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Translating Stock Market Jargon

The meaning behind some of that Wall Street lingo

Have you ever been confused by the jargon used on Wall Street? Perhaps it is time to translate some of those esoteric stock market terms into plain English.

Blue chips: This term refers to stocks that have a history of consistently strong dividend payments, issued by large corporations with solid management. In addition, this is also a nickname for the Dow Jones Industrial Average, which includes 30 companies that usually deserve such a label.

Hedge: A position you take with your money or investments to try and counteract or control potential losses. An investor who owns a lot of bank stocks, for example, might hedge by also investing significantly in utilities shares. The two industries have little, if any, relationship, so if stocks suffer in one industry due to a trend

Are Financial Advisory Fees Tax Deductible?

Do you itemize your tax deductions?

Then you might have a chance to partly or fully deduct the cost of the advisory fees you pay for the investment, legal, and tax advice you receive.

Under federal tax law, you may deduct “investment fees, custodial fees, trust administration fees, and other expenses you paid for managing your investments that produce taxable income.” In addition, you can “usually deduct legal expenses that you incur in attempting to produce or collect taxable income or that you pay in connection with the determination, collection, or refund of any tax.” (These passages come from Internal Revenue Service Publication 529.)¹

The big takeaway here? If you are in a fee-based investment program, you have an opportunity to deduct fees charged to you by investment professionals if such advice helped you generate taxable income. (Additionally, you can also possibly deduct the cost of hiring an accountant to help you prepare your federal tax return.)²

Before you claim these miscellaneous deductions on your Schedule A, know this. You can only begin to deduct miscellaneous items if the total of your miscellaneous deductions surpasses 2% of your adjusted gross income (AGI). Once your miscellaneous deductions are above that 2% AGI floor, you can deduct anything

over that 2% threshold.² In addition, some or all of your miscellaneous deductions may not be permitted if you find yourself subject to the Alternative Minimum Tax (AMT).³

Claiming a miscellaneous deduction for investment fees could be advantageous. So often, these fees are paid with assets held inside of a taxable investment account or tax-deferred retirement plan. When these fees are paid with money coming from within the plan or account, they are not always tax deductible (as can be the case with IRAs). Paying these fees with dollars from outside the investment account or retirement plan leaves more assets in the account or plan to potentially compound.³

In some cases, they may be. Read on.

Consult your tax professional to see if you can legitimately claim such deductions. If you are in a position to do so and have a large investment portfolio under management, the potential deduction could be sizable.

— Jim



1 - irs.gov/publications/p529/ar02.html [TY 2016]
2 - marketwatch.com/story/what-qualifies-as-a-miscellaneous-itemized-deduction-2015-03-24 [4/14/17]
3 - edelmanfinancial.com/education-center/articles/are-asset-management-fees-taxdeductible [1/13/17]

Upcoming Workshop

Check out our newly updated website www.iwmpartners.com for upcoming events and important notices.

To request a formal invitation to one of the events above, please email Dana at dpecenka@iwmpartners.com or by calling us at (714) 962-8000



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or breaking news, the other may not be hurt.

Moving average: This is simply the average, per-share price of a stock within a set period – it could be 50 days, 100 days, or 200 days. Stock market indices like the Dow and Nasdaq have moving averages, too, which are measured in the same way.

Thin trading: A period when the market has relatively few buyers and sellers. The months of August and December commonly see thin trading, as summer vacations and holidays impact the volume of buy and sell orders that traders process. The phenomenon can also apply to certain stocks or stock market sectors. Trading has become a bit thinner overall during this decade, as Wall Street has seen a decline in volatility (see below). As CNBC reports, stock trading volume on an average Wall Street trading day in 2017 is down 6% from 2016.¹

Volatility: The price movement of a stock (or a stock index). Some stocks are not very volatile; others are. Thinly traded stocks may see greater price swings than others.

Yield: This is often confused with the return of a stock, but it is not the same. Yield is a measure of dividend from a dividend-paying stock, and you figure it out by



Key Medicare enrollment periods are approaching. This fall and winter, there are three periods in which Medicare beneficiaries can either enroll or disenroll in forms of coverage.

