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INSIGHTS FROM THE BRIDGE

Digital Age Killing Newspapers; Is TV News Next?

The digital age not only is killing newspapers in America, it also is reducing the audience for TV news. Internet websites are sucking up newspapers and magazines like a giant funnel cloud, and television newscasts appear to be directly in the storm's path. Yet as dire as the situation seems in the United States, print media are holding their own in many parts of the world, complicating a seemingly simple story of technology rendering traditional news sources obsolete.

Since 2008, more than 166 newspapers in the United States have closed or stopped publishing a print edition, according to *Paper Cuts,* a website dedicated to tracking the U.S. press industry downturn, and that count is not up to date. Newspaper circulation has declined more than 15% since 1984, the Nieman Foundation for Journalism at Harvard University reported in its *Nieman Reports* in 2005. During the same period, viewership for television network evening news fell 37.8%, Nieman said, and the audience for local TV evening news slipped from 76% in 1993 to 59% in 2005. And as circulation and viewership go, so goes advertising revenue, the lifeblood of all news media.

Nieman reasoned, however, that not all is doom and gloom. "In fact, there is a great deal of information suggesting that most news consumers prefer to use new media as a complement to print and television rather than as a substitute," it reported.

Yet despite that somewhat rosy outlook, the tumult surrounding print media has continued—and part of the fault may lie with journalists themselves, according to media watcher David Ryfe, author of *Can Journalism Survive?* "Journalists have failed to respond adequately to the challenge of the Internet, with far-reaching consequences for the future of journalism and democracy," he says. Ryfe argues that journalists "are unable or unwilling to innovate for a variety of reasons: in part because habits are sticky and difficult to dislodge; in part because of their strategic calculation that the cost of change far exceeds its benefit. . . ."

The dominance of newspapers as a source of news began to give way in the 1950s and '60s with the advent of television network newscasts. Cable television news later came on the scene, and then the Internet arrived in the 1990s. Today, the majority of Americans under age 30 get most of their information from the Internet, which reportedly passed newspapers in 2010 as the leading source of news.

Still, *The Economist,* a respected weekly news magazine published in London, says reports of the death of newspapers may be premature. "There is no doubt that newspapers in many parts of the world are having a hard

(Continued on page 4)

My Doctor's Amazing Advice

I recently had a doctor's appointment for a routine exam. My "doc" is an internist in his mid-40s. Upon concluding the exam, reviewing the lab reports, and receiving an "everything is OK" verdict, our conversation turned to Obamacare. While conversing he revealed he is telling his children to avoid a medical career. Amazingly, DO NOT BECOME A DOCTOR is the advice my doctor is giving his children.

His professional opinion mirrors a Houston surgeon who recently predicted the impact of Obamacare on future doctors. After eight years of college, a $300,000 average student loan, and years as an underpaid, overworked resident a new doctor will make only $100,000 a year. Why pursue this career?

Many are debating the pros and cons of the new law, which includes both. Few are giving thought to the many predictions of a doctor shortage. Obamacare was modeled after the Massachusetts plan. The Massachusetts Medical Society recently reported the wait time is 50-128 days for a new patient to see an internist in parts of that state.

Often when we hear a prediction we attempt to ascertain its reasonableness from other sources. Hearing my doc's advice, I have concluded these predictions have merit.

We appreciate your business.

Rich Locke

Lead Portfolio Manager

Computers For Grandparents: 10 Tips

Older brains stay younger with stimulation, and social media and photo-sharing allows you to stay in touch with your family. But which computer is best for grandparents? Here's some help.

1. Old Computers. If your children offer you a computer, only consider it if it's less than three years old. Prices have dropped on computers and you can probably find one for $1,000 or less.

2. What's It For? If texting, email, web-surfing, and video-chat are all you need, consider a tablet that has the advantage of portability.

3. Mac Or PC? An iPad will be easiest for a novice. But if you're a veteran PC-user, you may prefer a Windows tablet. If you already own an iPhone, stick with an iPad or Mac computer because you already know how to operate it.

4. Screen Size. New tablets and "ultraportable" computers now come in small sizes. Before buying a screen less than 11-inches in diameter, be sure you can read all the text in emails and on the Internet.

5. Set Up. If you're a novice, salespeople at the computer store will help you learn how to set up your new machine. Apple and Microsoft stores often offer classes. Or maybe you can persuade a child or grandchild to help you.

6. App Store. Whether you're

seven or 75, the app store has something for you. No matter what your age, make sure you know how to use the app store.

7. FaceTime Or Skype. Be sure to set up a video calling service. Apple FaceTime and Skype are free and easy to use once they're set up, and they allow video calls across the country or across the world for free.

8. Sharing Photos. Ask family members whether they use any photo-sharing or social websites already, such as Facebook, Twitter, or Flickr. They can send you an invitation to see all their photos. With Flickr, which allows you to store and share photos for free, you can set up an account that only family members can see.

9. Passwords. A password-management program would be wise. LastPass.com is free, easy, and secure, but there are many other options.

