Maier minutes

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A WORD FROM WAYNE

by Wayne Maier, BFA™

It is hard to believe that spring is just around the corner!

The older I get it seems that time just flies by. I remember when I was seven years old and how long it felt for me to get to seventeen. It seemed like a lifetime then, and now it seems like it happened in the blink of an eye. So, it seems to me that we need to enjoy each and every day, and when the time comes for the good Lord to call us home, we should make sure we leave this world EXHAUSTED… at least that's my plan!!

These words of President Roosevelt were said in 1941 "…a date which will live in infamy…". Well, this past YEAR will live in infamy for all of us. It was a year that none of us are not looking to relive, and one in which I felt like I did when I was seven, thinking this will never be over. There were some good things that happened in 2020, especially with the recovery of the markets after the 34-day disaster. At that time, I thought I had seen it all and then learned that I had not. So, the saying "you can't teach an old dog new tricks" is not true because during the pandemic I learned lots of new tricks. The two that stick out most in my mind are: 1. I can actually run the dishwasher; and 2. I can actually do the laundry, much to Rita's surprise (sometimes you just have to find things to entertain yourself).

As we are now moving further into 2021, what I see on the horizon is a little bit of uncertainty. We are still facing the virus even though the numbers appear to be getting better and vaccines are becoming more available. Even with that, our economy, although better, is still lacking and unemployment numbers are still higher than where we would like to see them. I anticipated a market reaction to the final election results after the January run-off in Georgia, but to my surprise, I really saw nothing. It appears that no stress is being put on the sectors our investments are in, nor the holdings within those sectors. When asked why, my response is that the announcement of the vaccines from Pfizer and Moderna, and then the FDA approval for use, may have overshadowed the election.

The next question I hear is will there be a reaction? My answer is twofold. First, you may be thinking that I am referring to a political reaction but that is not the case. Markets, over my tenure in the business, have not been fond of change and when a major change takes place sometimes it takes the markets time to adjust, but adjust they will. Secondly, again over my tenure, markets are not fond of a one-party government and would much prefer a split government. History does not favor one party over another where the

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A WORD FROM WAYNE

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markets are concerned. Based on this, I am still somewhat surprised that we have not seen more volatility than we have over the past few months. Don't get me wrong, I am not complaining about market returns, this has just become one of those "hmmm" moments for me.

What is next? I believe that now that the $1.9 trillion stimulus bill has passed both the House and the Senate and if administered and directed properly, it can be a benefit to those most in need, and eventually the relief money will trickle into the economy and help with the recovery. There is already a discussion going on about the next stimulus package later in the fall, but even though it doesn't seem that far away, it really is when it comes to Congress making a decision. Other than that, we continue to watch markets (and as Kevin Hart says "because that's what we do"). We watch for any stress that is being exerted on sectors, or holdings within those sectors, to determine if and when we need to make any type of adjustments.

On a much more interesting note, Rita and I welcomed our 5th great-grandchild in February: Nora Lou Sharrow, 8 pounds 3 ounces. Both mom and daughter are doing terrific. I honestly have to say that grandkids and great-grandkids are truly one of God's blessings.

I want to take a minute to thank all of you for the faith that you have in us. We are truly grateful and I promise we will do everything we can to make certain we continue to earn that Faith!

In closing, I hope that 2021 is a fantastic year for all of you and that you are able to stay healthy, safe and at peace!!

Wayne

P.S. Remember the only limitations in life are the ones we place on ourselves...never limit your dreams!

Congratulations Vanessa and Kirk who celebrated their 13th anniversary in an igloo!

THANK YOU

by Michael Wilcox, ChFC®, RICP®, BFA™

I want to take this opportunity to thank all of you for the tremendous outpouring of support both I and my family have received recently. While my article this month is short, I assure you it is most difficult newsletter article I have ever written.

As many of you know, my wife Stacey passed away in December after an almost six-year battle with breast cancer. Despite this tragedy, I still consider myself to be the luckiest man in the world. I met and married my high school sweetheart and the love of my life. We were married for 30 years, we raised three wonderful and caring children, I have the greatest son-in-law in the world, and I have two adorable grandsons and a granddaughter.

