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Welcome to my new newsletter!

I hope that you enjoy it and find it of value in building your financial knowledge!

February is here, and I'm not sure where January went, but for me, June is just around the corner! June is when my daughter, Allyson, will graduate from the University of Oregon. It will start, yet another chapter in her life and mine! I hope that each of you are looking forward to new chapters in your lives!

Please let me know of any topics you'd like to know more about and if you have something to share with the receipients of this newsletter, please let me know.

Warm regards,

Pam

February 2013

Flournoy Wealth Management

Your Financial Future

Pursuing Life Goals Together

New Strategic Alliance

Flournoy Wealth Management AND
TaylorWallis & Associates

Announce their Strategic Alliance

Alliance established to offer Employee Benefits to Business Owners

Pam Flournoy, CFP? has established an alliance with Virginia Taylor and Gena Wallis, allowing her to offer her individual and small business owner clients, the benefit of Taylor, Wallis and Associates' vast experience in the design, establishment, and continued support of employee benefit packages.

Flournoy Wealth Management's (FWM) growing clientele includes many business owners who can benefit from the high level expertise and service of 401(k) plans and Health Benefit Plans that Virginia Taylor and Gena Wallis provide. Their goal is to help FWM clients minimize the costs of providing employee benefits while maximizing the employee's appreciation of these significant costs. They work closely with the business owners and employees on the group plan side, while Pam focuses her talent on the individual financial needs of both parties, offering assistance with financial planning – consulting on a hourly basis, retirement analysis, investment management and insurance planning.

Pam looks forward to determining ways to complement the services of FWM with that of Taylor, Wallis & Associates, to help your business make the best decision for your financial future.

Taylor, Wallis & Associates

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Virginia Taylor CA Insurance License# 0610103, Gena Wallis CA Insurance License# 0C62732

Pam Flournoy, Virginia Taylor and Gena Wallis are Registered Representatives with LPL Financial.

Securities, Advisory Service and Financial Planning Services offered through LPL Financial, a Registered Investment Advisor. Member FINRA/SIPC.

See disclaimer on final page

Two Social Security Strategies for Married Couples

For more information about your options and the benefit application process, contact the Social Security Administration at 800-772-1213 or visit [www.socialsecurity.gov.](http://www.socialsecurity.gov)

Every situation is unique, and these strategies may not be appropriate for all couples. When deciding when to apply for Social Security benefits, make sure to consider a number of scenarios that take into account factors such as both spouses' ages, estimated benefit entitlements, and life expectancies.

Deciding when to begin receiving Social Security benefits is a major financial issue for anyone approaching retirement because the age at which you apply for benefits will affect the amount you'll receive. If you're married, deciding when to retire can be especially complicated because you and your spouse will need to plan together. Fortunately, there are a couple of strategies that are available to married couples that you can use to boost both your Social Security retirement income and income for your surviving spouse.

File and suspend

Generally, a husband or wife is entitled to receive the higher of his or her own Social Security retirement benefit (a worker's benefit) or as much as 50% of what his or her spouse is entitled to receive at full retirement age (a spousal benefit). But here's the catch--under Social Security rules, a husband or wife who is eligible to file for spousal benefits based on his or her spouse's record cannot do so until his or her spouse begins collecting retirement benefits. However, there is an exception--someone who has reached full retirement age but who doesn't want to begin collecting retirement benefits right away may choose to file an application for retirement benefits, then immediately request to have those benefits suspended, so that his or her eligible spouse can file for spousal benefits.

The file-and-suspend strategy is most commonly used when one spouse has much lower lifetime earnings, and thus will receive a higher retirement benefit based on his or her spouse's earnings record than on his or her own earnings record. Using this strategy can potentially boost retirement income in three ways: 1) the spouse with higher earnings who has suspended his or her benefits can accrue delayed retirement credits at a rate of 8% per year (the rate for anyone born in 1943 or later) up until age 70, thereby increasing his or her retirement benefit by as much as 32%; 2) the spouse with lower earnings can immediately claim a higher (spousal) benefit; and 3) any survivor's benefit available to the lower-earning spouse will also increase because a surviving spouse generally receives a benefit equal to 100% of the monthly retirement benefit the other spouse was receiving (or was entitled to receive) at the time of his or her death.

Here's a hypothetical example. Leslie is about to reach her full retirement age of 66, but she wants to postpone filing for Social Security benefits so that she can increase her monthly retirement benefit from $2,000 at full retirement age to $2,640 at age 70 (32% more). However, her husband Lou (who has had substantially lower lifetime earnings) wants to retire in a few months at his full retirement age (also 66). He will be eligible for a higher monthly spousal benefit based on Leslie's work record than on his own--$1,000 vs. $700. So that Lou can receive the higher spousal benefit as soon as he retires, Leslie files an application for benefits, but immediately suspends it. Leslie can then earn delayed retirement credits, resulting in a higher retirement benefit for her at age 70 and a higher widower's benefit for Lou in the event of her death.

File for one benefit, then the other

Another strategy that can be used to increase household income for retirees is to have one spouse file for spousal benefits first, then switch to his or her own higher retirement benefit later.

Once a spouse reaches full retirement age and is eligible for a spousal benefit based on his or her spouse's earnings record and a retirement benefit based on his or her own earnings record, he or she can choose to file a restricted application for spousal benefits, then delay applying for retirement benefits on his or her own earnings record (up until age 70) in order to earn delayed retirement credits. This may help to maximize survivor's income as well as retirement income, because the surviving spouse will be eligible for the greater of his or her own benefit or 100% of the spouse's benefit.

