YOUR Money AND Family Today

AMERICA's TAX SOLUTIONS™ NEWSLETTER

JUNE 2015

HOT PLANNING TOPICS & STRATEGIES

529 Plans: Investing in Education

June is traditionally a big month for graduations in the United States. Your children, grandchildren or other relatives and friends may be preparing to go off to college in the fall. Most grads, however, are not fully prepared for the rising costs of higher education in our country. To help offset the enormous cost of higher education, one option some Americans may wish to explore is to "invest" in the education of their loved ones through a 529 plan.

529 plans are tax-advantaged savings plans that were created in 1996 by Congress, named after Section 529 of the Tax Code. These plans were intended to be used as long-term savings vehicles to help make it easier to save for college. 529 plans are operated by states and educational institutions.

Anyone can open and contribute to a 529 plan and maximize the benefits of tax-deferred growth and non-taxable distributions from the plan for qualified education expenses. Earnings are generally tax-free as long as the funds are used by the beneficiary for qualified education expenses. You may also be permitted to change the beneficiary designation if, for example, the intended beneficiary decides not to attend college.

Keep in mind that the 529 plan you select may have certain restrictions. For example, the plan you choose may require the designated beneficiary (and any new beneficiary) to attend school in the state that sponsors that 529 plan. There are contribution limits based on the amount necessary to provide for the qualified education expenses of the 529 beneficiary. Also, there are possible gift tax consequences to consider so it is important that you fully understand how the 529 plan you choose works.

For More Information on 529 Plans, Your Personal Wealth Preservation Consultant Can Assist You.

The IRS also has several 529 plan sources available to the public such as Publication 970, Fact Sheets and various articles you may access through the IRS website at www.irs.gov.

Special Needs Trusts: 10 Common Mistakes

Conversations about tax and estate planning often lead to conversations about trusts. Special Needs Trusts in particular can be very complex and difficult to understand.

The Following are 10 Common Special Needs Trust Mistakes:

1. Confusing Public Benefit Programs
2. Failure to Keep Current with Trust Administration Laws
3. Confusing First Party and Third Party Special Needs Trusts
4. Misunderstanding the "Sole Benefit" Rule
5. There is No System for Requesting Distributions
6. Trustee Refuses to Make Distributions
7. Failure to Distribute for Food or Shelter
8. Distributing Cash Directly to the Beneficiary or Reimbursing the Beneficiary
9. Failure to Maintain Excellent Records
10. Trust Termination and Disbursement Priority

Eligibility for public benefits may be adversely impacted if a Special Needs Trust isn't handled properly. Trustees must be sure to follow strict rules when administering a Special Needs Trust to ensure that the beneficiary's need-based public benefits are not compromised.

Do you have a Special Needs Trust set up for a loved one or do you plan to create this type of trust in the near future? If so, it is imperative that you consult a qualified attorney who specializes in estate and tax planning to ensure that your trust doesn't inadvertently cause a problem for the Special Needs Trust beneficiary.

2016 Health Savings Accounts (HSA) Limits

Maximum Contribution
Individual Only: $3,350
Family Coverage: $6,750

HDHP Minimum Deductibles
Individual Only: $1,300
Family Coverage: $2,600

HDHP Maximum Out-of-Pocket Amounts
Individual Only: $6,550
Family Coverage: $13,100

Catch-up Contribution (age 55 or older)
Individual Only: $1,000

Source: Rev. Proc. 2015-30

Social Security Spousal Benefits

There are rules regarding Social Security spousal benefits that some Baby Boomers may not be aware of. A spouse will receive the higher of his or her own benefit or their spousal benefit. A spousal benefit is ½ of the higher earning spouse's benefit.

To claim a spousal benefit, however, the higher earning spouse must have applied for his or her benefits and the lower earning spouse must be 66 years old to receive a full benefit and at least 62 years old to be eligible for a reduced benefit. There are no delayed credits on spousal benefits after age 66.

To illustrate, assume Tom and Katie are married. Tom is 71 years old and he applied for Social Security last year. His benefit is $2,000. Katie is 67 years old and her individual benefit is $800. Katie will receive a $1,000 spousal benefit rather than her own because the spousal benefit is higher than her individual benefit.

Note: You can receive the spouse's benefit no matter what your age is if you are caring for his or her child who is also receiving benefits.

What Is The Real Cost of Aging?

It's no secret that healthcare costs have dramatically increased over the past several decades. Unfortunately, it's nearly impossible to know how much you need to put aside to cover your average healthcare costs, let alone guess how much you may need should your health take a turn for the worse. So what is the average American supposed to do?

Traditionally, standard long-term care insurance was really the only viable option but it was very expensive. However, new long-term care ***solutions*** are available and as a result, many Americans can now have peace of mind when it comes to planning for a long-term care event.

According to statistics and research from the CDC and AARP, there are over 16,000 nursing homes in the United States with approximately 1.5 million residents. The average stay is 835 days and the average cost is over $50,000. Approximately 1/3 of nursing home residents must use their own funds to cover costs.

How much can you expect to pay on average for nursing home care? Below is a chart showing the medial annual costs for nursing home care in select states. The amount for each state is approximate and is based on a 365 day stay with a semi-private room accommodation:

State	Median Cost	State	Median Cost
Maryland	$101,379	Colorado	$83,950
Washington	$96,933	Ohio	$76,650
Oregon	$95,904	New Mexico	$74,643
Michigan	$90,703	Arizona	$70,080
California	$89,396	Illinois	$64,788
Nevada	$86,140	Texas	$51,100

**Source Genworth Cost of Care Survey 2015, www.genworth.com*

Don't take a chance with your long-term healthcare needs…prevention is the best medicine after all. Your personal retirement distribution specialist, CPA, or other professional advisor can help you determine what the right solutions are for you and your family. Not all long-term care solutions are appropriate for every individual so it is important that you meet with your personal advisors for an individual assessment to discuss new solutions and strategies that are appropriate for your individual situation.

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Roth IRA Contributions

Anyone can convert their traditional IRA to a Roth IRA. However, Roth IRA contributions come with limitations. For 2015, IRA contributions are limited to $5,500 ($6,500 if age 50 or older).

For Roth IRA contributions, there is an additional phase out limitation for those who are high income earners. The following chart illustrates the Roth IRA contribution phase out thresholds for 2015:

ROTH PHASE OUT LIMITS

Filing Status	MAGI	Contribution Permitted
Single	$116,000 or less	100%
	$116,000 to $131,000	Partial
	$131,000 or more	None
Married, Filing Jointly	$183,000 or less	100%
	$183,000 to $193,000	Partial
	$193,000 or more	None
Married, Filing Jointly (and you lived with your spouse at any time during the year)	Less than $10,000	Partial
	$10,000 or more	None

About America's Tax Solutions™

COMPLIMENTS OF:

Marc H. Weiss

Archer Weiss Insurance & Financial Services, Inc.
21515 Vanowen Street, Suite 200
Canoga Park, CA 91303
(800) 831-2901 TOLL FREE
(818) 610-8560 PHONE
(818) 888-1312 FAX

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