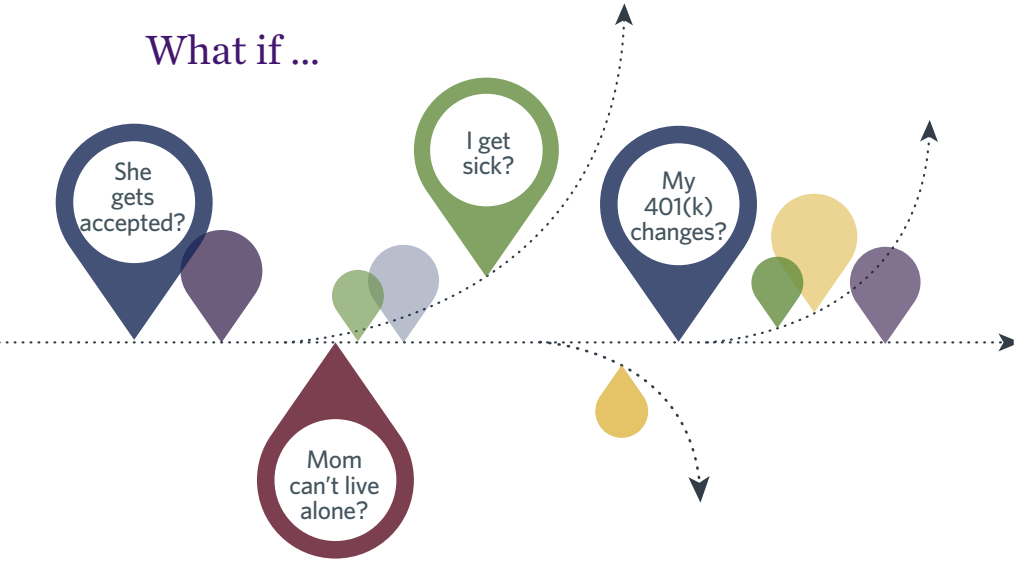
QUARTER NOTES

Inaugural Issue

What if ...



The New Year is a time for new beginnings and new resolutions. We all think about our families and people we love, and we wish to make things happen for them and to show them we care. Quite a few of these wishes may be fulfilled—there is something for everyone. The trick is to find a way that may be just right for you.

This is where we come in—from college funding to caring for elderly parents to laying the foundation for a financially secure retirement. We'll do our best to help you deal with those situations in life where you need financial advice and guidance. So let's start the conversation. Let's make life happen. Together!

What if she gets accepted?

The emerging problems of widespread student loan debt are a good reminder that it is far better to pay for higher education out of savings than to borrow the funds. That can be a tall order, but there are tax-favored ways to make a college fund grow more quickly.

Coverdell Education Savings Accounts (CESAs). Up to $2,000 may be set

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aside each year for any beneficiary. Contributions may start when a child is born and continue to age 18. There is no tax deduction for contributing to a CESA, but once the contribution is made, there are no income taxes on account earnings. There is no tax on withdrawals used to pay for qualified education expenses. *Caveat*: Higher-income taxpayers are not permitted to contribute to a CESA.

529 college savings plans. Much more money can be set aside in a 529 plan, so named for a section of the tax code authorizing it. Many plans have limits in excess of $200,000. Also, there is no income limit for the donor and no age limit for the beneficiary. As with the CESA, there are no taxes on account earnings or withdrawals used for qualified education expenses.

Roth IRAs. Some taxpayers look to Roth IRAs to do double duty as a resource for both education and retirement. The contribution limit of $5,500 for the Roth IRA is sharply higher than for the CESA, so a larger fund may be accumulated. Roth IRA contributions may be withdrawn without penalty, but taxes could be due on withdrawals of earnings before age 59½.

What if Mom can't live alone?

We take for granted that Medicare will be an indispensable retirement resource for the medical costs associated with old age. Medicare covers many medical problems, but it does not cover long-term care.

There are alternatives to consider for one who is having trouble taking care of himself or herself. These range from simple in-home assistance, which may be sufficient during the early stages of impairment, to admission to a nursing home for comprehensive supervision.

Long-term care insurance is one strategy for meeting these costs. Some standards were set by the Health Insurance Portability and Accountability Act of 1996, and policies that meet those standards are "tax qualified." For example, that law defined situations for paying benefits and the terms for tax deductibility of premium payments. But wide variation among policies remains, even variation among different policies at the same company. The advice of a trusted professional will be important for finding the right policy for your family.

What if I get sick?

Health insurance covers the cost of treatment of an illness. But what happens if an illness is so grave that one can no longer work? That's where disability insurance comes in, protecting one's income stream. The insurance can help meet daily expenses until one recovers enough to return to the job.

Disability insurance policies include waiting periods, exclusions, and a variety of limitations that one needs to take into account when planning for the financial consequences of an illness. Once again the advice of a trusted professional will be important.

What if I change jobs?

The IRA rollover has emerged as a vital retirement resource for more and more families. According to a recent GAO report, roughly 43 million taxpayers now have $5.2 trillion in IRAs. The majority of these accumulations were made in qualified employer retirement plans, which have much higher contribution limits than do IRAs.

The IRA rollover can receive and protect from premature taxation funds from an employer's qualified retirement plan. To avoid mandatory withholding taxes, a trustee-to-trustee transfer should be arranged.

