Perspective

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Health Savings Accounts vs. Flexible Savings Accounts

Don't confuse HSAs with flexible spending accounts (FSAs). They are not the same. Here are a few ways they are different.

1. You need to have a high deductible health plan to have an HSA but not an FSA.[3]
2. FSA contribution limits are lower than HSA limits ($2,550 for 2015).[3]
3. FSAs have no catch-up provisions.[3]
4. If your employer offers FSA carryovers, you may keep $500 in your account from one year to the next year.[3]
5. One of the most important differences is that any assets in an HSA can be used penalty-free to pay living expenses after age 65.[4]

Make sure you have the facts about HSAs and FSAs.

[3] BenefitsPro, *2015 HSA and FSA Cheat Sheet*, October 27, 2014.

[4] Kiplinger's, *FAQs About Health Savings Accounts*, December 1, 2015.

It's Tax Planning Time!

Tax planning is often viewed as an unwelcome chore. In reality, it's a gift. Planning ahead is a part of wise financial management and can result in minimizing the taxes you owe for 2015. Here are a few strategies to consider:

- **Adjust your withholding.** When you get a refund from the IRS, it means you have made an interest free loan to Uncle Sam. Whether you have money withheld from your paycheck or send quarterly tax payments, make sure you're withholding just the right amount—not too much and not too little.
- **Maximize contributions to tax-advantaged retirement accounts.** Money you set aside in tax-deferred accounts, such as employer-sponsored retirement accounts and Traditional IRAs, are made with pre-tax dollars so they lower your taxable income today. Any earnings grow tax-deferred and you don't pay taxes until you begin to take distributions.
- **Take advantage of Health Savings Accounts (HSA).** If you have a high deductible health plan, it may make sense for you to open an HSA. Employer contributions cannot be deducted; however, personal contributions are deductible to the tune of $3,350 for an individual or $6,650 for a family, plus $1,000 in catch-up contributions may be deducted if you're age 55 or over.[1]
- **Defer income.** The top tax rate is 39.6%. You're in that bracket if you earn more than $406,750 as a single taxpayer or $457,600 as a married couple filing jointly. If you're getting close to those limits, you may want to push income or a bonus into next year.[2]

Before you take action, make sure you talk with a tax professional to determine whether these tax strategies or others best suit your needs. ■

[1] IRS.com

[2] Bankrate.com, *10 Year-End Tax Moves to Make*, August 28, 2015.

How Do You Stretch an IRA?

Stretching an IRA is an estate planning idea. If you have an IRA and you don't spend the assets during your lifetime, then the money will pass to a beneficiary. Your beneficiary, often a spouse or a partner, can take a lump sum distribution (and pay any taxes on the amount distributed) or take distributions over his or her life expectancy. It all depends on the IRA provisions.

Some IRAs allow the beneficiary to take distributions over his or her life expectancy and designate a second-generation beneficiary (and, perhaps, third or fourth generation beneficiaries), which may make it possible for the distribution of assets to stretch over several generations. The advantages of stretching an IRA may include extending tax-deferred growth over many years,[5] and reducing taxes for beneficiaries.[6]

One significant issue to address is the possibility that Congress will limit or close the stretch IRA loophole. If that happens, non-spouse beneficiaries may be required to take all IRA assets within five years.[7]

When it comes to stretching an IRA, the devil is in the details. If you want to fund an IRA that has the potential to be stretched, or you inherit an IRA and want to stretch it, we can discuss whether a stretch IRA is right for you. ■

Should you stretch your IRA?

- Do you need your IRA assets during your retirement?
- Are you passing your assets on to a beneficiary?
- Do you want to reduce taxes for your beneficiary?
- Would you like to extend tax-deferred growth over many years?

If you answered "Yes" to any of these questions, then a stretch IRA may be right for you!

[5] Forbes, *4 Steps To Take Now That Stretch IRAs Are Endangered,* July 11, 2013.
[6] Investopedia, *Want To Leave Money To Your Family? Stretch Your IRA,* August 28, 2015.
[7] Reuters, *Three Retirement Loopholes Seen Likely To Close,* June 29, 2015.

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