**Argus Financial Consultants**

A. Christopher Engle, LUTCF, CFP®, ChFC®, AEP®

Ryan P. Smith, ChFC®, CASL™, CFP®

Brian C. Sandberg, ChFC®

Peter M. Smith

971 Spaulding SE, Suite B
Ada, MI 49301

616.949.8300

www.EyeOnArgus.com

Hello Everyone,

We hope you had a happy and safe holiday season. The Argus team is looking forward to a wonderful 2012.

We celebrated our 5-year anniversary this past November 10! We would like to thank you for your loyalty and continued trust, making our success possible.

Please do not hesitate to contact us if you or someone you know experiences a life changing event and needs guidance. We are always available to answer questions and be a resource for our clients and friends.

If you are inspired to read more financial information, visit our Learning Center at www.EyeOnArgus.com.

Please feel free to suggest topics by sending your suggestion to Joy at joy@EyeOnArgus.com.

Inside this issue:



ARGUS FINANCIAL CONSULTANTS

*Excellence is Defined by the Success of Our Clients*

**Winter 2012**

# Is Your Estate Plan Complete?

As research and statistics indicate, we are all living longer and, as a result, needing more medical care. Most well-designed estate plans address the increased need for medical care by making use of a Power of Attorney for Healthcare (Patient Advocate Designation).

A comprehensive estate plan should also designate Financial Powers of Attorney. This may be necessary as the family or friends that you would trust to manage your financial affairs may not necessarily be the same ones you would choose to make healthcare decisions. This can help ensure that your finances will be managed by those you trust most when you are unable to manage them yourself, and deciding who will manage your finances in advance will help both maintain the value of your estate and help relieve the stress of uncertainty for your loved ones over who will manage the estate.

That being said, designating Health and Financial Powers of Attorney as part of your estate plan may not be enough. There is another healthcare-related document, one that many estate plans do not have, that can be crucial to your finances when you are unable to manage them yourself. This document is a stand-alone HIPAA authorization, which is important because it can help ensure a smooth transition for your financial agents and help your family stay out of court.

Generally the authority given to others in Financial Powers of Attorney does not become "effective" until you are incapacitated or otherwise unable to manage your financial affairs. A physician is normally involved in determining incapacity and signing the necessary documents so that your financial agents can begin handling your financial affairs.

This is where traditional planning and the Health Insurance Portability and Accountability Act (HIPAA) can sabotage the situation. HIPAA restricts access to your medical records to those you authorize. Since your financial agents may not be the same as your healthcare agents, any HIPAA authorization in your Healthcare Power of Attorney will not cover them. Without this authorization, the physician more than likely will not sign off on the necessary documentation, which could cause your family and agents to have to go to court to move forward. This would result in costs and delays that you surely would have wanted to avoid.

Making the stand-alone HIPAA authorization part of your estate plan can help your family avoid these costs and delays. It allows you to name individuals who can have access to your medical records without the authority to make medical decisions. Of course your healthcare agents would be included, but you should consider also including your financial agents and trustees, if you have a trust. Doing so will help ensure a smooth transition of authority, and your estate plan will work when you need it the most.

Find us on Facebook and LinkedIn.

# Market Value vs. Replacement Cost

In this crazy upside down real estate market most home buyers are confused in regards to the amount of insurance coverage they need on their homes. Most people are in disbelief when they learn that they need $300,000 of insurance on a home that they just purchased for $150,000. This is a discussion I have with clients several times a week. The fact of the matter is, the way the current housing market sits today, it costs more to build a new home then it does to buy an existing one.

I'd like to start by clearing up some common myths: Firstly, even though home prices have fallen, the price of building materials has not. Over the past couple of years materials have stayed level and in some cases they have actually increased. Demand for supplies has gone up and when demand goes up, so do prices. Secondly, even though we might think there would be an abundance of labor to rebuild homes this is simply not the case. With the building market slow, many contractors have left the building field altogether, so a surplus of contractors ready to work at discounted prices is simply not the case.

All insurance companies use sophisticated replacement cost calculators to determine the replacement cost of a home. But, using some simple math it's easy to understand the final result. Take a 2000 sq' brick ranch home: At basic construction cost, no upgrades, $110 per sq' X 2000 sq' = $220,000 + $35,000 (finished basement) + $25,000 (attached garage) + demolition and salvaging costs. You can easily see how a home purchased for $150,000 to $200,000 would need to be insured for $300,000.

