Callahan and Associates
Joseph Callahan, CFP®
9428 Kenwood Road
Cincinnati, OH 45242
513-421-0800
joe@callahancincy.com
www.callahancincy.com

If you have questions, we have answers. Call us as your source for the best financial infomation regarding your future:)

March 2014

Callahan Newsletter

Keeping you current

Same-Sex Marriage: An Update

Here's an update on some of what has happened since the Supreme Court issued its decision that struck down Section 3 of the Defense of Marriage Act of 1996 (DOMA), which defined marriage as the union of a man and a woman.

Federal taxes

In August of 2013, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) announced that same-sex couples who were legally married in jurisdictions that recognize same-sex marriage will be treated as married for all federal tax purposes (Rev. Rul. 2013-17, and associated Frequently Asked Questions). This is true even if the couple resides in a state that does not recognize same-sex marriage. In other words, if you legally married an individual of the same gender in a state that recognizes same-sex marriage, but reside in a state that does not recognize same-sex marriage, you will be treated as married for federal income tax purposes even though it is possible that you might not be treated as married for state tax purposes. Recognition also applies to same-sex couples legally married in the District of Columbia, a U.S. territory, or a foreign country. Registered domestic partnerships, civil unions, and other formal relationships recognized under state law do not qualify, however.

Social Security

The Social Security Administration has posted a statement on its website that the agency is working closely with the Department of Justice, and plans to develop and implement policy and processing instructions in the coming weeks and months. Even though there is not yet any clear guidance on benefit eligibility for same-sex married couples, the Social Security website states that the agency is processing some retirement and surviving spouse claims for same-sex couples, and encourages same-sex spouses and those in other legal same-sex relationships to apply for benefits, even if they live in a state that does not recognize same-sex marriage.

401(k) plans and other benefit plans

In September of 2013, the U.S. Department of Labor's (DOL) Employee Benefits Security Administration issued Technical Release 2013-04, which states that, in general, the term "spouse" in the legislation and regulations that govern most retirement plans will be deemed to include same-sex marriages. Like the IRS, the DOL recognizes as married those same-sex couples legally married in a jurisdiction that recognizes same-sex marriage, even if the couple resides in a state that does not recognize same-sex marriage.

Other considerations

- The U.S. Department of State has announced visa applications that are based on a same-sex marriage will be adjudicated in the same way that applications are evaluated for opposite gender spouses. If your marriage is valid in the jurisdiction (U.S. state or foreign country) where it took place, it is valid for immigration purposes. (Source: www.travel.state.gov, *U.S. Visas for Same-Sex Spouses,* 12/24/2013)
- The administration announced that it will no longer enforce particular sections of the law governing veterans benefits, effectively allowing benefits to be paid to legally married same-sex couples; however, variations in state law may prevent same-sex married couples from receiving benefits in some situations. (Source: www.eBenefits.va.gov, *DOMA and Your Benefits,* 1/27/2014)
- All branches of the military have extended spousal and family benefits to same-sex married couples (a valid marriage certificate is required). The Department of Defense, in announcing this policy, also announced that the department will implement policies to allow military personnel in same-sex relationships leave for the purpose of traveling to a jurisdiction where the couple may legally marry. (Source: U.S. Department of Defense, News Release No: 581-13, August 14, 2013)

Should You Roll Your 401(k) to an IRA?

Certain investments may not be right for everyone, and some may have adverse tax consequences, so be sure to consult your financial professional.

If you're entitled to a distribution from your 401(k) plan (for example, because you've left your job, or you've reached age 59½), and it's rollover-eligible, you may be faced with a choice. Should you take the distribution and roll the funds over to an IRA, or should you leave your money where it is?

Across the universe

In contrast to a 401(k) plan, where your investment options are limited to those selected by your employer (typically mutual funds or employer stock), the universe of IRA investments is virtually unlimited. For example, in addition to the usual IRA mainstays (stocks, bonds, mutual funds, and CDs), an IRA can invest in real estate, options, limited partnership interests, or anything else the law (and your IRA trustee/custodian) allows.*

You can move your money among the various investments offered by your IRA trustee, and divide up your balance among as many of those investments as you want. You can also freely move your IRA dollars among different IRA trustees/custodians--there's no limit on how many direct, trustee-to-trustee IRA transfers you can do in a year. This gives you the flexibility to change trustees as often as you like if you're dissatisfied with investment performance or customer service. It also allows you to have IRA accounts with more than one institution for added diversification.

However, while IRAs typically provide more investment choices than a 401(k) plan, there may be certain investment opportunities in your employer's plan that you cannot replicate with an IRA. And also be sure to compare any fees and expenses.

Take it easy

The distribution options available to you and your beneficiaries in a 401(k) plan are typically limited. And some plans require that distributions start if you've reached the plan's normal retirement age (often age 65), even if you don't yet need the funds.

