



## Duncklee & Nott

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Happy New Year!

We hope 2017 finds you well and recovering from the holiday rush. The new year signals a fresh start and a good time for setting personal goals. Will you be changing jobs this year, starting a business, having kids, getting married, or making a large purchase? Let us be part of the conversation; these things take some planning!

Enjoy this month's articles, and we'll wrap up with a quote by Brad Paisley: "Tomorrow, is the first blank page of a 365 page book. Write a good one."

**Jim, Ken, Megan, Sharon, & Melanie**

### January 2017 Financial Fitness

Key Retirement and Tax Numbers for 2017

What It Means to Be a Financial Caregiver for Your Parents

How can I pay off the credit card debt I racked up over the holidays?

What should I evaluate when considering a new job offer?

**Duncklee & Nott**

INVESTMENT & RETIREMENT PLANNING

# Financial Fitness

## Duncklee & Nott Monthly Newsletter

### Medicare and Medicaid: What's the Difference?



It's easy to confuse Medicare and Medicaid, particularly since they're both government programs that pay for health care. But there are important differences between each program. Medicare is

generally for older people, while Medicaid is for people with limited income and resources.

#### What is Medicare?

Medicare is a federal health insurance program that was enacted into law to provide reasonably priced health insurance for retired individuals, regardless of their medical condition, and for certain disabled individuals, regardless of age. It is managed by the Centers for Medicare & Medicaid Services, a division of the U.S. Department of Health and Human Services.

#### What is Medicaid?

Medicaid is a health insurance program that is jointly administered by state and federal governments. Medicaid serves financially needy individuals who are also elderly, disabled, blind, or parents of minor children.

#### Who is eligible for Medicare?

Most people become eligible for Medicare upon reaching age 65. In addition, Medicare coverage may be available for disabled individuals and people with end-stage renal disease.

#### Who is eligible for Medicaid?

States set their own Medicaid eligibility standards within broad federal guidelines. However, federal law requires states to cover certain groups of individuals. Low-income families, qualified pregnant women and children, and individuals receiving Supplemental Security Income (SSI) are examples of mandatory eligibility groups. In addition, a financial eligibility requirement must be met. The individual must be financially needy, which is determined by income and asset limitation tests.

#### What does Medicare cover?

Currently, Medicare consists of four parts:

Medicare Part A, generally called "hospital insurance," helps cover services associated with inpatient care in a hospital, skilled nursing facility, or psychiatric hospital. Medicare Part B, generally called "medical insurance," helps cover other medical care such as physician services, ambulance service, lab tests, and physical therapy. Medicare Advantage (Part C) enables Medicare beneficiaries to receive health care through managed care plans such as health maintenance organizations (HMOs), preferred provider organizations (PPOs), and others. Medicare Part D helps cover the costs of prescription drugs.

#### What does Medicaid cover?

Each state administers its own Medicaid program within broad federal guidelines. Thus, the states determine the amount, duration, and types of benefits that Medicaid will provide. Typical Medicaid programs cover inpatient and outpatient hospital services, physician and surgical services, lab tests and X rays, family planning services, and services for pregnant women. There are also numerous optional benefits that states may choose to provide for Medicaid recipients.

#### What about long-term care?

Most long-term care isn't medical care, but rather help with basic personal tasks of everyday life, called custodial care. Medicare does not pay for custodial care. However, Medicare may pay for skilled care (e.g., nursing, physical therapy) provided in a Medicare-certified nursing facility for up to 100 days. In addition to skilled nursing facility services, Medicare also may pay for part-time skilled nursing care, physical therapy, medical social services, and some medical supplies such as wheelchairs and hospital beds.

The states have considerable leeway in determining benefits offered and services provided by their respective Medicaid programs. Generally, if you meet your state's eligibility requirements, Medicaid will cover nursing home services, home and community-based services, and personal care services.

# Key Retirement and Tax Numbers for 2017



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2017.

## Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$18,000 in compensation in 2017 (the same as in 2016); employees age 50 and older can defer up to an additional \$6,000 in 2017 (the same as in 2016).
- Employees participating in a SIMPLE retirement plan can defer up to \$12,500 in 2017 (the same as in 2016), and employees age 50 and older will be able to defer up to an additional \$3,000 in 2017 (the same as in 2016).

