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**CLIENT UPDATE:**

**1ST QUARTER 2014**

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**“Education is the most powerful weapon which you can use to change the world.” Nelson Mandela**

## News To Note

**When was the last time that you had a free comprehensive insurance & financial review** with one of our associates? We usually recommend one of our free reviews every 12 to 24 months and anytime you have a major event change in your business or personal life, such as; purchase or sale of a business interest, financial, occupation, marriage, divorce, birth/adoption, retirement, etc. Please contact us if you have any questions or to schedule your free review.

**Some Retirement & Health Savings Account (HSA) plan limits have been increased for tax year 2014** & for some, you may have until April 15, 2014 to make your maximum contribution for tax year 2013. Please contact us or your tax advisor for more detailed information.

When you reach age 70½, you may have to begin taking **Required Minimum Distributions (RMD)** from your IRA(s) &/or qualified retirement plan account(s) each year. For more information please request a copy of our **FREE BROCHURE**, “70½!?! What’s the big deal?”

## 2013 - Year In Review

Health Care Reform, was by far the most the most time consuming issue in our industry. Although the Affordable Care Act was signed into law in 2010, the majority of its provisions were not scheduled to become effective until 2014. We spent hundreds of hours in seminars and webinars so that we could explain and properly advise our clients on how these provisions may affect them, only to have several of the provisions changed or delayed. Every change required more time studying and relaying this information to our clients on a timely basis.

As expected, the individual health insurance exchanges did not get off to a good start. Besides all of the technical issues, most consumers did not fully understand their plan options or if they could qualify for a subsidy. As stated previously, choosing a health insurance plan is not the same as choosing a airline ticket. We expect that many of these issues will continue to improve but also expect that there will be a high number of consumers that thought they enrolled for a health plan effective on 1/1/2014 and ultimately, either their application was not fully processed (no coverage) or their plan is different than expected (i.e., benefits, premiums, participating provider network, referrals).

In order to continue offering best in class advice and service to our clients, we added several new employees and invested in new technology. Most of you are aware that in addition to now sending our newsletter electronically when possible, we are also now sending email blasts in order to relay important information on a timely basis. We try not to abuse this service (we don't appreciate unnecessary emails any more than you do) and hope you take the time to review. Also, please make sure to add our email addresses as safe senders so that you receive our important information on a timely basis.

Please contact us if you have any questions, or concerns.

### **Planning Tip**

Long-term care (LTC) is the term used to describe a variety of services in the area of health, personal care, and social needs of persons who are chronically disabled, ill or infirm. Depending on the needs of the individual, long-term care may include services such as nursing home care, assisted living, home health care, or adult day care.

The need for long-term care is generally defined by an individual's inability to perform the normal activities of daily living (ADL) such as bathing, dressing, eating, toileting, continence, and moving around. Conditions such as AIDS, spinal cord or head injuries, stroke, mental illness, Alzheimer's disease or other forms of dementia, or physical weakness and frailty due to advancing age can all result in the need for long-term care.

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While the need for long-term care can occur at any age, it is typically older individuals who require such care.

See the tables on the next page for more information.

## Individuals With Disabilities, by Age

Age Range	No Disability	With a Disability
5-17 Years	95%	5%
18-34 Years	95%	5%
35-64 Years	87%	13%
65-74 Years	75%	25%
75 Years and over	49%	51%

Apart from the unpaid services of family and friends, long-term care is expensive. The table below lists national average costs (regional costs can vary widely) for typical long-term care services. One federal government study found that the "average length of time since admission for all current nursing home residents was 835 days."

Service	2010	2011	2012
Assisted Living Facility	\$3,293 /mo	\$3,477 /mo	\$3,550 /mo
Nursing Home (Private Room)	\$229 /day	\$239 /day	\$248 /day
Nursing Home (Semi-Private Room)	\$205 /day	\$214 /day	\$222 /day
Home Health Aide	\$21 /hour	\$21 /hour	\$21 /hour
Homemaker/Companion	\$19 /hour	\$19 /hour	\$20 /hour

### **Much long-term care is paid for from personal resources:**

- **Out-of-Pocket:** Expenses paid from personal savings and investments.
- **Reverse Mortgage:** Certain homeowners may qualify for a reverse mortgage, allowing them to tap the equity in the home while retaining ownership.
- **Accelerated Death Benefits:** Certain life insurance policies provide for "accelerated death benefits" (also known as a living benefit) if the insured becomes terminally or chronically ill.
- **Private Health Insurance:** Some private health insurance policies cover a limited period of at-home or nursing home care, usually related to a covered illness or injury.
- **Long-Term Care Insurance:** Private insurance designed to pay for long-

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term care services, at home or in an institution, either skilled or unskilled. Benefits will vary from policy to policy.

**Long-term care that is paid for by government comes from two primary sources:**

- **Medicare:** Medicare is a health insurance program operated by the federal government. Benefits are available to qualifying individuals age 65 and older, certain disabled individuals under age 65, and those suffering from end-stage renal disease. A limited amount of nursing home care is available under Medicare Part A, Hospital Insurance. An unlimited amount of home health care is also available, if made under a physician's treatment plan.