>> **Oct. 15-Dec. 7, 2017: Open enrollment period.** This is when you can exit Original Medicare (Part A & B) for a Medicare Advantage Plan (Part C) and change your prescription drug coverage (Part D). You can also get out of a Part C plan and go back to Part A & B during this period; although, you will certainly want a Medicare Supplement (Medigap policy) in place before you make such a move. (In most cases, that means having to pass underwriting.)¹

>> **Dec. 8, 2017: Annual enrollment period begins for 5-star plans.** All Part C and Part D plans are assigned ratings. Beginning December 8, 2017 and ending November 30, 2018, a window opens for you to enroll in a 5-star Part C or Part D plan. You can do this once per 365 days. How do you find the 5-star plans? Visit the Medicare Plan Finder: medicare.gov/find-a-plan.²

>> **Jan. 1-Feb. 14, 2018: Medicare Advantage plan disenrollment period.** If you join a Part C plan in late 2017 and decide you want to leave it, you can do so within this window of time and go back to Original Medicare (Part A & B) with a stand-alone Prescription Drug Plan (Part D). Again, having a Medigap policy before making such a switch is only prudent.¹

Do you have to confirm Medicare enrollment at the Health Insurance Marketplace? No. If you have Original Medicare or a Medicare Advantage plan through an HMO or PPO, you are covered under the Affordable Care Act. If you need to make changes to your Medicare coverage, you don't need

Medicare Enrollment Options For 2017-18

A summary of what you need to know

- 1 - medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/when-can-i-join-a-health-or-drug-plan.html [7/18/17]
- 2 - medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/five-star-enrollment/5-star-enrollment-period.html [7/18/17]
- 3 - healthcare.gov/if-i-have-medicare-do-i-need-to-do-anything/ [7/18/17]
- 4 - fool.com/investing/2017/06/04/will-you-need-a-medigap-plan.aspx [6/4/17]
- 5 - medicare.gov/part-d/coverage/part-d-coverage.html [7/18/17]
- 6 - medicare.gov/part-d/costs/coverage-gap/more-drug-savings-in-2020.html [7/18/17]
- 7 - medicare.gov/forms-help-and-resources/mail-about-medicare/plan-annual-notice-of-change.html [7/18/17]

to go to the HIM to do so. (For the record, you can't buy any Medicare plan through the HIM.)³ The ACA has enhanced Medicare benefits. It gives Medicare recipients in the "donut hole" avenues to brand-name prescription drug discounts, and recipients may now take advantage of free preventive benefits, cancer screenings, and a yearly wellness visit.³ If you only have Medicare Part B coverage (medical insurance), then you lack minimum essential coverage under the ACA, and you may have to pay a penalty. If you just have Medicare Part A coverage (hospital insurance), you are considered covered under the ACA.³

Should you get Medigap coverage if you have Part A & B? This third-party health insurance may save you money over time by picking up co-payments and deductibles not covered by Part A & B, but a Medicare Advantage plan provides more comprehensive coverage than Medigap does. Today's Medigap policies don't include prescription drug coverage, and they won't pay for extended long-term care, dental or vision care, or hearing aids or glasses. If you want or need Medigap coverage, you can evaluate policies using Medicare's Personal Plan Finder at Medicare.gov.⁴

What should you look for in a Part C plan? Scrutinize the out-of-pocket spending limit, the co-pays, and the co-insurance. Attractively low premiums might not tell you the whole story about the value of a Part C plan. Also, how inclusive is the plan network? Does it include hospitals you would choose and the physicians that now treat you?

The Medicare Plan Finder can help you determine an appropriate Part D plan. After you enter your medications, it will go to work. Each Part D plan has its own formulary (list of approved drugs),

categorized into higher and lower "tiers" by cost. Formularies do change; if a drug you take drops off of one, that Part D plan has to give you 60 days of notice (or alternately, written notice of the change when you get a refill with a 60-day supply of the medication).⁵ It is vital to check up on your Part D plan each fall, as your plan could change the way it pays for your specific drugs in the next year – for example, the drug you need could wind up in a more expensive tier. The co-insurance and co-payments could even be altered. Most plans send out notices of formulary changes with plenty of lead time, but sometimes they go unread.