I have four loving and wonderful extended families to help me through this: my parents, my two brothers, my sister and their spouses. I also have Stacey's family: her parents, her two sisters, and her brother, and their spouses. My third family is my office family. As you know, I think the world of Wayne and Rita, their children, and my fellow employees; they literally covered for me for many months so I could spend whatever time I had left with Stacey, and for this I feel so blessed and am forever grateful.

Now for my fourth family....all of you. I want to thank all of you for the prayers, well wishes, cards, and support. The outpouring of support I received truly has kept me going and I am forever humbled. Given the difficult times our country has faced over the last year, so many of our clients shook that all off and were only concerned with my wellbeing. It seems that thank you is not enough.

While I know the road ahead of me will be difficult, rest assured Stacey and I talked about what that road would like. She made me promise I would go on being Mike and that is exactly what I intend to do. I know it will be hard but I will not let Stacey down.

I look forward to seeing all of you in the office again soon, I think it will be great therapy for me!

MEDICAID PLANNING

by Stanley Dombrowski, BFA™

"Mind you, I am not an expert on this subject but I continue to learn"

I have been involved in a number of cases and discussions this past year about dealing with long term care situations, and some years ago, of a more personal nature, my own mother's situation. She's gone now but ended up living the last nine plus years of her life relatively happy and healthy in an excellent assisted living facility that could meet her care needs. Needless to say, we as a family learned a lot about Medicaid planning and long-term care issues. I have also had a number of inquiries recently about long term care insurance and possible alternatives (more on that in a later newsletter). So, I thought it might be good to start on this important subject by sharing some basic information about Medicaid Planning. Mind you, I am not an expert on this subject but I continue to learn. Consulting with an appropriately specialized Elder Law attorney will ultimately be necessary.

The best time to plan for the possibility of nursing home care is when you're still healthy. By doing so, you may be able to pay for your long-term care and still preserve assets for your loved ones. How? Through Medicaid planning.

Eligibility for Medicaid depends on your state's asset and income-level requirements

Medicaid is a joint federal-state program that provides medical assistance to various low-income individuals, including those who are aged (i.e., 65 or older), disabled, or blind. It is the single largest payer of nursing home bills in America and is the last resort for people who have no other way to finance their long-term care. Although Medicaid eligibility rules vary from state to state, federal minimum standards and guidelines must be observed. In addition to you meeting your state's medical and functional criteria for nursing home care, your assets and monthly income must each fall below certain levels if you are to qualify for Medicaid. However, several assets (which may include your family home) and a certain amount of income may be exempt or not counted.

Medicaid planning can help you meet your state's requirements

To determine whether you qualify for Medicaid, your state may count only the income and assets that are legally available to you for paying bills. That's where Medicaid planning comes in. Over the years, a number of tools and strategies have arisen that might help you qualify for Medicaid sooner.

In general, Medicaid planning seeks to accomplish the following goals:

- Exchanging countable assets for exempt assets to help you meet Medicaid eligibility requirement
- Preserving assets for your loved ones
- Providing for your healthy spouse (if you're married)

You may be able to exchange countable assets for exempt assets

Countable assets are those that are not exempt by state law or otherwise made accessible to the state for Medicaid purposes. The total value of your countable assets (together with your countable income) will determine your eligibility for Medicaid. Under federal guidelines, each state compiles a list of exempt assets. Usually, this list includes such items as the family home (regardless of value), prepaid burial plots and contracts, one automobile, and term life insurance. Through Medicaid planning, you may be able to rearrange your finances so that countable assets are exchanged for exempt assets or otherwise made inaccessible to the state. For example, you may be able to pay off the mortgage on your family home, make home improvements and repairs, pay off your debts, purchase a car for your healthy spouse, and prepay burial expenses. For more information on this topic, contact your financial advisor who can help connect you with an elder law attorney who is experienced in your state's Medicaid laws.