## IRAs

The limit on annual contributions to an IRA remains unchanged at \$5,500 in 2017, with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2016	2017
<b>Single/head of household (HOH)</b>	\$61,000 - \$71,000	\$62,000 - \$72,000
<b>Married filing jointly (MFJ)</b>	\$98,000 - \$118,000	\$99,000 - \$119,000
<b>Married filing separately (MFS)</b>	\$0 - \$10,000	\$0 - \$10,000

**Note:** The 2017 phaseout range is \$186,000 - \$196,000 (up from \$184,000 - \$194,000 in 2016) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals making contributions to a Roth IRA are:

	2016	2017
<b>Single/HOH</b>	\$117,000 - \$132,000	\$118,000 - \$133,000
<b>MFJ</b>	\$184,000 - \$194,000	\$186,000 - \$196,000
<b>MFS</b>	\$0 - \$10,000	\$0 - \$10,000

## Estate and gift tax

- The annual gift tax exclusion remains at \$14,000.
- The gift and estate tax basic exclusion amount for 2017 is \$5,490,000, up from \$5,450,000 in 2016.

## Personal exemption

The personal exemption amount remains at \$4,050. For 2017, personal exemptions begin to phase out once AGI exceeds \$261,500 (single), \$287,650 (HOH), \$313,800 (MFJ), or \$156,900 (MFS).

**Note:** These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2016 threshold amounts were \$259,400 (single), \$285,350 (HOH), \$311,300 (MFJ), and \$155,650 (MFS).

## Standard deduction

These amounts have been adjusted as follows:

	2016	2017
<b>Single</b>	\$6,300	\$6,350
<b>HOH</b>	\$9,300	\$9,350
<b>MFJ</b>	\$12,600	\$12,700
<b>MFS</b>	\$6,300	\$6,350

**Note:** The 2016 and 2017 additional standard deduction amount (age 65 or older, or blind) is \$1,550 for single/HOH or \$1,250 for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

## Alternative minimum tax (AMT)

AMT amounts have been adjusted as follows:

	2016	2017
<b>Maximum AMT exemption amount</b>		
<b>Single/HOH</b>	\$53,900	\$54,300
<b>MFJ</b>	\$83,800	\$84,500
<b>MFS</b>	\$41,900	\$42,250
<b>Exemption phaseout threshold</b>		
<b>Single/HOH</b>	\$119,700	\$120,700
<b>MFJ</b>	\$159,700	\$160,900
<b>MFS</b>	\$79,850	\$80,450
<b>26% on AMTI* up to this amount, 28% on AMTI above this amount</b>		
<b>MFS</b>	\$93,150	\$93,900
<b>All others</b>	\$186,300	\$187,800

\*Alternative minimum taxable income



**A large majority of caregivers provide care for a relative (85%), with 49% caring for a parent or parent-in-law.**

**Source: Caregiving in the U.S. 2015, National Alliance for Caregiving**

## What It Means to Be a Financial Caregiver for Your Parents

If you are the adult child of aging parents, you may find yourself in the position of someday having to assist them with handling their finances. Whether that time is in the near future or sometime further down the road, there are some steps you can take now to make the process a bit easier.

### Mom and Dad, can we talk?

Your first step should be to get a handle on your parents' finances so you fully understand their current financial situation. The best time to do so is when your parents are relatively healthy and active. Otherwise, you may find yourself making critical decisions on their behalf in the midst of a crisis.

You can start by asking them some basic questions:

- What financial institutions hold their assets (e.g., bank, brokerage, and retirement accounts)?
- Do they work with any financial, legal, or tax advisors? If so, how often do they meet with them?
- Do they need help paying monthly bills or assistance reviewing items like credit-card statements, medical receipts, or property tax bills?

### Make sure your parents have the necessary legal documents

In order to help your parents manage their finances in the future, you'll need the legal authority to do so. This requires a durable power of attorney, which is a legal document that allows a named individual (such as an adult child) to manage all aspects of a person's financial life if he or she becomes disabled or incompetent. A durable power of attorney will allow you to handle day-to-day finances for your parents, such as signing checks, paying bills, and making financial decisions for them.

In addition to a durable power of attorney, you'll want to make sure that your parents have an advance health-care directive, also known as a health-care power of attorney or health-care proxy. An advance health-care directive will allow you to make medical decisions according to their wishes (e.g., life-support measures and who will communicate with health-care professionals on their behalf).

You'll also want to find out if your parents have a will. If so, find out where it's located and who is named as personal representative or executor. If the will was drafted a long time ago, your parents may want to review it to make sure their current wishes are represented. You should also ask if they made any dispositions or

gifts of specific personal property (e.g., a family heirloom to be given to a specific individual).

