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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

November 2013

There is no further lesson learned by being kicked by a mule a 2nd time....old farmer's wisdom

D'ya think our representatives in the nation's capital will ever get some farmer's wisdom? Who knows! These episodes of doing things at the 11¾ hour are not doing anything good for us, the economy or our creditors. No one wins if we shut down the government or stop paying our bills.

There's an old paraprosdokian that applies to the politicians on both sides of the aisle: 'I didn't say it was your fault; I said I was blaming you'.

Dick Bove, banking specialist at Rafferty Capital Markets, presented a very succinct analysis of the consequences of a U.S. Default. He states:

- the biggest holder of the almost $17 trillion of outstanding government bonds belong to Social Security. Default would mean what????? You Guess.

- the 2nd largest holder of that debt is the Federal Reserve. A default would cause the bonds to decline in value…so what would we have of value backing the dollar???

- between the Chinese and the Japanese, they hold about $2.3 trillion of our Treasuries. Making them nervous about repayment can only mean…not only…less or no future buying…but selling!!! The Chinese have been buying up a lot of U.S. real estate. That's one way to get rid of dollars

- money market funds are backed by Treasuries. A default on our debt would cause them to 'break the buck'

- this would prompt an immediate sell-off of all money market funds by countless other funds that are mandated to sell any fund that has defaulted.

- these actions would put $750 billion of Treasuries on the market, spiking interest rates.

- because banks hold $1 trillion of Treasuries and another $1 trillion of mortgage backed securities, they would be forced to write down the value of those assets, wiping out their equity…making them insolvent.

- So, the next time we hear about brinkmanship in Washington, send them a message!

Are You Confused About the National Debt?

Many are confused about what the government debt actually is. On the one hand, we hear and read about the $17 trillion mark...which we just passed on October 25th. http://www.usdebtclock.org/. Then, next we read that the Congressional Budget Office (CBO) is concerned that the federal debt is going to grow to 100% of GDP, from its existing level of 73%...by 2038.

But, we know that GDP in the U.S. is currently $16.8 trillion. So you say, what gives between the total debt recorded at $17 trillion…which is already more than current GDP and what the CBO states that our debt is only at 73% of GDP.

Like most things out of Washington, you need to look under the hood to get a true meaning.

We have two kinds of debt in this country: Debt held by the public and debt held by government accounts which are owed to program beneficiaries such as Social Security.

So, the breakdown of these figures are:

$12 trillion is held by the public, which is about 73% of GDP.

$4.8 trillion is intergovernmental debt.

Add these two together to get $16.8 trillion.

There, now you have it!

So, How is the Economy Doing?

I'll try to make this analysis quick.

Russia hates us.

We still have trouble in Syria.

Iran is (we believe) still building a bomb.

Ongoing tensions throughout the Middle East.

China is trying to de-throne the dollar.

We're not so important to Middle East oil suppliers (China is now their biggest customer)

Severe global income disparity.

European economic sluggishness.

The U.S. Congress is dysfunctional.

Unfunded U.S. Liabilities

Our national debt is out of control.

Unemployment (especially among the youth) is stubbornly high.

So, there we have some headwinds. What about tailwinds?

We are the biggest & strongest economy in the world.

GDP per capita income is among the highest in the world.

We have the easiest access to the capital and credit markets of anywhere in the world.

The economy is slowly improving. In fact, rail traffic is strong which usually denotes economic expansion.

According to AIER, aggregate economic activity, gross domestic product, sales, employment and industrial production continue to rise.

The leading, coincident and lagging economic indicators all point to expansion.

Notwithstanding the beating the dollar takes in the press, it is still the most stable currency in the world.

The Unites States is now producing more oil than it imports.

As of 2010, we have 2,100 trillion cubic feet of natural gas in this country. Not only is that a 100 year supply, many experts think that number is too low.

The stock market continues to grind higher. Earnings have not been stellar, however; they are growing.

Inventors and entrepreneurs abound.

Inflation is almost non-existent.

Monetary policy is *extremely accommodative.*

So, on balance I do like what I see, and the U.S. is still the place to invest.