With an IRA, the timing and amount of distributions is generally at your discretion. While you'll need to start taking required minimum distributions (RMDs) from your IRA after you reach age 70½ (and your beneficiary will need to take RMDs after you die), those payments can generally be spread over your (and your beneficiary's) lifetime. (You aren't required to take any distributions from a Roth IRA during your lifetime, but your beneficiary must take RMDs after your death.) A rollover to an IRA may let you and your beneficiary stretch distributions out over the maximum period the law permits, letting your nest egg enjoy the benefits of tax deferral as long as possible.

The RMD rules also apply to 401(k) plans--but a special rule allows you to postpone taking distributions until you retire if you work beyond age 70½. (You also must own no more than 5% of the company.) This deferral opportunity is not available for IRAs.

Note: *Distributions from 401(k)s and IRAs may be subject to federal income tax, and a 10% early distribution penalty (unless an exception applies). (Special rules apply to Roth 401(k)s and Roth IRAs.)*

Gimme shelter

Your 401(k) plan may offer better creditor protection than an IRA. Assets in most 401(k) plans receive virtually unlimited protection from creditors under a federal law known as ERISA. Your creditors cannot attach your plan funds to satisfy any of your debts and obligations, regardless of whether you've declared bankruptcy. (Note: individual (solo) 401(k) plans and certain church plans are not covered by ERISA.)

In contrast, traditional and Roth IRAs are generally protected under federal law only if you declare bankruptcy. Federal law currently protects your total IRA assets up to $1,245,475 (as of April 1, 2013)--plus any amount you roll over from your 401(k) plan. Any creditor protection your IRA may receive in cases outside of bankruptcy will generally depend on the laws of your particular state. If you're concerned about asset protection, be sure to seek the assistance of a qualified professional.

Let's stay together

Another reason to roll your 401(k) funds over to an IRA is to consolidate your retirement assets. This may make it easier for you to monitor your investments and your beneficiary designations, and to make desired changes. However, make sure you understand how Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits apply if you keep all your IRA funds in one financial institution.

Fools rush in

- While some 401(k) plans provide an annuity option, most still don't. By rolling your 401(k) assets over to an IRA annuity, you can annuitize all or part of your 401(k) dollars.
- Many 401(k) plans have loan provisions, but you can't borrow from an IRA. You can only access the money in an IRA by taking a distribution, which may be subject to income tax and penalties.

CALLAHAN & ASSOCIATES

Home Staging: Getting Your Home Ready to Sell

In today's competitive housing market, your home's appearance plays an important role in determining how quickly it will sell. Before you put your home on the market, many real estate professionals recommend doing at least some form of home staging.

Fortunately, there are a number of things you can do to stage your home for selling that take only a little time and effort, and more importantly, won't break the bank.

Be sure to make a good first impression

When it comes to selling your home, first impressions are important. A yard that is overgrown and poorly maintained can turn off a potential buyer before he or she even walks through your front door.

But keep in mind that you don't have to have a green thumb or hire an expensive landscape designer to make a difference. You can make the outside of your home more welcoming by:

- Cutting grassy areas that are overgrown
- Trimming trees and shrubbery--especially those that are near or next to the house
- Clearing walkways and paths so visitors can easily enter/exit your home
- Giving your front door a fresh coat of paint
- Making sure outdoor lighting is adequate/updated

Create a welcoming environment

When potential buyers first walk through your front door, you'll want them to feel comfortable and at ease. You can create a welcoming environment with a few minor touches such as fresh flowers in the entryway or the smell of freshly baked cookies.

Give your home a thorough cleaning

Never underestimate the impact a clean home can have on a potential buyer. Dust on shelves, mildew in the bathroom, and dirty carpets can be huge deterrents when selling a home.

Before you put your home on the market, you'll want to give it a thorough cleaning from top to bottom. If it's a big enough job, you may even want to enlist the services of a professional cleaning company to assist you with the cleanup.

Remove clutter

Removing clutter from your home will make it seem more functional, spacious, and organized--all important features for a potential homebuyer.

While it can sometimes seem overwhelming to have to sift through and organize all of your personal belongings, you can get started with these simple tips:

- Clean out closets and install closet organizers
- If home office space is limited, add shelves and storage bins to hide office clutter
- Remove any personal effects, such as photos, mementos, and even toiletries
- In addition to main living spaces, be sure to clean out attic, basement, and garage spaces
- Rent a dumpster or hire a waste disposal company to make it easier to get rid of larger, unwanted items or consider donating unwanted items that are in good condition to a charitable organization
- If necessary, hire a professional organizer

Invest in a fresh coat of paint

Dated wall treatments, such as wallpaper borders and faux finishes, can deter a potential buyer. A fresh coat of paint is a cost effective way to give your home an updated appearance.