### Prepare a personal data record

Once you've opened the lines of communication, your next step is to prepare a personal data record that lists information you might need in the event that your parents become incapacitated or die. Here's some information that should be included:

- **Financial information:** Bank, brokerage, and retirement accounts (including account numbers and online user names and passwords, if applicable); real estate holdings
- **Legal information:** Wills, durable powers of attorney, advance health-care directives
- **Medical information:** Health-care providers, medication, medical history
- **Insurance information:** Policy numbers, company names
- **Advisor information:** Names and phone numbers of any professional service providers
- **Location of other important records:** Social Security cards, home and vehicle records, outstanding loan documents, past tax returns
- **Funeral and burial plans:** Prepayment information, final wishes

If your parents keep some or all of these items in a safe-deposit box or home safe, make sure you can gain access. It's also a good idea to make copies of all the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

### Don't be afraid to get support and ask for advice

If you're feeling overwhelmed with the task of handling your parents' finances, don't be afraid to seek out support and advice. A variety of local and national organizations are designed to assist caregivers. If your parents' needs are significant enough, you may want to consider hiring a geriatric care manager who can help you oversee your parents' care and direct you to the right community resources. Finally, consider discussing the specifics of your situation with a professional, such as an estate planning attorney, accountant, and/or financial advisor.

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## How can I pay off the credit card debt I racked up over the holidays?

It's a common occurrence once the holiday season winds down — you reluctantly look at your credit card statement and

wince at all the purchases you made over the holidays. Fortunately, there's no need to panic. Consider using one of the following strategies to help pay it off.

**Make a lump-sum payment.** The best way to pay off credit card debt is with a single lump-sum payment, which would allow you to pay off your balance without owing additional interest. Look for sources of funds you can use for a lump-sum payoff, such as an employment bonus or other windfall. However, most individuals find themselves getting into credit card debt due to a lack of cash on hand in the first place, so this may not be an option for everyone.

**Pay more than the minimum due.** If it's not possible for you to pay off your balance entirely, always be sure to pay more than the required minimum payment due. Otherwise, you'll continue to carry the bulk of your balance forward without actually reducing your overall balance. You can refer to your monthly

statement for more information on the impact that minimum payments will have on your credit card balance.

**Prioritize your payments.** If you have multiple credit cards that carry outstanding balances, another payoff strategy is to prioritize your payments and systematically pay off your credit card debt. Start by making a list of your credit cards and prioritize them according to their interest rates. Send the largest payment to the card with the highest interest rate. Continue making payments on your other cards until the card with the highest interest rate is paid off. You can then focus your repayment efforts on the card with the next highest interest rate, and so on, until they're all paid off.

**Transfer your balances.** Another option is to transfer your balances to a card that carries a lower interest rate. Many credit card companies offer highly competitive balance transfer offers (e.g., 0% interest for 12 to 24 months). Balance transfers may enable you to reduce interest fees and pay more against your existing balance. Keep in mind that credit cards often charge a fee for balance transfers (usually a percentage of the balance transferred).



## What should I evaluate when considering a new job offer?

Today, few people stay with one employer until retirement. Instead, it's likely that at some point during your career, you'll

be searching for a new job. You may be looking for more money, greater career opportunities, or more flexibility. Or you may be forced to look for new employment if your company restructures. Whatever the reason, at some point in your working life you might be faced with a new job offer. Should you take it? Here are some things to evaluate.

**Salary:** How does the salary offer stack up against your previous job? If the offer is less than you expected, find out when you can expect performance reviews and/or pay increases (a typical company will review your salary at least annually). You can compare your salary offer to the salary range for others working in the same industry by looking at salary-related websites. In addition, consider the availability of bonuses, commissions, and/or profit-sharing plans that can increase your total income, and find out whether they're dependent on your own job performance, the company's performance, or a combination of both.

**Employee benefits:** What benefits does the company offer, and how much of the cost will you bear as an employee? A good employee benefits package can add the equivalent of thousands of dollars to your base pay. Benefits may include a retirement plan (hopefully with employer matching contributions); health, dental, and vision insurance; disability, life, and long-term care insurance; vacation time and sick leave; flexible spending accounts for health and dependent care expenses; tuition reimbursement; student loan assistance; child-care programs; transit programs; counseling services; pet insurance; and other miscellaneous benefits.

**Personal and professional consequences:** Will you be better off financially if you take the job? Is there schedule flexibility? Will you need to work a lot of overtime? Travel extensively? Consider any related costs of taking the job, such as transportation and day care. Also take a close look at the company's work environment and culture. You may be getting a good salary and great benefits, but if the work environment doesn't suit you, you may want to think twice.

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