Perspective

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MARCH 2015

It's Not Too Late!

There's Still Time to Contribute to your IRA for 2014

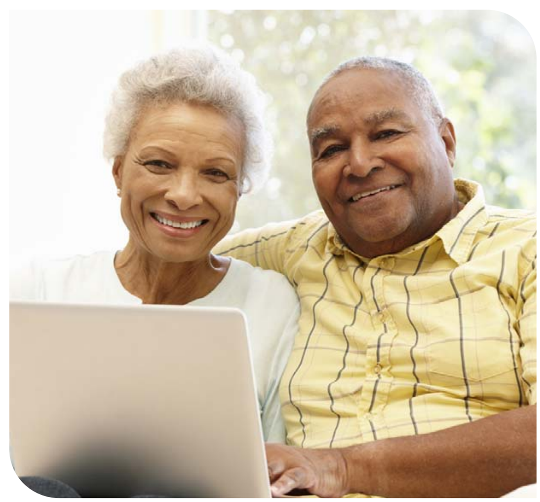
Have you maximized your IRA contribution for the 2014 tax year yet? If not, now's the time, as the April 15 deadline approaches. Contributions to Traditional IRAs reduce your taxable income, and any earnings grow tax-deferred—that's a powerful one-two financial punch. Remember: You can still contribute to an IRA, even if you participate in an employer-sponsored retirement plan, like a 401(k) or 403(b). For 2014, the total IRA contribution amount is $5,500. If you're 50 or older, an additional catch-up contribution of $1,000 is allowed.

Got Multiple IRAs? Know the New Rollover Rule.

Consolidating IRA assets in one account is a smart way to help with required minimum distributions. But if you decide to put all your IRA assets together this year, be aware of the new rollover rule.

Starting in 2015, you can only do **one** rollover of distributed IRA funds in a 365-day period. If you have two or more IRAs, this rule may limit how you consolidate assets.

There are two ways to roll over assets. The first is a trustee-to-trustee transfer, where two financial institutions handle the transaction without the account owner receiving any funds. This ensures the owner doesn't pay taxes, because it's not considered a distribution.



The second type allows the owner to receive funds from one IRA and manage the rollover to another IRA. Normally, funds received from the first IRA are considered a distribution, and are taxable and potentially subject to penalties. But if the owner completes the rollover within 60 days, taxes/penalties are avoided.

IRS rulings restrict this second type of rollover to one per year, starting from the distribution date (or once within a 365-day period, not once a calendar year). But previously, this rule applied per IRA account, not per account owner. So someone with multiple IRAs could make more than one rollover, as long as there was only one rollover per account within 365 days.

This interpretation has changed, thanks to a 2014 tax court ruling. Starting in 2015, the restriction applies *per taxpayer, not per account*. So if you have multiple IRAs, you can only do one rollover in a 365-day period.

This restriction doesn't apply to trustee-directed rollovers, because IRA funds are not distributed to the account owner. So this type of transfer is the simplest solution for IRA rollovers. ■

None of the information in this document should be considered as tax advice. You should consult your tax advisor for information concerning your individual situation.

Sources for information cited in this article:
https://www.kitces.com/blog/new-once-per-year-ira-rollover-rule-emerges-from-bobrow-v-commissioner-tax-court-case/

The Biggest Fear of Baby Boomers? And the Answer Is…

Out-of-control healthcare costs. According to a 2014 survey, the possibility that healthcare expenses will devastate retirement plans is the greatest fear of affluent Baby Boomers on the cusp of retirement.[1]

It's not a surprise. Healthcare expenses are the second largest item in most retirees' household budgets (after home-related expenses). Also, healthcare is the only expense that increases with age in terms of dollars spent and share of household costs, according to the Employee Benefit Research Institute (EBRI).[2]

EBRI divided healthcare expenses into two categories. The first included normal, out-of-pocket expenses, such as visits to the doctor and dentist, and prescription drugs. In 2011, average out-of-pocket healthcare expenses for retirees were as follows:[2]

- **Ages 65 to 74:** 11% of total household spending
- **Ages 85 and above:** 19% of total household spending

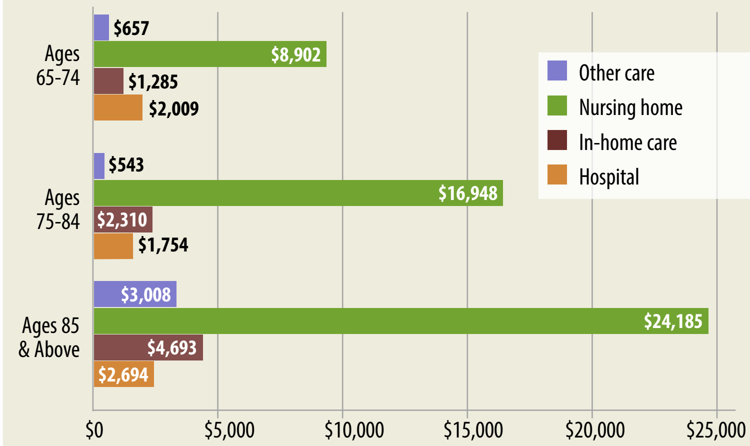
In other words, almost one-fifth of retirees' annual spending went to normal healthcare expenses.

While normal out-of-pocket expenses account for a hefty proportion of retirees' budgets, these costs are relatively low compared to the second category of healthcare expenses—those for home health care services, nursing home stays, and long-term care. The mean cost of in-home care for 65- to 74-year-olds was $1,285 from 2010 to 2012. For those 85 and above, it was $4,693. Nursing home costs ranged from $8,902 for younger retirees to $24,185 for older retirees.[2]

Contact us if you're concerned about healthcare costs in retirement. There are many ways to manage risks associated with healthcare expenses, so you can live comfortably throughout retirement.

Median Cost of Healthcare Expenses by Age Group

(2010 - 2012)



Source: EBRI

[1] *Affluent Boomers "Terrified" of Health Care Costs and Many Feel They Will Never Retire,* December 3, 2014.

[2] Sudipto Banjaree, *Utilization Patterns and Out-of-Pocket Expenses for Different Health Care Services Among American Retirees*, February 2015.

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