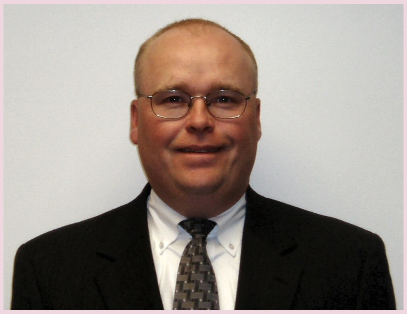

Hoey Wealth Management

Planning Your Financial Future

Hoey Wealth Management
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Hi,

Happy Winter

I hope your Holidays were enjoyable. It is a new year and I hope it brings good things to you and your family

Rob

Happy New Year!!

Wishing nothing but happiness to each of you this year.

~Melanie

Winter 2016

COMMONWEALTH *financial network*

Six Common 401(k) Plan Misconceptions

Do you really know as much as you think you do about your 401(k) plan? Let's find out.

1. If I leave my job, my entire 401(k) account is mine to keep.

This may or may not be true, depending on your plan's "vesting schedule." Your own contributions to the plan--that is, your pretax or Roth contributions--are always yours to keep. While some plans provide that employer contributions are also fully vested (i.e., owned by you) immediately, other plans may require that you have up to six years of service before you're entitled to all of your employer contributions (or you've reached your plan's normal retirement age). Your 401(k)'s summary plan description will have details about your plan's vesting schedule.

2. Borrowing from my 401(k) plan is a bad idea because I pay income tax twice on the amount I borrow.

The argument is that you repay a 401(k) plan loan with dollars that have already been taxed, and you pay taxes on those dollars again when you receive a distribution from the plan. Though you might be repaying the loan with after-tax dollars, this would be true with any type of loan.

And while it's also true that the amount you borrow will be taxed when distributed from the plan (special rules apply to loans from Roth accounts), those amounts would be taxed regardless of whether you borrowed money from the plan or not. So the bottom line is that, economically, you're no worse off borrowing from your plan than you are borrowing from another source (plus, the interest you pay on a plan loan generally goes back into your account). But keep in mind that borrowing from your plan reduces your account balance, which may slow the growth of your retirement nest egg.

3. Because I make only Roth contributions to my 401(k) plan, my employer's matching contributions are also Roth contributions.

Employer 401(k) matching contributions are always pretax--whether they match your pretax or Roth contributions. That is, those matching contributions, and any associated earnings, will always be subject to income tax when you receive them from the plan. You can, however, convert your employer's matching contributions to Roth contributions if your plan allows. If you do, they'll be subject to income tax in the year of the conversion, but future qualified distributions of those amounts (and any earnings) will be tax free.

4. I contribute to my 401(k) plan at work, so I can't contribute to an IRA.

Your contributions to a 401(k) plan have no effect on your ability to *contribute* to a traditional or Roth IRA. However, your (or your spouse's) participation in a 401(k) plan may adversely impact your ability to *deduct* contributions to a traditional IRA, depending on your joint income.

5. I have two jobs, both with 401(k)s. I can defer up to $18,000 to each plan.

Unfortunately, this is not the case. You can defer a maximum of $18,000 in 2015, plus catch-up contributions if you're eligible, to all your employer plans (this includes 401(k)s, 403(b)s, SARSEPs, and SIMPLE plans). If you contribute to more than one plan, you're generally responsible for making sure you don't exceed these limits. Note that 457(b) plans are not included in this list. If you're lucky enough to participate in a 401(k) plan and a 457(b) plan you may be able to defer up to $36,000 (a maximum of $18,000 to each plan) in 2015, plus catch-up contributions.

6. I'm moving to a state with no income tax. I've heard my former state can still tax my 401(k) benefits when I retire.

While this was true many years ago, it's no longer the case. States are now prohibited from taxing 401(k) (and most other) retirement benefits paid to nonresidents. As a result, only the state in which you reside (or are domiciled) can tax those benefits. In general, your residence is the place where you actually live. Your domicile is your permanent legal residence; even if you don't currently live there, you have an intent to return and remain there.