10. Financial Data. Accessing your financial accounts online can make life simpler, but security is paramount.

If you're not a veteran Web surfer, before posting sensitive information or accessing your accounts, please call our office. We'd be happy to help you get the basics set up so you can access your information securely 24/7 from anywhere. ●

'Tis The Season To Receive RMDs

When you're putting together this year's holiday shopping list, don't forget to add one gift that you may need to give to yourself: a required minimum distribution (RMD). If you've reached age 70½, you'll have to take an RMD from your 401(k), traditional IRA, or any other retirement plan that lets you shield your contributions from taxes. And the penalty for missing this obligation is a lot worse than getting a lump of coal in your stocking.

The funds that remain in your employer-sponsored retirement plans and IRAs can continue to grow without current investment or income taxes, but you must begin taking RMDs by April 1 in the year after the year in which you turn 70½. Thereafter, you must make the required withdrawal by December 31 of each and every succeeding year. So if you turned 70½ in 2012, you had to take the RMD for the 2012 tax year by April 1, 2013—and now you must withdraw another RMD for the 2013 tax year by December 31, 2013. You'll pay federal income tax on these distributions, plus you may owe state income tax, too.

There's an exception for employer-sponsored plans that may apply if you're still working full-time and you don't own 5% or more of the company. In that case, you can postpone withdrawals until your retirement. But you'll still have to take RMDs from your IRAs.

How much do you have to withdraw? First, look up your life expectancy in the special IRS tables. If your spouse is the sole beneficiary for an account, his or her age also may enter into the equation. Distributions are based on the value of all of your accounts on the last day of the previous tax year. For example, suppose you're age 75 and the value of all of your IRAs on December 31 of last year was $500,000. If your spouse is the sole beneficiary and is less than 10 years

Remarrying In Your 50s? 7 Key Aspects

Jack Webster had given up on romance after his marriage splintered five years ago. His two children were now both in college. Rhoda Seaver, divorced with three teen-aged children, also was skeptical about diving back into the dating pool. But Jack and Rhoda found each other through a dating service and now are engaged to be married.

It's not an uncommon story. According to the Census Bureau, more than 50% of the divorced males in this country over age 50 and more than 40% of the divorced females in the same age bracket end up remarrying. But there's more to creating a union late in life than just melding family units. Several important financial considerations may be difficult to resolve for soon-to-be retirees. Here are seven issues that could cause problems:

1. Social Security and pension benefits. If you're divorced, getting remarried generally will suspend your right to receive Social Security benefits based on your ex-spouse's earnings record. Similarly, if you're widowed and plan on collecting benefits based on your deceased spouse's record, you may have to wait until age 60 to remarry. (Getting married again also could affect the amount you're entitled to from a former spouse's pension plan. Contact the pension plan administrator to determine the impact of remarriage on benefits.)

2. Marriage penalty. Because of the way federal income tax rates are structured, some couples are hit with a "marriage penalty" if both have substantial incomes. In other words, filing a joint return will produce greater tax liability than they would have to pay if they continued to be single filers. That problem has been exacerbated by the 2013 tax law and its new top income tax rate of 39.6%.

3. Estate planning. It's always crucial to have a valid will in place so that your heirs won't have to depend on state law to dictate where assets will go. That's even more important if you're remarrying. You'll certainly need to revise an existing will as well as being sure to update beneficiary designations for retirement plans, because those supersede your will. Moreover, even if your will says your home will go to children from a prior marriage, it will go to your new spouse if the two of you own it jointly with rights of survivorship.

4. College financial aid. Will a new marriage in your 50s affect the financial aid your children are entitled to when attending college? To determine financial aid awards, the government looks at the income and assets of the "custodial parent"—the one with whom a child has lived for most of the preceding year—but such calculations also may reflect income and assets of a new spouse when the custodial parent remarries. Your intended's wealth indeed might reduce your child's college aid. (Some colleges also include the noncustodial parent's assets in the equation.)

5. Health-care expenses. Your state may impose special rules relating to payments of medical expenses, and the rules for nursing home care could be particularly significant. Typically, if someone requires nursing home care, it may be possible to transfer some of that person's assets in attempt to qualify for assistance under Medicaid (subject to certain imposing restrictions). However, in some states, you may still be responsible for the costs of a spouse, even if the spouse has transferred assets out of his or her name. Such rules could affect your financial arrangements with a new husband or wife.

6. Alimony. If you receive alimony from your ex-spouse, it likely will come to a halt when you remarry, though remarriage generally doesn't affect child support. Consider how this will affect your family's lifestyle. Figure out whether you still will be able to afford some of the luxuries you enjoy now or whether you'll have to scale back. Look at options for replacing the lost income.

7. Beneficiary designations. When you get remarried, it's common practice to change the designated beneficiary (or beneficiaries) on insurance, retirement plan accounts and annuity contracts (see #3). Don't forget to do this. If you fail to do this, an ex-spouse might be entitled to most or all of such benefits.