When picking out paint colors, be sure to stick to neutral color schemes, which tend to have a broader appeal. In addition, remember that darker colors often make rooms seem smaller and more intimate, while lighter colors can make a room appear larger and more spacious.

Hold off on major improvements/upgrades

Except in certain circumstances, most home staging projects should only involve minor improvements to your home that won't take up much of your time or cost you a lot of money. As a result, you should hold off on major improvements or upgrades, such as renovating an entire kitchen or putting on a new addition.

Get professional help if needed

If you feel that you need assistance staging your home before you put it on the market, there are staging professionals and companies that assist homeowners during the home-staging process.

The cost of professional home staging varies, depending on the types of services provided. Basic staging services usually offer simple advice and tips for organizing and cleaning your home. Other, more involved staging services provide full home redesigns along with specially staged furnishings and accessories.

CALLAHAN & ASSOCIATES

Callahan and Associates
Joseph Callahan, CFP®
9428 Kenwood Road
Cincinnati, OH 45242
513-421-0800
joe@callahancincy.com
www.callahancincy.com

Is there anything I can do to lower my auto insurance bill?

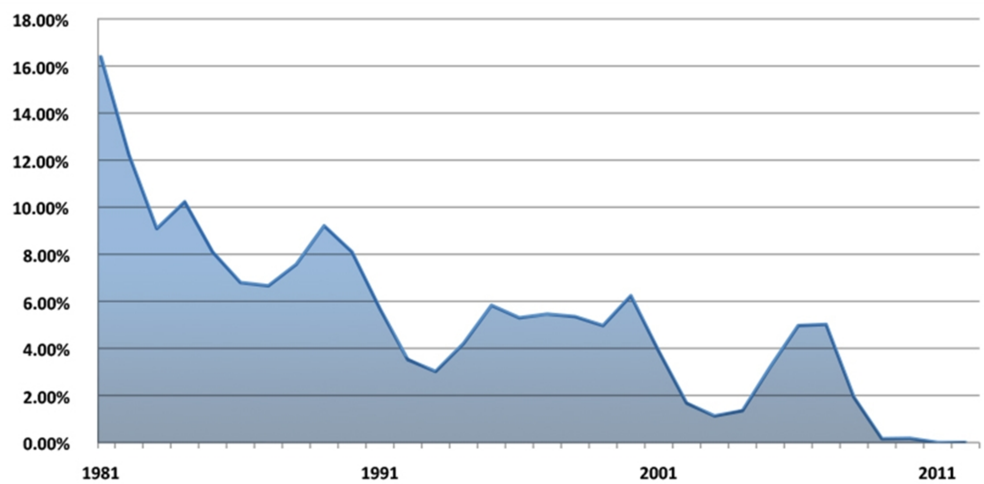
Yes. Insurance companies base auto insurance rates on a variety of criteria, such as your age, driving record, residence, and even the type of car that you drive (though factors vary from state to state). If you find that you're paying more than you think you should for auto insurance, there are ways you can lower your premiums.

- **Shop around:** Auto insurance rates vary from company to company, sometimes significantly. As a result, a good way to save money is to look into whether another insurer offers the same coverage at a lower rate.
- **Consider raising your deductible:** For the most part, the higher your deductible, the lower your premiums. Before you raise your deductible, though, you'll want to be sure you can cover the out-of-pocket expense should an accident occur.
- **Eliminate unnecessary coverages:** For example, if you have an older car, it may make sense to drop your collision and comprehensive coverage since a claim paid by your insurance company may be minimal and might not exceed what you'd pay in premiums and deductibles. Or, maybe you are paying your insurer for roadside assistance coverage that you already have through a separate road and travel club membership.
- **Consider changing the type of car you drive:** The type of car that you drive directly impacts what you pay for insurance. Typically, newer, higher-priced cars and sport/high-performance vehicles cost more to insure than used/lower-end models.
- **Check for discounts with your insurer:** Depending on your circumstances, you may be eligible for one or more auto insurance discounts. For example, your insurer might provide discounts to those with a safe driving record or to those who insure more than one car with them.

One final note: don't be tempted to save money on your auto insurance by lowering your liability coverage limits (although state minimums do apply). Having less than adequate amounts of liability coverage can expose you personally to claims for other people's losses--which in the case of a serious accident, can be significant.

Graph: Interest Rates 1981-2012

This graph represents the federal funds effective interest rate (the average rate at which banks lend to one another overnight), which has generally declined to historic lows over the 30-year period represented. Investment returns, as well as interest rates on bank loans and other fixed-income instruments, could potentially be affected when this rate rises.



Source: Board of Governors of the Federal Reserve System (www.federalreserve.gov), July 17, 2013