Dealing with Medical Billing Issues

Over the last two years, nearly one-third of privately insured Americans received a surprise medical bill for which their health plan paid less than expected. (Source: Consumer Reports National Resource Center, March 2015)

It's a common occurrence these days--you receive a sky-high medical bill in the mail. Maybe the bill is for medical services or treatments that you thought were covered by your insurance. Or perhaps you have difficulty understanding exactly which medical procedures you're being charged for, or what the medical billing codes on your hospital bill mean.

The fact is, due to the complex nature of today's medical billing industry, it's difficult for many consumers to know exactly what they will end up having to pay for medical services or treatments. Fortunately, there are some things you can do to make it easier to deal with any medical billing issues that may arise.

Understand what your insurance does and does not cover

Your first step in tackling a medical billing issue is to find out exactly what your insurance does and does not cover. Review your health plan's coverage brochure or contact your insurer to find out about your health insurance plan's coverage exclusions or limitations, expenses that are fully or partially covered by your plan, and the ramifications of using an out-of-network provider.

Another helpful tool is an explanation of benefits (EOB). Once a medical claim is processed by your health insurance provider, you should receive an EOB. The EOB will provide you with a variety of information, such as the dates and type of services provided, the amount that was billed by the medical provider to the insurance company, what the insurance company paid to the provider, and the amount that wasn't covered and for which you are responsible. Review your EOB and compare it to your medical bills. If you find any discrepancies, contact your medical provider's billing department.

Keep an eye out for common billing errors

Unfortunately, errors are a common occurrence in the medical billing industry. As a result, it's always important to request an itemized bill, as opposed to just a summary of charges, from your medical provider. An itemized bill is critical when it comes to identifying billing errors because it will detail each medical procedure for which you are being charged.

Once you've received your itemized bill, check to make sure that all of your identifying information (e.g., address, date of birth), dates of service, and insurance information are correct.

In addition, be alert for common billing errors, such as:

- Being billed separately for services that are already covered under previously bundled fees
- Being billed for extra time in the operating room or more anesthesia
- Being billed for a more expensive charge than necessary (also known as "upcoding")
- Charges for canceled procedures
- Charges for duplicate procedures
- Incorrectly coded procedures

If you find an error on your bill, contact the billing department of the medical provider to request a corrected insurance claim and/or bill. Be prepared to explain the mistake to the billing representative and provide copies of billing records that illustrate the billing error.

Don't be afraid to negotiate

If it turns out that you do owe money, it's important to know that medical bills may be negotiable. If you have a large medical bill, it may be worthwhile to negotiate with your medical provider. Depending on the amount you owe, you may be able to lower your balance or arrange a payment plan that spreads out the amount you owe over a period of time.

Consider getting professional help

Some medical billing issues may be too difficult to resolve on your own. If you are unable to determine what you owe or negotiate a resolution with a billing department, consider enlisting the services of a medical billing advocate.

Medical billing advocates are typically paid an hourly rate. They can be extremely effective in helping you deal with a variety of medical billing issues, such as identifying billing errors and/or assisting you with negotiating a lower balance. For more information on medical billing advocates, visit the Medical Billing Advocates of America website at www.billadvocates.com.

Periodic Review of Your Estate Plan

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. It allows you to control what happens to your property if you die or become incapacitated. An estate plan should be reviewed periodically.

When should you review your estate plan?

Although there's no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event
- You'll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis
- You'll want to do a more thorough review every five years

Reviewing your estate plan will alert you to any changes that need to be addressed.

There will be times when you'll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee, or guardian may die or change his or her mind about serving in that capacity, and you'll need to name someone else.

