitigate them.

Wills or trusts

All states have probate laws that provide some protections for the surviving spouse, but generally no such protections exist for a surviving domestic partner. Therefore, it's vitally important for live-in partners to prepare estate planning documents including wills and, in some cases, trusts. Through wills and trusts, you can provide for the financial support of your surviving partner after your death.

Titling assets

How your assets are titled can determine their disposition upon your death. For example, if you want your partner to receive your home at your death, you could title it in both names as joint tenants with rights of survivorship. However, retitling your home in this manner gives your partner ownership rights in the property. Also, depending on the value of the home, there may be gift tax implications, and the home may be exposed to claims of your partner's creditors.

While you could simply leave your home to your partner through your will or trust, you may want other family members to ultimately receive the home after your partner dies. In this case, you could create a life estate for your partner, allowing him or her the right to remain in the home for life, while naming other beneficiaries to receive title to the property at the death of your partner.

Beneficiary designations

Certain types of assets allow for their transfer at death through beneficiary designations. IRAs, life insurance, annuities, and 401(k)s are some examples. However, it's important to remember that generally, the beneficiaries named in these assets will receive them at your death, even if you make other provisions in your will or trust. So be sure your beneficiary designations are current and comply with your wishes.

Power of attorney and health-care documents

A durable power of attorney is a legal document that allows you to authorize someone to carry on your financial affairs and protect your property if you are unable to do so during a period of incapacity. Without this type of authorization, the courts may appoint one or more persons to act on your behalf. This proceeding can be expensive and time consuming, and you may not have any control over the person(s) appointed by the court. More importantly, your partner may not have access to needed financial support through your assets.

A health-care power of attorney or health-care proxy is a legal document in which you give your appointed agent the right to make certain health-care decisions on your behalf if you are unable to do so. Without this document, doctors and hospitals often rely on family members to make health-care decisions for someone who's incapacitated. Often state law does not recognize unmarried couples as family, so if you want your partner to be able to make these decisions on your behalf, you should name your partner as your health-care agent.

Domestic partnership agreement

Generally, the law does not always spell out the financial rights and responsibilities of domestic partners. To address these issues, live-in partners can use a domestic partnership agreement (if recognized in their state), which is a contract that addresses the sharing of income, expenses, and property.

Unmarried couples face potential estate planning pitfalls. And state laws vary, so it's important to consult an attorney or advisor who is familiar with state and federal laws that affect unmarried couples.

Government Benefits for Returning Servicemembers/Veterans

*The National Resource Directory is a government **website** that provides information and sources on topics such as benefits, education, employment, and housing for wounded warriors, servicemembers, veterans, and their families.*

U.S. military servicemembers returning home often enter civilian life facing financial challenges they hadn't encountered while in the military. Many young men and women enter the military right out of high school and haven't had to hunt for a job or worry about wages, housing, or health care. Here are some benefits and programs offered by the government and other entities that may help returning veterans transition into civilian financial life.

Compensation and pension

Some servicemembers may be eligible for military retirement pay based on their qualifying base pay and the number of years of service completed. Generally, the servicemember must have completed 20 years of service. The longer the period of service, the higher the retirement pay. Specific information on how retirement pay is calculated can be found at the Department of Defense website, www.defense.gov.

Health benefits

Veterans and separating servicemembers (including their dependents, in some cases) may be eligible for health care based on a number of factors, including the nature of discharge (e.g., honorable, other than honorable, dishonorable), length of service, whether the veteran has sustained any service-connected disabilities, and income level. Some of the available programs are long-term, while others are temporary and provide transitional health-care benefits. For more information, go to the VA website at www.va.gov.

Retired servicemembers and their qualified family members also may receive health-care coverage through the Department of Defense health-care program known as TRICARE. Servicemembers may receive care either through military or civilian providers depending upon the availability of medical care at select military facilities and the TRICARE option chosen. For more information, see the TRICARE website at www.tricare.mil.

Education and training

The training servicemembers receive while on active duty may not readily translate to marketable job skills in civilian life, so servicemembers may want to go back to school for further education and training. Fortunately, servicemembers and veterans may be eligible for education benefits under several programs. The Post-9/11 GI Bill is available for veterans who served in the military for at least 90 days aggregate after September 10, 2001 (or 30 continuous days, honorably discharged for a service-connected disability). Other benefit programs include the Montgomery GI Bill, the Reserve Educational Assistance Program (REAP), and the Veterans Educational Assistance Program (VEAP). Other programs include loan repayment and tuition assistance, scholarships, work-study, and tutorial assistance programs. For more information, visit www.gibill.va.gov.