Medicare is slowly reducing the Part D "donut hole." In 2017, Medicare recipients with Part D coverage are paying 40% of the cost of covered brand-name drugs and 51% of the cost of generics once they fall into the Part D coverage gap. Next year, that shrinks to 35% of the cost of brand-name medicines and 44% of the cost of generics. A gradual reduction will occur until 2020, when enrollees with Part D plans will pay no more than 25% of the cost of covered generic and brand-name drugs.⁶

Medicare plans mail Annual Notice of Change (ANOC) letters to their members. Use this notice to determine if your current plan is still right for you and your medical care needs. If you don't receive such a letter in September, contact your plan.⁷

— Mico



Debit card data theft has surged lately. According to FICO's Card Alert Service, the number of businesses or ATM locations where debit cards were hacked rose 26% from 2015 to 2016. Additionally, the number of compromised cards has steadily risen during this decade.¹

Crooks can attach skimmers to ATMs or point-of-purchase devices in seconds. These counterfeit card readers instantly record banking data ingrained on a debit card's magnetic stripe. You probably have one of the new EVM chip cards, but if you happen to insert or slide your card through an older ATM that cannot accept the newer cards, your data could still be at risk.²

Bankrate reports that chip skimmers are now surfacing, capable of hacking first-generation EVM chip cards relying on static data authentication. Second-generation EVM chip cards use dynamic data authentication, which makes data theft more difficult – but not impossible.²

What can you do to protect yourself against debit card data theft? First, keep in mind that most skimmers are affixed to non-bank ATMs. ATMs at gas station islands and convenience stores are favorites for crooks, as they may be located out of sight of clerks and security cameras. Avoid using your debit card at

such places. ATMs inside a bank or a business with plenty of foot traffic (like a mall or a grocery store) are less likely to be hacked.^{1,2}

Check the ATM itself for irregularities. If there are multiple ATMs in front of you, be careful if one card slot flashes its acceptance light and an adjacent one does not (notify the bank or the business hosting the ATMs). Look for misaligned graphics or colors or evidence of prying or looseness. Cover the keypad as you enter your PIN, and beware of people trying to glean your PIN in the old-school way, simply by looking over your shoulder.

Try an NFC payment if the merchant allows it. NFC stands for near-field communications. Apple Pay, Android Pay, and Samsung Pay all use NFC services, which encrypt the confidential financial data stored on credit and debit cards into symbols. This gives you another layer of protection. Savvy consumers are increasingly using Apple Pay, Android Pay, and Samsung Pay to buy things. PayPal's Android app can also make NFC transactions.^{2,3}

If you sense your debit card has been breached, report it quickly. If you can tell the card issuer that your card is missing or stolen before any

Preventing a Debit Card Hack

How can you plan to protect yourself against this increasingly common crime?

- 1 - tinyurl.com/y8re2ake [7/21/17]
- 2 - bankrate.com/credit-cards/what-is-a-skimmer/ [7/25/17]
- 3 - theverge.com/2017/4/18/15333108/paypal-android-pay-nfc-payments [4/18/17]

unauthorized transactions occur, you will not be held financially responsible for such transactions – that is federal law.¹

If you notice criminal activity has taken place, the longer you wait to let the card issuer know about it, the less money you may end up recovering. Report the crime within two business days, and your maximum liability is \$50 under the federal Electronic Fund Transfer Act. Past that deadline, your maximum liability could be as much as \$500. Wait 60 days or longer to report debit card theft, and the missing funds may not be restored to your account at all.¹

Besides notifying the card issuer, you should also tell the three leading U.S. credit bureaus – TransUnion, Equifax, and Experian – about any debit card theft and unauthorized transactions. You can file a police report, and you can also file for an identity theft affidavit with the Federal Trade Commission. Both documents may be useful to the major credit-reporting agencies.²

— Shawn



dividing the yearly dividend payment by the original price you paid for the shares. Say you buy shares of a firm for \$10 and they yield \$0.45 annually. Your yield is 4.5%.

Hopefully, this clears up a little of that jargon and provides you with more insight. The more understanding you possess when it comes to investing, the more confidence you may have as you pursue your financial objectives.

— Barbie



Fun Facts About California

- * California's Mount Whitney measures as the highest peak in the lower 48 states.
- * More turkeys are raised in California than in any other state in the United States.
- * The largest three-day rodeo in the United States is held on the Tehama County Fairgrounds in Red Bluff.
- * Sequoia National Park contains the largest living tree. Its trunk is 102 feet in circumference.
- * San Francisco Bay is considered the world's largest landlocked harbor.
- * It is estimated there are approximately 500,000 detectable seismic tremors in California annually.
- * California produces more than 17 million gallons of wine each year.
- * California has the largest economy in the states of the union.

1 - cnbc.com/2017/08/09/wall-street-is-shrinking-even-as-the-stock-market-hits-new-highs.html [8/9/17]