So, even though you may be frustrated that you need more insurance then the market value of your home, make sure that your home is insured properly. An insurance professional should be able to guide you into finding a product that has the proper protection and you might be pleasantly surprised with an affordable rate.

*Article provided by: Bethany S Willis, River Valley Insurance Agency. She can be reached at bwillis@rviagency.com.*

*River Valley Insurance is a separate entity and not affiliated with LPL Financial or Argus Financial Consultants.*

# 2011 Tax Year Changes

**Home Owner Energy Credits:** If you made an investment in insulation, storm windows or doors, high efficiency furnaces or water heaters, or similar energy improvements, there is a 10%-30% Federal income tax credit available in many cases. It is limited to a maximum of $500.

**Mortgage Interest:** Recent IRS scrutiny of home mortgage interest deductions now require careful tracking of refinancing and the use of loan proceeds. Please provide your tax professional with any new home loan information, closing statements from any refinancing, and a summary of what any additional loan proceeds were used for.

**Charity:** *All* contributions of any amount must have a receipt. Any individual contribution over $250 must also have an acknowledgement letter from the charity, which must be dated by they date you file your return. The letter should also show the date and amount of the contribution, and state that no goods or services were received in return for the contribution.

**Mileage Deductions:** Deductible mileage rates changed on July 1, 2011 to 55 cents per mile. Please provide your tax professional with the miles you drove during the year for this deduction.

**Education Credits:** A major revision of college credits by President Obama has provided us with the "American Opportunity Credit", a special credit for undergraduate college students. If you have children in college, please discuss your options with your tax professional to ensure that you receive the best benefit for these costs.

**Rental Property:** If you own rental property, the IRS has demanded substantially more information this year. Your tax professional will need, for each property *separately*: the physical location of the property, the type of property, a record of the number of days rented, the number of days used for personal purposes, and Form 1099-K received.

**Making Work Pay Credit:** This credit has expired.

*Information provided by: Troy A Ginzer, CPA, TAG Accounting & Tax Services. He can be reached at troy@tagcpa.net*

*Tag Accounting & Tax Services is a separate entity and not affiliated with LPL Financial or Argus Financial Consultants. This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.*

# New Michigan Withholding Requirements for Retirement Accounts

Effective January 1, 2012, Michigan has changed its tax treatment of pension and retirement benefits. For many recipients these benefits are now subject to income tax. The new Michigan law requires the administrators of pension and retirement benefits to withhold income tax on payments that are subject to tax.

**What are Pension and Retirement Benefits?**

Under Michigan law, qualifying pension and retirement benefits include most payments that are reported on a 1099-R for federal tax purposes. This includes defined benefit pensions, IRA distributions, and most payments from defined contribution plans. Retirement income does not include military pensions, Social Security benefits, or railroad retirement benefits. Payments received before the recipient could retire under the provisions of the plan or benefits from 401(k), 457, or 403(b) plans attributable to employee contributions alone are not pension and retirement benefits eligible for exclusion from tax under Michigan law and are subject to withholding.

**Which Benefits are Taxable?**

Beginning in 2012, pension and retirement benefits will be taxed differently depending on the age of the recipient as the new tax rules are being “phased in”. For couples, age is determined using the age of the older spouse, regardless of which spouse receives the benefit.

For recipients born before 1946, the law remains the same as it was prior to 2012. Those born before 1946 may subtract all qualifying pension and retirement benefits received from public sources, and may subtract private pension and retirement benefits up to $45,842 if single or married filing separate, or $91,684 if married filing a joint return. Withholding will only be necessary on taxable pension payments (private pension payments) that exceed the pension limits stated above for recipients born before 1946.

For recipients born during the period 1946 through 1952, the exemption is reduced to $20,000 in pension and retirement benefits if single or married filing separate, or $40,000 if married filing a joint return. This exemption does not apply to payments from 457 plans, 401(k) plans, 403(b) plans or any other elective deferral plans if the employee only made contributions to the plan. If the benefit will be less than deduction amounts, no withholding is required unless the recipient requests withholding by submitting Form MI W-4P.

For recipients born after 1952, all pension and retirement benefits are taxable until the age of 67.