Irrevocable trusts can help you leave something for your loved ones

Why not simply liquidate all of your assets to pay for your nursing home care? After all, Medicaid will eventually kick in (in most states) once you've exhausted your personal resources. The reason is simple: You want to assist your loved ones financially. There are a number of ways to potentially preserve assets for your loved ones. One way is to use an irrevocable trust (irrevocable in the sense that you can't later change its terms or decide to end it). Property placed in an irrevocable trust will be excluded from your financial picture, for Medicaid purposes. If you name a proper beneficiary, the principal that you deposit into the trust (and possibly any income generated) will be sheltered from the state and can be preserved for your heirs. Typically, though, the trust must be in place and funded for a specific period of time for this strategy to be an effective Medicaid planning tool.

If you're married, an annuity can help you provide for your healthy spouse

Nursing homes are expensive. If you must go to one, will your spouse have enough money to live on? With a little planning, the answer is yes. Here's how Medicaid affects a married couple. A couple's assets are pooled together when the state is considering the eligibility of one spouse for Medicaid. The healthy

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BID AND ASK, HOW STOCKS ARE VALUED ...

by Joseph Maier, RICP®, BFA™

One common question we hear from investors is how they obtain the shares of investments they own within their account and how the price is determined. Recently, my 17-year-old son asked me the same question so I thought it was a good topic to report on for our newsletter.

In our world we hear the terminology "bid and ask" often. Outside of a company's initial public offering (IPO), we trade in what is called the secondary market. Once a company has determined how many shares they will release into the market place for purchase, the day after the IPO, individual investors are no longer buying stock direct from the company which the stock represents; investors are then buying from each other. When buying from each other, we introduce more than just technical factors into the company's share price.

Earnings, future expansion projects, economic policies, along with many other criteria, all help to determine the value of a company's stock. In the secondary market, supply and demand becomes a pretty big factor in pricing. Supply and demand transitions to "bid and ask" by simply going to the market place and either making an offer to buy an equity or sell an equity. The more offers to buy, the more the price will increase, and the more offers to sell, the price will go down. Because the technical factors don't usually change rapidly each day, in many cases, the "bid and ask" can be the driving force behind a lot of the volatility seen in the markets day after day.

So, because we are buying and selling from each other along with the institutions, we are a big determining factor in the price. Our decision-making can be somewhat emotional, which will cause the high volatility. In turn, the more volatile the market becomes, the more emotional we become and this continues to fuel the fire.

Remember, generally, we are not buying shares of stock from a particular company nor are we selling back to the company; we are buying and selling between other investors. Also, the number of shares of a stock being traded per day (volume), adds a lot to the price fluctuations of the investment.

Happy Birthday Rita! Celebrating above with all of her grandchildren and great grandchildren!

MEDICAID PLANNING

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spouse is entitled to keep a spousal resource allowance that generally amounts to up to one-half of the assets. This may not amount to much money over the long term. A healthy spouse may want to use jointly owned, countable assets to buy a single premium immediate annuity to benefit himself or herself. Converting countable assets into an income stream is a plus because each spouse is entitled to keep all of his or her own income, in contrast to the pooling of assets. By purchasing an immediate annuity in this manner, the institutionalized spouse can often qualify for Medicaid, and the healthy spouse can enjoy a higher standard of living. Be aware, however, that for annuities purchased on February 8, 2006 and thereafter (the date of enactment of the Deficit Reduction Act of 2005), the state must be named as the remainder beneficiary of the annuity after your spouse or a minor or disabled child.

Beware of certain Medicaid planning risks

Medicaid planning is not without certain risks and drawbacks. In particular, you should be aware of look-back periods, possible disqualification for Medicaid, and estate recoveries. When you apply for Medicaid, the state has the right to review, or look back, at your finances (and those of your spouse) for a period of months before the date you applied for assistance. In general, a 60-month look-back period exists for transfers of countable assets for less than fair market value. Transfers of countable assets for less than fair market value made during the look-back period will usually result in a waiting period before you can start to collect Medicaid. So, for example, if you give your house to your kids the year before you enter a nursing home, you'll be ineligible for Medicaid for quite some time. (A mathematical formula is used). Also, you should know that Medicaid planning is more effective in some states than in others. In addition, federal law encourages states to seek reimbursement from Medicaid recipients for Medicaid payments made on their behalf. This means that your state may be able to place a lien on your property while you are alive, or seek reimbursement from your estate after you die.