It's only prudent for Jack and Rhoda to consider these financial issues before saying "I do." Other considerations, such as whether to use joint checking accounts or a prenuptial agreement, also may come into play. Having an open discussion before you remarry may avoid problems that could fester later. ●

younger than you are, the withdrawal factor under the appropriate table is 22.9 Using an online calculator, you can determine that the RMD for the 2013 tax year is $21,834.

Though the IRS requires you to take these withdrawals, if you have multiple 401(k)s or IRAs, it doesn't care which account the money comes from. You can take the entire amount from one plan or divide up the RMD between or among other accounts.

What happens if you fail to take an RMD? The IRS can impose a harsh penalty equal to 50% of the amount that should have been withdrawn (or the difference between the required amount and any lesser amount that was distributed). For instance, if you failed to take the RMD in the example above, the penalty would be $10,917. That penalty is in addition to the regular income tax you owe on the RMD.

To be on the safe side, arrange to receive your RMD well before the December 31 deadline. You don't want to be hit with a hefty penalty if there are any glitches. ●

Booted From A 401(k)? Don't Despair

It's bad enough to lose a job. But some employers may add insult to injury by kicking you out of their 401(k) plan as well. Although this action sounds harsh, it's within the legal rights of employers who hand out pink slips to employees with small plan balances.

According to the independent benefits consulting firm Aon Hewitt, approximately half of the companies sponsoring 401(k) plans nationwide in 2011 automatically rolled over to IRAs the plan assets of former employees with accounts valued at less than $5,000. That is the threshold permitted by federal tax law since 2005, when the ceiling was raised from $1,000. In just six years, the number of such rollovers increased by one-third. Employers also can force ex-employees to cash out if they have less than $1,000 in an account.

Although many employers first viewed rollovers as more of a hassle than a convenience, the gradual accumulation of small accounts drives up administrative costs for a 401(k) plan. So it turns out to be more cost-efficient for firms in the long run to set up IRAs for former workers than to keep them on 401(k) rolls.

The technique also tends to reduce plan fees for remaining plan participants. Those fees are generally lower if there are fewer, larger accounts to administer. For example, in a $10 million plan with an average account balance of $10,000, investors typically pay annual fees equal to 1.44% of their balance, according to the 401(k) Averages Book, an industry reference. In a comparable plan in which the average account balance is $50,000, the fees are only 1.2%.

But what's good for your former employer may be unwelcome news for you if you're booted from the plan. One issue is the difference between fees for "institutional" mutual fund shares that investors in 401(k)s typically pay and the higher "retail" fees that could apply to investments in an IRA. Paying more in fees could cost you thousands of dollars over the long haul because of the loss of tax-deferred investment compounding.

What can you do if you lose your job *and* you're forced to leave a 401(k) plan? Just because you have to take your money out of that plan doesn't mean you should withdraw it entirely and spend it now. Not only would that undercut your long-term retirement savings plan, but it also would mean an immediate tax bill on the withdrawal. In terms of taxes and your finances, it's better to keep the money in the IRA, where earnings are shielded from current taxes, and then to roll over the assets into another 401(k) plan with your new employer. That would put you back on track for more savings during your career. Meanwhile, if you don't like the IRA provider your ex-employer saddled you with, you always can shop around for another one. We can help you weigh your options. ●

Internet Killing Papers & TV?

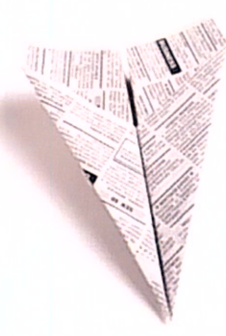
(Continued from page 1)

time," *The Economist* reported in July 2011, adding that newspapers "are in the deepest trouble" in America. "But it would be wrong to conclude from the woes of American newspapers that newspapers and news are in crisis everywhere."

The London publication, which also has a worldwide digital news presence, quoted Larry Kilman, deputy head of the World Association of Newspapers, a trade group: "The United States is the worst case that we see worldwide," but "the U.S. experience is not being replicated elsewhere."

Newspapers in Western Europe, especially in Germany, seem to be holding up fairly well so far, but this doesn't mean the industry is immune to long-term changes, *The Economist* said, noting that many European newspapers are family-owned, which helps to protect them in difficult times.

"In Japan, home to the world's three biggest-selling daily newspapers (the *Yomiuri Shimbun* alone has a circulation of more than 10 million), circulation has held up well, in part because over 94% of newspapers are sold by subscription. But there is trouble on the horizon. Young Japanese do not share their elders' enthusiasm for newsprint, and advertising revenues are dropping as the population ages."



The number of newspapers in Russia, meanwhile, increased 9% during 2009, but the Kremlin controls 60% of them. According to *The Economist,* India, China, and Brazil could represent the great new hopes for print journalism. Of course, there's no guarantee that developing countries won't eventually follow the trends now being seen in the United States. But it does appear that the final chapters of the decline and fall of traditional news media have yet to be written. ●

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