Rules for Success in the Market.

Over the past month, I came across a highly entertaining video made by legendary commodity trader Ed Seykota. Ed has generated 60% annual returns over the past three decades!!!

What he has done here is create a 6 minute tune called the "WHIPSAW SONG" which will give you the keys to successfully invest in the stock market…without question.

So, if you have the time, I can assure you it will be time well spent looking at this:

Click on the picture above. If you have trouble with that, click on the link below. Enjoy.

http://www.seykota.com/tribe/essentials/index.htm

What you need to know about Obamacare.

Below is an excerpt from an article which appeared in Bottom Line:

Six things you need to know about Obamacare if you own a small business or work for one…

Small-business owners no longer determine the number of hours an employee must work to qualify for health benefits. Starting in 2014, any employee who works at least 30 hours per week, on average, must be offered whatever health insurance benefits are offered to the company's full-time employees. Business owners previously set this benefits bar wherever they chose, often at 32 or 36 hours.

Some employers have responded to this new rule by scaling back certain employee schedules to 28 or 29 hours per week.

The new health insurance rules don't necessarily apply to your plan starting January 1, 2014. You might have read about the new health insurance rules that will take effect in 2014. Health insurance plans will be required to cap out-of-pocket expenses at $6,350 ($12,700 for families)…small group health insurance plans—that is, plans for businesses with between two and 49 employees—generally must cap deductibles at no more than $2,000 a year ($4,000 for families)…and coverage must include a broad range of "essential health benefits," such as maternity, mental-health and pediatric services including oral and vision care. What many people don't realize is that these new rules don't apply to a company's health insurance plan until it reaches its first health insurance renewal date in 2014. So, for example, if your company's plan year begins July 1, your insurance probably won't feature Obamacare's new benefits or increased costs until then.

Employers no longer need to worry that an older or unhealthy employee will push up the companies' health insurance rates. In the past, just one or two expensive-to-insure employees could push a small business's rates through the roof. But starting with plans that take effect in 2014, the age and health status of employees and their covered dependents will not affect the rates.

Small-business employees in most states won't be able to shop for coverage as extensively as originally promised. Starting October 1, small companies are able to shop for insurance through a Small Business Health Options Program (SHOP) exchange—comparable to the much publicized Obamacare individual insurance exchanges, also known as insurance marketplaces. Coverage purchased through these exchanges will take effect as early as January 1. But the SHOP exchanges won't be what small businesses were told to expect when Obamacare was unveiled.

The original idea was that a small-business owner could select a level of coverage—say, bronze or silver—and decide how much money to contribute toward that coverage for each eligible employee. His/her employees would then choose among a number of insurance companies and plans available at that level through the SHOP exchange. But it turns out that the number of insurance companies most employees will be choosing among is…one. The requirement that multiple insurance companies be offered has been delayed until at least 2015.

Small-business owners should investigate the SHOP option even without the employee-choice component. As many small-business owners know, Obamacare offers a tax credit to small companies that provide their employees with access to health insurance if those companies fall below certain staffing levels and average wage limits, among other requirements. But not all small-business owners realize that starting in 2014, this tax credit will be available only if the company buys its health insurance through a SHOP exchange or a SHOP-recognized health insurance company.

Rates are likely to rise for many small businesses. The new rules and requirements imposed on small-business insurance plans by Obamacare come at a cost—higher premiums than were charged for previous bare-bones plans. Early indications are that rates could increase by 30% or more for many companies, though this will vary by state and company. Some of that rate increase probably will be passed along to employees in the form of higher premiums.

Employees might receive better coverage, however. And small businesses that have a significant number of employees or covered dependents who are past age 50 and/or unhealthy actually could see their rates decline. So could some small businesses that already provide coverage that offers the now-required essential benefits and relatively low deductibles.

Self-funding is coming to small-business health insurance. When companies "self-fund," they serve as their own insurers, paying employee medical bills rather than purchasing outside health insurance to do so. (The administration of a self-funded plan still is likely to be outsourced.) Self-funding has become popular among large companies because it frees them from certain taxes and Obamacare rules.