As you can see Medicare planning can be a valuable strategy but the laws and regulations continue to evolve and various aspects are different from state to state. Before taking any action, discuss your interest with your financial advisor who can put you in contact with an attorney experienced with Medicaid planning and the laws in your state.

Join us in congratulating Gail on her upcoming retirement and wishing her well in the many adventures that await!

I come today with mixed emotions to let you all know that Gail is going to retire after this tax season to spend more time with her family, grandkids and on the beach!

Gail has been with us for over 10 years and has certainly been a great addition to the Maier family, both from a professional and personal standpoint. I know she has developed friendships with many of you and I know she will miss you all.

Gail and Chad have worked hand in hand with Krystal to bring Krystal up to speed on your tax situation and Gail will remain available throughout the year to help with the transition.

Please join me in wishing Gail all of our best at gail@maierandadams.com. She will be missed by all!!

Gail, congratulations on your well-deserved retirement!!

Wayne

THE MILLENNIAL VIEW

by Eric Dobrzynski, CFP®, RICP®, BFA™

HOW SHOULD I PAY FOR MY NEW CAR?

I thought with this edition I would discuss a car purchase because lately I have been asked, ***"Should I pay cash? Lease? Should I finance and if so, for how long?"***

Should I pay Cash?

Do I use my savings or take a distribution from my accounts? Clients often say to me something like, "Lately the earning rate in the bank has been very low". My response is that, with proper planning, each client should maintain some level of an emergency fund. It is difficult to say the exact dollar amount because everyone is different. It is important to consider the "safety net" amount you like to keep in your local bank or credit union so you can sleep at night. Once you know this number, the decision is often a little easier.

Should I withdraw money from my qualified plan to pay cash for a car?

Suppose you are currently in the 12% tax bracket and you take a distribution from your IRA to pay for your new car. You must consider the tax implications before taking the withdrawal. For this example, the cost of the new vehicle is $35,000 and you are currently at the top end of the 12% bracket. This means any withdrawal will drive you (no pun intended) into the next bracket, which is 22%. In order for you to net $35,000, assuming the 22% federal bracket and state tax at 4.25%, you would need to withdraw $47,500. (Please note that if you are not at least age 59 ½ years old, you will also incur a 10% IRS penalty on the amount of your withdrawal).

Should I withdraw money from my after-tax account to pay for a car?

When withdrawing money from this type of account, you need to know if any "sales" will need to take place. If so, will this cause short-term or long-term capital gains liability (determined by how long you have held the investment)? This is where a qualified accountant comes in. The problem is gains can be nontaxable or taxable but at varying rates. Short-term capital gains are subject to ordinary income tax, while long term capital gains can be quite difficult to calculate. If your income is below the 12% tax bracket it is possible you will not have to pay any tax, but that withdrawal could drive your income up to the 22% and then effectively make the withdrawal taxable. If your income is at or above the 22% bracket, but below the 35% bracket, your long-term capital gains tax rate is 15%. If your income is above the 35% tax bracket, your long-term capital gains tax rate is 20%. In addition, depending on your age and state, you need to also consider the amount of state income tax liability you will incur. This is why I mentioned a conversation with your tax preparer prior to the possible sale is extremely important.

Should I lease a vehicle?

Leasing can be attractive given lower monthly payments compared to purchasing a new car. However, with that said, you need to be aware and careful of the fine print within the advertising. Some advertisements include a large cash payment up front and/or are a low mileage lease. With leasing, you need to have a best guess of how many miles you put on your vehicles each year. Typically, you set your leasing terms up front with the dealer and you are able to select the annual miles per year. By doing this, you can work with your dealer to structure the leasing terms to fit your lifestyle. Leasing may be an attractive option for you to be able to have a newer vehicle every

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PAYING FOR A NEW CAR

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few years. But the offset is you will continue to have a car payment over time. If your budget and cash flow allow for this payment, leasing may be an option for you to consider. One last thing, it is important to know the residual purchase price of the vehicle at the end of the lease just in case you decide you really like the car and want to keep it.