Events that should trigger a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren
- There has been an addition to your family through birth, adoption, or marriage (stepchildren)
- Your spouse or a family member has died, has become ill, or is incapacitated
- Your spouse, your parents, or other family member has become dependent on you
- There has been a substantial change in the value of your assets or in your plans for their use
- You have received a sizable inheritance or gift
- Your income level or requirements have changed
- You are retiring
- You have made (or are considering making) a change to any part of your estate plan

Some things to review

Here are some things to consider while doing a periodic review of your estate plan.

- Who are your family members and friends? How do you feel about them?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Does your choice of an executor or a guardian for your minor children remain appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust, durable power of attorney, or joint ownership to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiary at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

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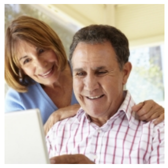

What is a phased retirement?

In its broadest sense, a phased retirement is a gradual change in your work patterns as you head into retirement. Specifically, a phased retirement usually refers to an arrangement that allows employees who have reached retirement age to continue working for the same employer with a reduced work schedule or workload.

A phased retirement has advantages for both employees and employers. Employees benefit from the opportunity to continue active employment at a level that allows greater flexibility and time away from work, smoothing the transition from full-time employment to retirement. And employers benefit by retaining the services of experienced workers.

There may be other advantages attributable to a phased retirement. When you work during retirement, your earnings can be applied toward living expenses, allowing you to spend less of your retirement savings and giving them a chance to potentially grow for future use. You may also elect to work for personal fulfillment--to stay mentally and physically active and to enjoy the social benefits of continuing to work with the same co-workers.

Not all employers offer a phased retirement option, but if it's available, you may want to consider whether you'll still have access to affordable health care during this period, especially if you aren't old enough to qualify for Medicare. Also, some employer-sponsored pension benefit formulas may place a higher weighting on earnings during the final years of employment. If you're lucky enough to have an employer-sponsored pension plan, will working a reduced schedule with presumably reduced pay negatively affect your pension benefit? Some employers offer life insurance to their full-time employees. However, this benefit might be reduced or eliminated if you work fewer hours, which can affect your dependents at your death.

Will a phased retirement affect your Social Security retirement benefit? The Social Security website, socialsecurity.gov, provides some calculators that can help you determine the impact a phased retirement may have on your benefits.

Before enrolling in a phased retirement program, consider its impact on your entire financial picture.

What is compound interest?

When Benjamin Franklin died in 1790, he left the equivalent of $4,400 each to the cities of Boston and Philadelphia in his will, under the condition that the money be loaned and invested. He stipulated that the cities would have access to a portion of the funds after 100 years and receive the remaining funds after 200 years. When the cities received their balances after 200 years, the combined bequest had grown to $6.5 million. How did such a small initial sum grow to such a large amount? Through the power of compound interest. (Source: Benjamin Franklin Institute of Technology, Codicil to Benjamin Franklin's Will)

There are two basic types of interest: simple and compound. The main difference between the two is that simple interest generates interest only on the initial principal amount, while compound interest generates interest based on both the initial principal amount and all accumulated interest. Here's an example of how each works.

Say you put $10,000 in an account that earns 2% simple interest per year. In the first year you would generate $200 and end up with a total of $10,200. In year two, you'd earn another $200, bringing your total to $10,400.

If you put that same $10,000 in an account that earns 2% compound interest per year, in the first year you would generate $200 and end up with a total of $10,200. At the end of the second year, however, interest builds on the interest from the previous year, and now you earn money on the amount in your account rather than the initial principal alone. Therefore, the interest earned in that second year is $204, bringing your total to $10,404.

While the interest may not seem like much at first, it can add up over time, especially when you invest an additional amount each month. For example, if you invest that $10,000 in an account that generates 2% compound interest per year, and then invest an additional $400 per month, your initial investment would grow to $214,943.55 after 30 years. In another 10 years, you would have $315,141.32. With compound interest, time is your friend, so the earlier you can start saving, the better.

Note: *This hypothetical example of mathematical compounding is for illustrative purposes only and does not represent any specific investment. Actual results may vary.*