Small businesses historically have shied away from self-funding because a single major health problem can ravage a small company's bottom line. But insurers increasingly offer hybrid options that feature catastrophic coverage to protect self-funded small companies if they incur greater-than-expected medical costs.

WHEN LACK OF EMPLOYER HEALTH INSURANCE IS PREFERABLE

Some small-business employees will be better off if their employers don't offer health insurance. Starting in 2014, if your household income falls below 400% of the federal poverty level—

that is, if your income is below $45,960 for an individual…$62,040 for a married couple…or $110,280 for a family of five, for example (these figures will increase slightly with inflation)—you're likely to qualify for a tax credit to help pay for health coverage purchased through the new Obamacare individual insurance marketplaces. The tax credit could make individual coverage more affordable than employer-provided health insurance.

There's a catch—you will not be eligible for Obamacare's individual insurance tax credit if you have access to an "affordable" employer-provided health insurance plan.

But the fact is, many small employers feel that they can't eliminate their health insurance plans, even if both they and most of their employees would save money if they did. The most skilled, highest-paid and hardest-to-replace workers often earn too much to qualify for a tax credit in the individual market, and these employees likely would defect to other companies in large numbers if their current employers dropped their health plans.

Source: Victoria Braden, president and CEO of Braden Benefit Strategies, Inc., a group health insurance consulting firm based in Johns Creek, Georgia, that works with employers that have fewer than 300 employees. She has twice testified before congressional committees regarding small-business benefits issues. BradenBenefits.com

(As an aside: Over the past few months, a few major U.S. employers have announced changes in their health care policies)

IBM, UPS, Walgreen, GE, Home Depot, Time Warner, Trader Joe's. Will there be more to come?

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☺ Get easy answers about the new healthcare law at www.HealthLawAnswers.org

☺ You can find fantastic resources for booking Airline flights at

www.pintrips.com compares fares from multiple carriers

www.getgoing.com for flexible travelers regarding dates and destinations

www.routehappy.com compares carriers for comfort and customer feedback

☺ You can analyze your energy usage at www.energy.gov

☺ You can get senior discounts at the following retail businesses.

***Ace Hardware – 10% off if over 60.**

***Kohl's – offers 15% discount on non-sale merchandise every Wednesday if you're over 60.**

IHOP – 10% off for seniors over 60.

When a Significant Life Event Occurs, It's Time to Review Your IRA Beneficiaries

There are many individuals who commit a common estate planning mistake with their IRA assets. Unfortunately, the mistake sometimes becomes apparent only after the account owner dies— when it comes time to transfer the IRA to the heirs. For the intended beneficiaries, these mistakes can lead to extended headaches and heartaches. They can also result in a significant tax bill, which ultimately could reduce the portion of the IRA that heirs will receive.

There is a simple way to prevent the mistake – update your beneficiary designations after significant life events, and add contingent beneficiaries if you haven't done so already.

Many people name beneficiaries at the time they opened an IRA, but they never bother to review or update these designations later in life. Because there are several life events that could require a change in beneficiary designations -- divorce, re-marriage, the death of a spouse, and the arrival of children or grandchildren – it is important to review and update your beneficiary designations whenever a significant event occurs in your life.

For example, what happens to your IRA should your beneficiary go before you? If you have not changed your primary beneficiary or have not named contingent beneficiaries, your IRA assets could wind up in your estate when you die. Then your heirs could ultimately receive a smaller portion of the account value, due to income taxes, final expenses, and creditor claims.

If your primary beneficiary dies before you, updating your primary beneficiary and naming contingent beneficiaries will help you to transfer your IRA assets efficiently and avoid probate. Furthermore, your heirs could have the opportunity to stretch out their IRA distribution over their lifetimes. Thus, potentially allowing the account to grow tax-deferred over the lives of two or more beneficiaries and reducing the income tax due. However, without valid beneficiary designations, they may have to take mandatory, larger distributions over a shorter period of time after your estate is settled.