Should I finance a vehicle?

First and foremost, you need to make sure you can financially take on a monthly payment. If buying a vehicle from a private seller or a dealership, I encourage you to shop the interest rates. If you have a local credit union or bank, you can get pre-approved for a car loan that fits within your budget. You can also work with your dealership to do the rate shopping for you. You need to be mindful of how long you plan to finance a vehicle. The longer the term, the lower the payment, but you will pay more interest over time.

Same scenario from above, you finance a $35,000 vehicle (out the door cost). You found an interest rate is 2.24% for a 5-year loan on the vehicle. The payment on this loan is about $617 per month. This means you will pay a total of $37,038 for your new vehicle if the loan is held the full 5 years. This results in $2,038 in total interest charges.

In some cases, using your investment portfolio may be the right option. If you choose to finance the vehicle, using your after-tax investment or IRA account may be the right option, but you probably should not take a lump sum withdrawal. In this scenario, you may want to finance the vehicle and then set up a monthly distribution to pay the loan. This may allow you to spread the tax liability over time.

In closing....

As you can see, this decision is not a one-size-fits-all. I encourage everyone to weigh all of the options and come up with a game plan with your advisor. Even if you have already decided which direction you want to go, it is never a bad idea to have a conversation to ensure you remain on track to reach your financial goals. Again, be sure to also involve your tax advisor so you are aware of any negative tax implications.

Greg and Carrie Dahlberg were blessed to welcome granddaughter Nora to the family! Congratulations to all!

COMMON FACTORS AFFECTING RETIREMENT INCOME

by Greg Dahlberg, CFP®, RICP®, BFA™

When it comes to planning for your retirement income, it's easy to overlook some of the common factors that can affect how much you'll have available to spend. It's important to track your expenses and establish a budget to help determine and accurately estimate your income needs in retirement. Most people don't live on a specific budget, they just know there is enough money coming in to their household to meet their expenses. When you retire, and your income has stopped or has reduced significantly, it's extremely important that you consider the reduction along with any new or increased expenses you may incur as a result (i.e., health insurance cost and healthcare). If you don't consider how your retirement income can be impacted by investment risk, inflation risk, catastrophic illness or long-term care, and taxes, you may not be able to enjoy the retirement you envision. If you plan to retire prior to enrolling in Medicare or turning age 65, be sure to consider health insurance costs to determine your income needs in retirement.

Investment risk

Investment or market risk is the risk that fluctuations in the securities market may result in the reduction and/or depletion of the value of your retirement savings. If you need to withdraw from your investments to supplement your retirement income, two important factors in determining how long your investments will last are the amount of the withdrawals you take and the growth and/or earnings your investments experience. You might base the anticipated rate of return of your investments on the presumption that market fluctuations will average out over time, and estimate how long your savings will last based on an anticipated average rate of return.

Unfortunately, the market doesn't always generate positive returns. Sometimes there are periods lasting for a few years or longer when the market provides negative returns. During these periods, constant withdrawals from your savings combined with prolonged negative market returns can result in the depletion of your savings far sooner than planned.

Reinvestment risk is the risk that proceeds available for reinvestment must be reinvested at an interest rate that's lower than the rate of the instrument that generated the proceeds. This could mean that you have to reinvest at a lower rate of return, or take on additional risk to achieve the same level of return. This type of risk is often associated with fixed interest savings instruments such as bonds or bank certificates of deposit. When the instrument matures, comparable instruments may not be paying the same return or a better return as the matured investment.