Employment

Finding a job after leaving the military can be a frustrating experience. But several programs are available to help land the right position. The Department of Labor Veterans' Employment and Training Service in each state offers employment and training services to eligible veterans through the Disabled Veterans' Outreach Program and the Local Veterans' Employment Representatives Program.

Qualified veterans who have been honorably discharged receive an extra 5 points when passing any competitive examinations if they earned a campaign ribbon or spent time on active duty during certain periods. Qualified disabled veterans and veterans who were awarded a Purple Heart (and qualifying family members) can receive an extra 10 points on examinations. This means that the hiring preference for veterans doesn't guarantee a job to the veteran, but it does give the veteran a slight advantage.

Home loans

The VA guarantees loans to servicemembers, veterans, and reservists who want to purchase a home, condominium, or manufactured home. The loan is issued by a financial institution but guaranteed by the federal government. The primary advantages of VA home loans are that they require no down payment and, because the loan is partially guaranteed by the federal government, no mortgage insurance payments. For more information on VA loans, visit www.homeloans.va.gov.

Life insurance

Servicemembers are eligible for coverage under Servicemen's Group Life Insurance. Servicemembers are automatically insured for $400,000 but can elect a lesser amount or decline coverage. However, this coverage terminates 120 days after you leave active duty. One option is to convert to Veterans' Group Life Insurance, but the premiums may be more expensive for a healthy veteran when compared to a commercial plan, especially group coverage that might be available through an employer.

CMA

Healthy Personal Finance Resolutions for the New Year

The start of a new year may also be a good time to meet with a financial professional. A financial professional can help you:

- ***Determine your income, assets, and liabilities***
- ***Identify financial goals***
- ***Understand specific products/services***
- ***Monitor your overall financial plan***
- ***Adjust your plan if needed***

The new year is the time when many individuals start making resolutions to live a healthier lifestyle. And while resolving to eat better and exercise more is a good thing, you should be sure to make resolutions that pertain to the overall health of your personal finances as well.

Develop a budget and stick with it

A good way to start the year on the right track financially is to make sure that you have a budgeting system in place. Start by identifying your income and expenses. Next, add them up and compare the two totals to make sure you are spending less than you earn. If you find that your expenses outweigh your income, you'll need to make some adjustments to your budget plan (e.g., reduce discretionary spending).

Once you have a budget, it's important to stick with it. And while straying from your budget from time to time is to be expected, there are some ways to help make working within your budget a bit easier:

- Make budgeting a part of your daily routine
- Be sure to build occasional rewards into your budget
- Evaluate your budget regularly and make changes if necessary
- Use budgeting software/smart phone applications

Set financial goals or reprioritize current ones

The new year is also a good time to set new financial goals and reprioritize your current ones. Take a look back at the financial goals you set for yourself last year--both short- and long-term. Perhaps you wanted to increase your cash reserve or save money for a down payment on a home. Maybe you wanted to invest more money towards your retirement. Did you accomplish any of your goals? If so, do you have any new goals that you would now like to achieve?

Finally, have your personal or financial circumstances changed during the past year (e.g., marriage, a child, job promotion)? If so, would any of these changes warrant a reprioritization of some of your goals?

Make sure your investment portfolio is still on target

You'll also want to be sure to review your investment portfolio to ensure that it is still on target to help you achieve your financial goals for the upcoming year. To determine whether your investments are suitable for reaching your financial goals, you'll want to ask yourself the following questions:

- Do I still have the same time horizon for investing as I did last year?
- Has my tolerance for risk changed?
- Do I have an increased need for liquidity?
- Does any investment now represent too large (or too small) a part of my portfolio?