What if I get divorced?

Dissolving a marriage is a stressful and difficult process. Not only is it emotionally turbulent, but it also requires both parties to undergo significant transitions. Although state laws govern many of the monetary aspects of divorce, one can take steps to protect oneself so that it is not financially devastating.

Most states rely on equitable distribution to allocate divorce assets. Equitable distribution, however, does not mean that each person will receive half of everything. The courts weigh many factors to determine how each person will stand financially after the dissolution of the marriage. By working with a divorce attorney and a financial professional, one can minimize the impact of divorce on one's financial future.

What if Social Security isn't enough?

Debate over the health of the Social Security trust funds has been a regular feature of politics for many years. What is not debatable is that, for nearly everyone, Social Security alone is not enough to provide a comfortable, financially secure retirement.

Traditionally, planners have spoken of a "three-legged stool" for providing retirement income: Social Security, employer retirement plan, and personal savings. With the advent of 401(k) and 403(b) savings plans, individuals are now responsible for two of the three legs.

When deciding how much salary to defer into an employer plan, first one should take time to understand the terms of any employer matching being offered. One needs to contribute at least the minimum amount needed to capture the full amount of possible matching funds. For example, if the

employer provides a 50% match of a portion of a deferral, that's like getting a 50% return on one's savings in the first year.

What if I'm overpaying?

To protect against the contingency of premature death, one needs life insurance and plenty of it. *Term life insurance* is the least expensive alternative, and it may be best for cash-strapped families. *Whole life insurance* may be thought of as a disciplined long-term savings plan that includes additional protection in the event that a death interrupts the plan.

As important as insurance is, finding the right insurance policy at the best price for your family can be a daunting undertaking. Life insurance is not a new concept, but many new ideas have been incorporated into insurance policies in recent years, including investment choices. That can make comparison shopping tricky. The advice of an experienced professional will be essential in making your decisions. He or she will explain unfamiliar terms, illustrate your alternatives, and help you to make an informed decision.

What if I want professional help with managing my investments?

Investment assistance is our business. We can help you to articulate your goals, take stock of your resources, and develop strategies for meeting your financial objectives.

The most important factor in achieving success in meeting financial goals, whatever they may be, is putting time on your side by starting early. Do not let doubt or uncertainty lead to indecision. Let us help you sort through your choices, and you can then implement your planning with a greater sense of confidence.

Last call for 2014 IRA contributions!

To get the most from an IRA or a Roth IRA, taxpayers should make their contributions as early in the year as possible. The procrastinators among us have until the tax filing deadline to make a contribution for the 2014 tax year. The contribution limit for each year, for either type of account, is $5,500 for most taxpayers, $6,500 for those 50 and older. The extra $1,000 is allowed as a "catch-up contribution." Perhaps it's to make up for the years of skipped contributions when college costs were more important!

IRAs are still not universally available. See the table here for the phaseout ranges, which are based upon modified adjusted gross income.

Pull it together

Do you have several small IRAs, started at various institutions over the years? You should consider a consolidation of these accounts into a single IRA. Taking this step will give you:

- one statement instead of many;
- a view of all your IRA investments at a glance;
- one account maintenance fee instead of many.

We will be happy to help you with the paperwork for consolidating your IRAs. We also can provide guidance on appropriate investments for your IRA, given your circumstances and the opportunities in today's financial markets.

IRA Deduction Limits (phase-out ranges)

Filing status	2014	2015
Traditional IRA		
Married, filing jointly, contributor is an active participant in an employer plan	$96,000 - $116,000	$98,000 - $118,000
Married, filing jointly, contributor not covered by an employer plan	$181,000 - $191,000	$183,000 - $193,000
Single or head of household	$60,000 - $70,000	$61,000 - $71,000
Married filing separately	$0 - $10,000	$0 - $10,000
Roth IRA		
Married filing jointly	$181,000 - $191,000	$183,000 - $193,000
Single or head of household	$114,000 - $129,000	$116,000 - $131,000
Married filing separately	$0 - $10,000	$0 - $10,000

Source: IR-2014-99, Oct. 23, 2014; M.A. Co.

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Just Ask Us

How will the Affordable Care Act (ACA) affect my tax filings this year? Does it matter how I acquired my insurance?

The IRS has been charged with monitoring compliance with the ACA, which will be done as taxpayers file their income taxes for 2014. The majority of taxpayers simply will check a box to confirm that they did have health insurance for the full year.

However, an estimated 6.7 million people received subsidies for their health insurance when they bought the insurance on an exchange. Those subsidies actually were advance tax credits, and they were based upon 2012 income reports. A reconciliation will be required. Those who had the good fortune of a higher income in 2014 than in 2012 will have their subsidy reduced, which will mean a smaller refund check. Those whose income declined may be eligible for a larger subsidy and a bigger check.

Everyone who purchased health insurance through an exchange will receive Form 1095-A in the mail from the exchange. The Form will show who was covered in 2014 and any premium tax credits that were applied. Those who received premium tax credits will need to file Form 8962 with their tax returns for the reconciliation.

Anyone who went without health insurance for three consecutive months in 2014 may owe a penalty. Exemptions from the penalty are available, but paperwork will be required. Those who are denied an exemption may appeal that decision.

Tax filing this year will be a learning experience for everyone.