



PPC Monthly Newsletter

There Are Always Reasons to Be Thankful!

This past weekend, my wife, Jo, and I hosted our 11th annual "Fall Family Gathering" at a home we rented on the Rock River in Rock Falls, IL. We gathered our five children, their spouses or significant others, nine grandchildren, and two dogs for 2-3 days of relaxation, fun, and hanging out together. Every year, we make sure we go at a time when there are no holidays or birthdays to celebrate so that the focus can be on everyone simply reconnecting with those they love.

We played cards and games, took hikes, ran around outside in the cool, sunny weather, played "hide and seek" inside the enormous 1930's home, and even managed to complete a 1,500-piece jigsaw puzzle -- one of the unexpected traditions of our annual gatherings.

What do I remember most about the weekend? Many things, but perhaps most of all, was the laughter that permeated the house. That, and the thank-you hugs we got from the grandkids when our weekend together ended.

During the drive home, I realized how very blessed we are to have wonderful children, loving spouses, and vibrant, healthy and fun-loving grandchildren. During the 11 years we have held this outing, we've seen our grandchildren evolve from little tykes running around in grassy fields to young adults with imaginative ideas and very distinct personalities.

Each one is unique and special, and each enjoys the love they receive from their parents, siblings and grandparents. While we, like most others, have challenges we face in day-to-day life, I would be very remiss not to stop and be thankful for the blessings we have been given.

On the professional side, I get to do something I love, and help people achieve their financial and retirement goals. As a result, I now have hundreds of people whom I am honored to view as both friend and client.

As Thanksgiving draws near, please take a moment to offer thanks for whatever it is in your life that you have come to cherish dearly, and say a prayer that you are able to enjoy that for many years to come.

Please also try to reach out to someone less fortunate and see if you might help them find things to be thankful for. Life can be very hard at times, and it is often through the helping hand of another that we get through the day.

Enjoy the turkey, cranberries, potatoes and pumpkin pie. But most of all, be thankful for the loved ones that surround you this Thanksgiving!

- Ken

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November 2015

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Preferred Planning Concepts

Comprehensive Financial Services
For Individuals, Professionals and Businesses

Think Twice Before Counting on a COLA



Will you receive a Social Security COLA in 2016?

The Social Security Administration has announced that, because of low annual inflation, Social Security recipients will not receive a cost-of-living adjustment (COLA) in their benefit checks in 2016. (Source: Social Security Administration press release, October 15, 2015)

***Source: 2015 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, p.32**

The rising costs of food, gas, electricity, and health care can strain anyone's budget. The situation is even worse if your living expenses increase while your income stays the same, because your purchasing power will steadily decline over time. That's why cost-of-living adjustments, or COLAs, are especially valuable to retirees and others living on fixed incomes.

A COLA is an increase in regular income you receive (such as a Social Security or pension benefit) that is meant to offset rising prices. It's important protection because price inflation has occurred in most years during the last 40 years. However, a COLA may not be payable in years when inflation slows or declines.

How COLAs work

It's easy to think of a COLA as a "raise," but a COLA is meant to help you maintain your standard of living, not improve it. For example, let's say you receive a \$2,000 monthly retirement benefit, and the overall cost of the things you need to purchase increases by 3% during the year. The next year, you receive a 3% COLA, or an extra \$60 a month, to help you manage rising prices.

That 3% COLA doesn't sound like much, but without a COLA, inflation can seriously erode your retirement income. Assuming a 3% inflation rate, in just 10 years, the purchasing power of your monthly \$2,000 benefit would drop to \$1,520; in 25 years, the purchasing power of your benefit would be only \$963, less than half of what you started with.

Who receives COLAs?

Social Security is the major source (and in some cases the only source) of inflation-protected retirement income for many Americans. COLAs are also commonly paid to retirees who are covered by state or federal pensions. However, most private pensions do not offer COLAs.

Less commonly, employers may offer COLAs as part of compensation packages. For an additional cost, you might also be able to purchase riders for certain insurance policies (such as disability income and long-term care policies) to ensure that the benefits you receive keep pace with inflation (subject to contractual terms, conditions, and limitations).

When there is no Social Security COLA

Social Security COLAs are officially announced each October and reflect the annual increase in the average Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The average CPI-W for the third calendar quarter of the last year a COLA was payable is

compared to the average CPI-W for the third calendar quarter of the current year. Any percentage increase that results is the COLA for that year and will be payable to beneficiaries beginning in January of the following year. However, beneficiaries will not receive a COLA if there is no increase in the average annual CPI-W.