Make it a priority to reduce debt

Any healthy financial plan is one that makes reducing debt a priority. Whether it is debt from student loans, a mortgage, or credit cards, it is important to have a plan in place to pay down your debt load as quickly as possible. The following are some tips to help you manage your debt:

- Keep track of all of your credit card balances and be aware of interest rates and hidden fees
- Develop a plan to manage your payments so that you avoid late fees
- Optimize your repayments by paying off high-interest debt first or consider taking advantage of debt consolidation/refinancing programs
- Avoid charging more than you can pay off at the end of each billing cycle

Review/take steps to improve your credit history

Having good credit is an important part of any sound financial plan, and the new year is as good a time as any to check on your credit history. Your credit report contains information about your past and present credit transactions and is used by potential lenders to evaluate your creditworthiness. A positive credit history is important since it allows you to obtain credit when you need it and at a lower interest rate. Good credit is even sometimes viewed by employers as a prerequisite for employment.

Review your credit report and check it for any inaccuracies. You'll also want to find out whether or not you need to take steps to improve your credit history. To establish a good track record with creditors, make sure that you always make your monthly bill payments on time. In addition, you should try to avoid having too many credit inquiries on your report (these are made every time you apply for a new credit card). You're entitled to a free copy of your credit report once a year from each of the three major credit reporting agencies. You can go to www.annualcreditreport.com for more information.

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What health-care provisions are effective in 2013?

With the Supreme Court's favorable ruling on the constitutionality of the Patient Protection and Affordable Care Act (ACA), more of the law's provisions will become effective in 2013. Here are some of the new features that may be important to you.

Medicare Part D participants who reach a gap in their drug coverage (the "donut hole") are required to pay the entire cost of prescription drugs out-of-pocket. In 2013, the ACA will continue to close this gap by increasing subsidies to reduce the cost of brand-name and generic drugs to participants who reach the donut hole. These subsidies will continue until 2020, when the participant's maximum contribution toward the cost of prescriptions will be reduced to 25%.

The threshold for the itemized deduction for medical expenses increases from 7.5% to 10% of adjusted gross income, beginning in 2013. However, this increase is waived for taxpayers age 65 and older through 2016.

In 2013, the annual pretax employee contribution to a Section 125 cafeteria plan flexible spending account (FSA) is reduced to $2,500, subject to annual increases for cost-of-living adjustments. The reduction does not apply to certain employer nonelective contributions (e.g., flex credits).

Beginning in 2013, the hospital insurance (HI) portion of the payroll tax, commonly referred to as the Medicare portion, increases by 0.9% for individuals with wages exceeding $200,000 ($250,000 for married couples filing a joint federal income tax return, and $125,000 for married individuals filing separately).

In addition, 2013 marks the imposition of a new 3.8% Medicare contribution tax on the unearned income of high-income individuals. This 3.8% contribution tax generally applies to the net investment income of individuals with modified adjusted gross income that exceeds $200,000 ($250,000 for married couples filing a joint federal income tax return, and $125,000 for married individuals filing separately).

Looking ahead, 2014 brings the implementation of the health insurance exchanges, premium and cost-sharing subsidies, and the requirement that most individuals have health insurance.

How does health-care reform affect women?

The Patient Protection and Affordable Care Act (ACA) expands women's access to health insurance and adds several reforms to the existing health-care system that are specifically beneficial to women.

Access to care and affordability are important issues for women. According to the U.S. Department of Health and Human Services, because almost twice as many women than men who receive employer-provided health insurance are covered as dependents, they are susceptible to losing that coverage should they become widowed, divorced, or if their husbands lose their jobs.

In addition, the cost of coverage may significantly impact women. Women earn less than men, on average, and are more likely to be out of the workforce to care for children, parents, or other dependents. Because of this trend, out-of-pocket costs such as co-pays, deductibles, and premiums can pose a particular threat to women's access to affordable care.

The ACA provides for the creation of state-level health insurance exchanges, available to small businesses and uninsured individuals, that will serve as a marketplace of private and public health plans. Individuals and families purchasing insurance through insurance exchanges may be eligible for subsidies or tax credits (based on income) that can be applied towards the cost of insurance. According to the U.S. Census Bureau, 20% of women between the ages of 18 and 64, or about 19 million women, are uninsured. Of those, it is estimated that 36% will be eligible for tax credits and subsidies.

ACA specifies essential health benefits for women that must be offered by nongrandfathered plans. These benefits include maternity and newborn care, including prenatal visits and pediatric services. Several preventive services must be offered without co-payments or deductibles, including mammography exams; Pap tests; colonoscopies; type 2 diabetes screening; obesity screening; several immunizations including hepatitis, influenza, and HPV; and alcohol and tobacco counseling. Specific coverage benefits will continue to be shaped by U.S. Health and Human Services regulations.