- **Medicaid:** Medicaid is a welfare program funded by both federal and state governments, designed to provide health care for the truly impoverished. Eligibility for benefits under Medicaid is typically based on an individual's income and assets; eligibility rules vary by state.

**"Your net worth to the world is usually determined by what remains after your bad habits are subtracted from your good ones."** Benjamin Franklin

In the past, some individuals have attempted to artificially qualify themselves for Medicaid by gifting or otherwise disposing of assets for less than fair market value.

Sometimes known as "Medicaid spenddown", this strategy has been the subject of legislation such as the Omnibus Budget Reconciliation Act of 1993 (OBRA '93).

Among other restrictions, OBRA '93 provided that gifts of assets within 36 months (60 months for certain trusts) before applying for Medicaid could delay benefit eligibility.

The Deficit Reduction Act of 2005 (DRA) further tightened the requirements to qualify for Medicaid by extending the "look-back" period for all gifts from 36 to 60 months. Under this law, the beginning of the ineligibility (or penalty) period was generally changed to the later of: (1) the date of the gift; or, (2) the date the individual could otherwise have qualified to receive Medicaid benefits. This legislation also clarified certain "spousal impoverishment" rules as well making it more difficult to use certain types of annuities as a means of transferring assets for less than fair market value.

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Now is the time to take action. Don't wait until the end of the year to do your planning. Let's get together and review your situation (if you haven't been for your annual update we are going to find you). Don't delay. Call us up for your annual review, RIGHT NOW, while this is fresh on your mind.

## Quiz Questions

(True/False, Answers On Last Page)

1. Issuer default is the only risk of owning a fixed interest rate bond?
2. Disability Insurance protects a portion of the insured's earned income against loss due to a covered illness or injury.

## Free Information

Please contact us for **FREE** information on subjects such as; Health Care Reforms, Financial Management, Insurance & Investment Price Comparisons, Financial Inventories, Living Wills & Health Care Surrogate Designations, Estate Planning, and many more.

**Long-term care insurance can provide financial protection and peace of mind;** without it, Americans could see their retirement savings and assets depleted by long term care illness. For more information, request a copy of our **FREE REPORT**, "*What You Should Know About Long-Term Care Insurance*".

**Want to know how much it will cost to send your child to college?** Then request a **FREE** copy of our "College Savings Projector".

When it comes to making basic decisions about the medical and healthcare services you receive, make your wishes known. Request a copy of our **FREE REPORT**, "*Living Wills & Health Care Surrogate Designation*". It provides information for patients and their families about advance directives for medical care.

How about a **FREE REPORT** from our "*Insurance and Investment Comparison Service*"? Stop confusion once and for all. We track rates, coverages and financial stability ratings for over 400 leading insurers in a huge, continually updated database. We also track over 4,000 investments.

Do your parents have an adequate retirement income? Will that income continue to be paid if one of them dies? Do they have a living will? Would they be able to pay for medical expenses related to a long-term illness? Do they have a will? Have they done any estate planning? Call us for a copy of our **FREE REPORT**, "*Some Questions Are Too Important Not To Ask*".

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If you're going on a trip you plan ahead, but do you know how much you need to save for a comfortable retirement? Request a **FREE** copy of our "*Retirement Plan Estimator*".

If you would like to order any of our **FREE INFORMATION**, or would like some of your friends, coworkers, relatives, business acquaintances, etc. to receive a **FREE SUBSCRIPTION** to this newsletter, please fill out the info on the reply card, and we'll add them to the mailing list. We'll also send them a note with their first issue telling them that you had suggested they receive the newsletter, and to contact us if they would like to stop at any time. If you enjoy this newsletter, why not share it for free with people you know, with no hassle for you!

## Thanks

We would like to thank those of you who have referred new clients to our office! As you may know, marketing for new clients costs a great deal of money, time and energy. We, like any business, need to get new clients, to stay in business. And, we have found over the years that marketing takes away time we would rather be spending with you! So, as we have learned, encouraging you to refer your friends and relatives to us, works for all of us. We help you, and you help us.

## Quiz Answers

(Call Us For More Complete Answers)

1. False. Another risk that bond investors face is interest rate risk (the risk that rising interest rates will make their fixed interest rate bonds less valuable in the secondary market). To illustrate this, let's suppose you bought a \$1,000 par value bond with a 10-year maturity and a 6% coupon rate. You will earn 6% of \$1,000, or \$60, each year that you own the bond. Let's further assume that after one year, you decide to sell it, and at that time, new bonds are being issued with 7% coupons. Investors can choose between your 6% bond and a new 7% bond. To entice someone to buy your bond, you will have to discount its price so that the new owner will earn the same \$60, but will have paid less than \$1,000 to buy it, thus raising their yield closer to 7%.
2. True. Statistics show that in the US a disabling accident occurs on average once every second. In fact, nearly 18.5% of Americans are currently living with a disability, and 1 out of every 4 persons in the US workforce will suffer a disability prior to retirement.

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This information is solely advisory, and should not be substituted for professional advice. Any and all decisions and actions must be done through the advice and counsel of a qualified professional. We cannot be held responsible for actions you may take without proper financial, legal, or tax advice!

### **Providing Service, Knowledge & Solutions Since 1990**

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