No COLA for Social Security beneficiaries also means no increase in two Social Security limits: the contribution and benefit base (also called the Social Security wage base) and the retirement earnings test exempt amounts.

The contribution and benefit base is the cap on the annual amount of wages and self-employment income subject to Social Security payroll taxes. The retirement earnings test applies only to people under full retirement age (FRA) who receive Social Security benefits and also have earnings from work. If your earnings from work exceed a specific annual limit--the retirement earnings test exempt amount--part of your Social Security benefit will be withheld. (There are actually two different earnings test exempt amounts. One limit applies before the calendar year you reach FRA, and a higher limit applies in the year you reach FRA, up until the month you reach FRA.)

Medicare beneficiaries are also affected. A "hold harmless" provision in the Social Security Act protects most Social Security beneficiaries from increases in their Medicare Part B premium when there is no Social Security COLA. However, about 30% of Medicare beneficiaries are not protected by this provision, including those subject to income-adjusted Part B premiums, those who are enrolled in Medicare but not receiving Social Security benefits, and those who are newly entitled to Medicare.* If you fall into one of these groups, you may pay a substantially higher Medicare Part B premium when no COLA is payable.

Putting COLAs in perspective

As important as COLAs are, they are still vulnerable to cutbacks. For example, pension plans that are underfunded may view reducing COLAs as a relatively simple way to cut costs, and some plans have attempted to eliminate COLAs altogether.

Consider taking additional measures to account for the effect of long-term inflation. For example, use realistic inflation and investment return assumptions when planning for retirement, maintain a diversified portfolio that reflects your time horizon and tolerance for risk, and consider investments that have historically held their own against inflation.

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.

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How do I change or revoke a will?

Your will does not take effect until you die. You can create a new will or revoke or amend an existing will up until your death.

A will remains valid until properly revoked or superseded. Revoking your will must be done very carefully. Most state laws require that the will be revoked by a subsequent instrument (a new will) or by a physical act (e.g., destroying or defacing it). This means the will must either be burned, torn, or canceled with the intent to revoke. You might, for example, write **REVOKED** across the will and sign and date the revocation.

You can amend (change) your will by executing a codicil. A codicil is a separate, written, and formally executed document that becomes part of your will. More specifically, a codicil is a supplement or addition to a will that explains, modifies, or revokes a previous will provision or that adds an additional provision. A codicil generally should be used only for minor changes to your will. You should execute a new

will if there are many changes or a major change.

A codicil should generally be executed with the same formalities as required for a will. In general, the codicil must be signed, dated, and witnessed in accordance with the laws of the appropriate state.

The codicil should be attached to the will it is amending. Be sure to draft, execute, and attach a copy of the codicil to each copy of your will.

Although a new will usually must be contested in its entirety, some states will allow a codicil to be contested on its own. If it is found to be invalid, only the changes contained in the codicil will be voided and the remaining will provisions remain valid.

Some states provide that provisions in a will may be revoked automatically upon marriage or divorce. It is generally a good practice to review your will and make changes as needed upon marriage or divorce, or for any other major changes in your life.



What do I need to do to create a will?

A will is a legal document that is generally used to describe how you want your estate to be distributed after your death.

It might also be used to name an executor for your estate or a guardian for your minor children. It is generally a good practice to name backup beneficiaries, executors, and guardians just in case they are needed. Even though it's not a legal requirement, a will should generally be drafted by an attorney.

In order to make a will, you must be of legal age (18 in most states). You must also understand what property you own, who the family members or friends it would seem natural to leave property to are, and who gets what under your will.

Generally, a will is a written document that must be executed with appropriate formalities. You should sign the document (or direct someone else to sign for you in your presence). The will should also be signed by at least two witnesses who are of legal age and understand what they

are witnessing; some states require three witnesses. The witnesses should not benefit from any provisions in the will. Some states also require that a will be notarized.

Some states allow a will that is entirely in your handwriting, known as a "holographic" will. Some states allow a "nuncupative" will, which is an oral will you dictate during your last illness, before witnesses, that is later converted to writing.

Note that certain property is not transferred by a will. For example, property you hold in joint tenancy or tenancy by the entirety passes to the surviving joint owner(s) at your death. Also, certain property (e.g., life insurance, qualified retirement plans, IRAs, Totten Trust accounts, Payable on Death accounts, Transferrable on Death accounts) passes directly to the designated beneficiary at your death, bypassing the probate process.

Your will does not take effect until you die. You can create a new will or revoke or amend an existing will up until your death.