Interest rate risk occurs when interest rates rise and the prices of some existing investments drop. For example, during periods of rising interest rates, newer bond issues will likely yield higher coupon rates than older bonds issued during periods of lower interest rates, thus decreasing the market value of the older bonds. You also might see the market value of some stocks and mutual funds drop due to interest rate hikes because some investors will shift their money from these stocks and mutual funds to lower-risk fixed investments paying higher interest rates compared to prior years.

Inflation risk

Inflation is the risk that the purchasing power of a dollar will decline over time due to the rising cost of goods and services. If inflation runs at its historical long-term average of about 3% annually, the purchasing power of a given sum of money will be cut in half in 23 years. If it jumps to 4%, the purchasing power is cut in half in 18 years.

A simple example illustrates the impact of inflation on retirement income. Assuming a consistent annual inflation rate of 3%, and excluding taxes and investment returns in general, if $50,000 satisfies your retirement income needs this year, you'll need $51,500 of income next year to meet the same income needs. In 10 years, you'll need about $67,200 to equal the purchasing power of $50,000 this year. Therefore, to outpace inflation, you should try to have some strategy in place that allows your income stream to grow throughout retirement.

The following hypothetical example is for illustrative purposes only and assumes a 3% annual rate of inflation without considering fees, expenses, and taxes. It does not reflect the performance of any particular investment.

Equivalent Purchasing Power of $50,000 at 3% Inflation

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2021 UPDATE

by Gail Doane, E.A.

Happy Spring! My favorite time of the year!

It's with mixed feelings that I'm writing this newsletter article. As some of you know, I have decided to retire and so I'm calling this article my "Hasta La Vista" article. I've been fortunate to let many tax clients know about this decision and gotten all kinds of feedback telling how much I'm going to love retirement. I do believe I am going to love it but I will miss seeing and talking to the wonderful clients I've come to know over the ten years I've been with Maier and Associates. Wayne has often said that Maier clients are the best and I couldn't agree with him more.

I hope I've been able to help you understand a little more about taxes during my time here. I know you have all helped me understand a ton about retirement! I look forward to starting a new chapter in my life, and checking a few more things off my bucket list. Most of all though, I think I'm most looking forward to being able to watch my grandkids more than I've been able to. I'll never forget how fortunate I felt that my mom was there to watch my kids when I needed her. I look forward to being able to help my kids in that same way.

One of the many things I've enjoyed about my work with Maier and Associates is that working here is truly a team effort every day and the fact that our clients don't just have one advisor, you all have a team of advisors. Something I have mentioned to several people over the years is that in the more than 30 years I've been doing taxes, I don't remember a time when a financial advisor contacted me to ask if they could talk to me about the tax consequences of something they were planning for their client. This is something that the Maier team does every day and does very well. I'm very glad to have been a part of a great bunch of people who, 100% of their time, work in the best interest of their clients.

Of course, I can't write a newsletter article without giving some kind of tax information so here's some tax geek trivia for you:

- The US tax code's highest income tax bracket in 1935 was 63% but it only applied to one person - Nelson Rockefeller who had earnings of over $5 million.
- In 1987, the IRS started requiring taxpayers who were claiming dependents to include the dependents social security number on the tax return. In that same year, seven million dependents disappeared from tax returns!
- In 2021, the highest tax bracket is 37% and if you happen to be one of the lucky ones hit by the net investment income tax, that could be as high as 41.7%. Think that's high? In 1944, the highest income tax bracket was a whopping 94%!

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WORKPLACE RETIREMENT PLAN BENEFITS

by Logan Maier

Common examples of workplace retirement plans are 401(k)s, 403(b)s, and SIMPLE IRAs. Although each of these retirement savings vehicles differ in their rules and regulations to participate, they all have one thing in common: to provide an avenue for individuals to save/invest money so that one day they can (hopefully) retire comfortably.

As mentioned above, each of these vehicles have different rules/regulations on who can contribute, how much one can contribute in a year, whether withdrawals and/or loans are allowed, etc. Each plan is unique and would need to be looked at individually to identify these items.