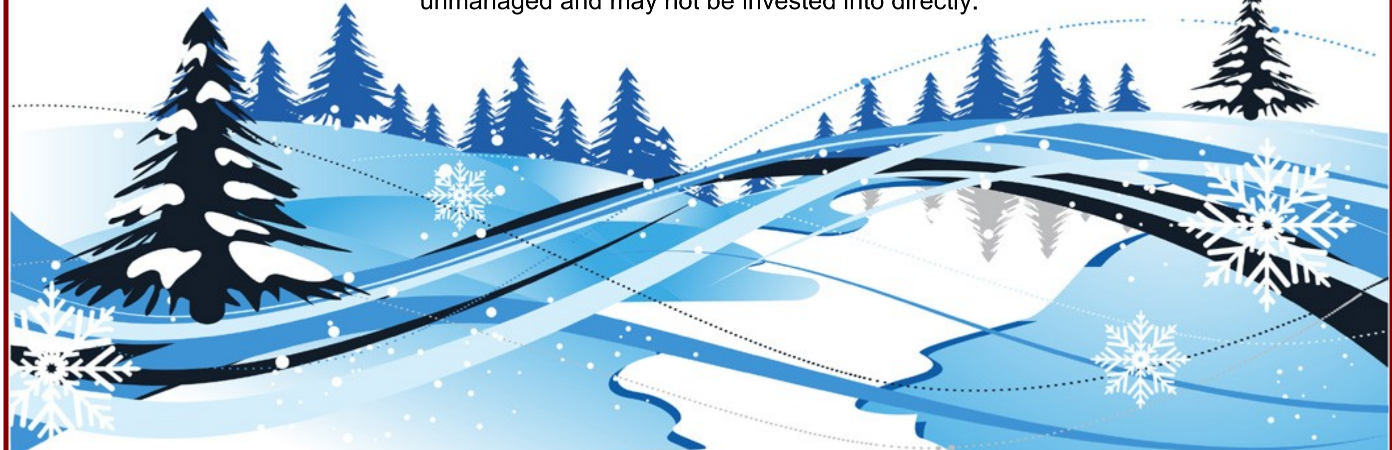
> The trouble with weather forecasting is that it's right too often for us to ignore it and wrong too often for us to rely on it.
>
> ~ Patrick Young

**How Much Will Be Withheld?**

The new law requires withholding on all taxable retirement benefits. The withholding rate is 4.35%, Michigan’s individual income tax rate, and, beginning January 1, 2012, companies will begin withholding at the full 4.35%. You may elect to have a different amount withheld, including no amount, by completing Form MI W-4P. Your financial professional can furnish you a copy of this form.

Failure to have sufficient tax withheld from your payments may result in a balance due on your MI-1040 as well as a penalty or interest. A tax professional can help you decide if a different amount should be withheld.





Securities offered through LPL Financial, Member FINRA/SIPC.

Sunshine is delicious,
rain is refreshing,
wind braces up,
snow is exhilarating;
there is no such thing
as bad weather,
just different kinds
of good weather.

~ John Ruskin

*Excellence is Defined by the Success of Our Clients*

## 2011 & 2012 IRA Contribution Limits

| | Year | Maximum Contribution | Additional Catch-Up Contribution* |
|---|---|---|---|
| IRA & Roth IRA Contribution Limits | 2011 | $5,000.00 | $1,000.00 |
| | 2012 | $5,000.00 | $1,000.00 |
| Contribution Limits for Other Retirement Plans | 2011 | $16,500.00 | $5,500.00 |
| | 2012 | $17,000.00 | $5,500.00 |
| SIMPLE IRA Contribution Limits for Elective Deferrals | 2011 | $11,500.00 | $2,500.00 |
| | 2012 | $11,500.00 | $2,500.00 |

| | Year | Married Filing Jointly | Single or Head of Household |
|---|---|---|---|
| Roth IRA Phase-Out Limits | 2011 | $169,000-$179,000 | $107,000-$122,000 |
| | 2012 | $173,000-$183,000 | $110,000-$125,000 |

*Those who reach age 50 by year-end can contribute the additional catch-up amount.

Remember - you have until tax day, April 17, 2012, to make your traditional IRA and Roth IRA contributions for the 2011 tax year.

Like us on Facebook!

**Argus Newsletter Winter 2012**

**Argus Financial Consultants**
**971 Spaulding SE Suite B**
**Ada, MI 49301**