One of the potential benefits of a workplace plan is the ability for an employer to provide matching contributions. This is one of the more significant benefits because it can be viewed as a part of an employee's compensation package. For example, if a 401(k) plan matches up to 3% of an employee's contribution, an employee who contributes 3% of their salary to their 401(k) would get a matching employer contribution of 3%.

Another benefit of contributing to these plans are the potential tax advantages. Under current law, an employee is allowed to contribute up to $19,500 of pre-tax income into a workplace retirement plan. Plus, for those age 50 and older, a catch-up contribution of $6,500 per year is allowed until retirement. Since this money goes into the plan pre-tax, it does not appear on a person's W-2 as taxable income for the year…the tax is deferred until you withdraw the funds during retirement.

Another potential benefit, if your plan allows it, is Roth contributions. When making Roth contributions, you pay the tax on the contribution today at your current tax bracket. Then, when you draw funds out of the plan during retirement, you do not owe tax on any contributions or potential gains.

If you have a workplace retirement plan and have questions, contact your advisor!

RETIREMENT INCOME

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Long-term care expenses

Long-term care may be needed when physical or mental disabilities impair your capacity to perform everyday basic tasks. As life expectancies increase, so does the potential need for long-term care.

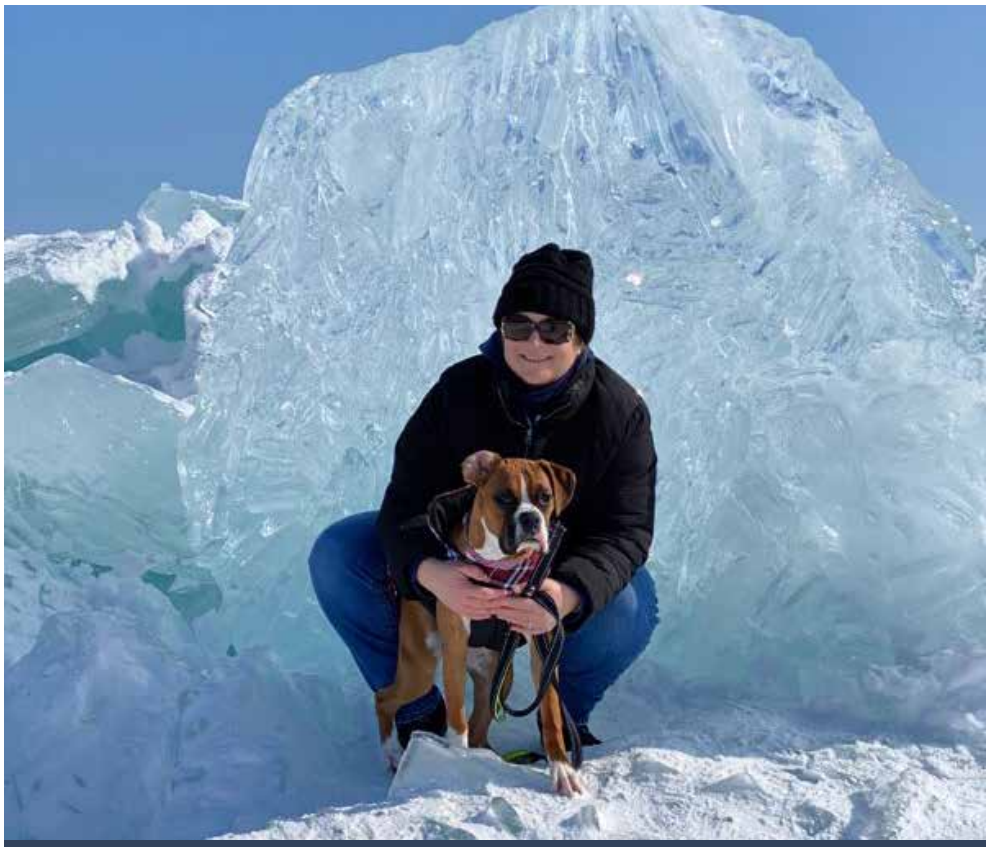
Paying for long-term care can have a significant impact on retirement income and savings, especially for the healthy spouse. While not everyone needs long-term care during their lives, ignoring the possibility of such care and failing to plan for it can leave you or your spouse with little or no income or savings if such care is needed. Even if you decide to buy long-term care insurance, don't forget to factor the premium cost into your retirement income needs.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the long-term care policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

The costs of catastrophic care

As the number of employers providing retirement health-care benefits dwindles and the cost of medical care continues to spiral upward, planning for catastrophic health-care costs in retirement is becoming more important. If you recently retired from a job that provided health insurance, you may not fully appreciate how much health care really costs.

Despite the availability of Medicare coverage, you'll likely have to pay for additional health-related expenses out-of-pocket. You may have to pay the rising premium costs of Medicare optional Part B coverage (which helps pay for outpatient services) and/or Part D prescription drug coverage. You may also want to buy supplemental Medigap insurance, which is used to pay Medicare deductibles and co-payments and to provide protection against catastrophic expenses that either exceed Medicare benefits or are not covered by Medicare at all. Otherwise, you may need to cover Medicare deductibles, co-payments, and other costs out-of-pocket.



Danielle and Zoey enjoying the weather!

Taxes

The effect of taxes on your retirement savings and income is an often overlooked but a significant aspect of retirement income planning. Taxes can eat into your income, significantly reducing the amount you have available to spend in retirement. It's important to understand how your investments are taxed. Some income, like interest, is taxed at ordinary income tax rates. Other income, like long-term capital gains and qualifying dividends, currently benefit from special--generally lower--maximum tax rates. Some specific investments, like certain municipal bonds, generate income that is exempt from federal income tax altogether. You should understand how the income generated by your investments is taxed, so that you can factor the tax into your overall projection.

Taxes can impact your available retirement income, especially if a significant portion of your savings and/or income comes from tax-qualified accounts such as pensions, 401(k)s, and traditional IRAs. Most, if not all, of the income from these accounts is subject to income taxes.

Have you planned for these factors?

When planning for your retirement, consider these common factors that can affect your income and savings. While many of these same issues can affect your income during your working years, you may not notice their influence because you're not depending on your savings as a major source of income. However, investment risk, inflation, taxes, and health-related expenses can greatly affect your retirement income.

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- Last but not least, if you are in the Big Apple and are craving a great New York bagel, don't ask to have it sliced. Apparently, cutting a bagel turns it into prepared food and New York adds an 8.875% sales tax on prepared food. (Good to know?)

And the last piece of advice I want to share . . . there are more scams that ever before going on right now. The scammers send things that look official or call and sound believable. Please, before you blindly do what they ask (give social security numbers, bank numbers, click on email links, send money, etc.) check out the credibility of who is contacting you. If it's a tax thing, contact your tax advisor. A social security thing, contact the social security administration. Bank or credit card thing, call the bank. Don't call a number on the letter or email sent to you – these scammers are good in covering their tracks. Legitimate issues will not require you to act immediately without giving you time to check out the validity of the issue.

Finally, I just want to say thanks to everyone, co-workers and clients alike, who have made my time here at Maier a good ride. I hope we run into each other again.

Until then . . . Hasta La Vista!
Gail M. Doane, EA
Tax Specialist

"It's never too late to be what you might've been."
~ George Eliot.

Gail prepares to hang glide for the first time.

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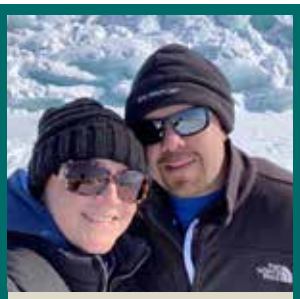
Maier & Associates Family Spotlight

Amy's granddaughter goes rollerskating!



Danielle & Nolan check out the Blue Ice!

Laura's son, Devin, celebrates a big day!

Gail's grandchildren, Jax and Zia are full of smiles!

Wayne is a proud grandpa again!

Tammy and her son visit Mackinaw!

Devin & Megan Dahlberg-Sharrow welcome baby!

Welcome Nora Dahlberg-Sharrow!

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