This strategy can be used in a variety of scenarios, but here's one hypothetical example that illustrates how it might be used when both spouses have substantial earnings but don't want to postpone applying for benefits altogether. Liz files for her Social Security retirement benefit of $2,400 per month at age 66 (based on her own earnings record), but her husband Tim wants to wait until age 70 to file. At age 66 (his full retirement age) Tim applies for spousal benefits based on Liz's earnings record (Liz has already filed for benefits) and receives 50% of Liz's benefit amount ($1,200 per month). He then delays applying for benefits based on his own earnings record ($2,100 per month at full retirement age) so that he can earn delayed retirement credits. At age 70, Tim switches from collecting a spousal benefit to his own larger worker's retirement benefit of $2,772 per month (32% higher than at age 66). This not only increases Liz and Tim's household income but also enables Liz to receive a larger survivor's benefit in the event of Tim's death.

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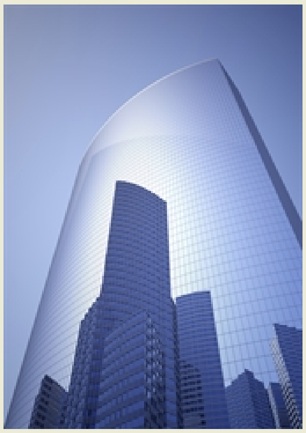
Real Estate Investment Trusts (REITs)

Before investing in a REIT, carefully consider its investment objectives, risks, fees, and expenses, which can be found in the prospectus available from the issuer. Read the prospectus carefully before investing.



Though shares of a REIT may be easier to liquidate than an actual real estate property, you shouldn't purchase a REIT that is not traded on an exchange or that is a private placement if you're counting on a quick sale. The market for resale of a private placement or REIT that is publicly registered but non-exchange traded is often extremely limited. Also, there may be limits on your ability to redeem your shares, and the high fees typically associated with purchasing such REITs can erode total return, particularly in the case of early redemption or sale. Make sure you're able to handle the risks of investing in something that you could be unable to sell for many years.

Many investors whose incomes are suffering from low interest rates have begun to seek investment alternatives to help supplement those incomes. One possibility often suggested is a real estate investment trust (REIT). REITs are a way to invest in commercial real estate without the responsibility of managing a property yourself, and with a much smaller investment than might otherwise be needed. However, REITs aren't suitable for every investor, and there are many factors to consider carefully before you buy.

Types of REITs

REITs can be classified based on their holdings. Equity REITs typically buy, sell, renovate, manage, and maintain real estate properties, and their return comes primarily from tenants' rents. Equity REITs may specialize in a specific type of property, such as warehouses, office or apartment buildings, health-care facilities, or shopping centers, or diversify across a variety of holdings. Mortgage REITs, which are less common than equity REITs, invest in mortgages and mortgage-backed securities or lend money to real estate owners or developers. Their income is derived largely from interest on those loans or securities plus any change in the value of those securities. Hybrid REITs employ both strategies.

REITs can be publicly traded on an exchange like stocks, or publicly registered but not publicly traded. They also can be private placements, which are not subject to the same disclosure or SEC registration requirements as either exchange-traded or nontraded REITs, and are only available to high-net-worth individuals. However, remember that even registration with the Securities and Exchange Commission doesn't necessarily mean that a REIT will be a good investment or appropriate for you.

Why invest in a REIT?

Diversification: Because the performance of REITs may not be highly correlated with the performance of stocks or bonds, they may offer another way to broaden your investment portfolio. Though diversification alone can't guarantee a profit or protect against the possibility of loss, it can potentially help you manage your portfolio's overall level of risk.

Income: As long as it pays out at least 90% of its net income, a REIT can deduct dividends paid to shareholders from its corporate taxable income. That lack of a tax burden can increase the amount available to distribute to shareholders, potentially making a REIT a source of ongoing income.

Potential tax advantages: The legal structure of some REITs allows them to use depreciation and deductions to offset or eliminate current tax liability on their cash distributions, essentially creating a tax-deferred income stream for shareholders. The tax code treats those distributions as a return of capital rather than corporate dividends, and they are used to adjust the shareholder's cost basis when the shares are sold.

Potential for keeping pace with inflation: Though current inflation is low, some experts worry that the Federal Reserve's efforts to stimulate the economy could eventually change that. Because landlords may be able to raise rents to keep pace with rising costs, real estate has traditionally been considered to be more inflation-resistant than bonds.

Factors to be aware of

Potential liquidity issues: In the past, individual rather than institutional investors have been the primary market for some types of REITs. Because institutions represent such a large percentage of the investing universe, that could potentially affect your ability to sell your shares at the price you expect. And be aware that non-exchange-traded and private-placement REITs are often extremely illiquid (see sidebar).

Valuations: Investors who have sought out REIT dividends as an alternative to the low interest being paid by U.S. Treasury bonds have helped drive up prices on many REITs in recent months, potentially increasing the danger that you could pay too much for shares. Before investing in a REIT, make sure you've carefully assessed its potential for further price appreciation along with other factors such as the stability of the rents on which a REIT's dividends are based. You also should compare the share price to the actual market value of the underlying properties minus any outstanding debt, though this can be extremely difficult in the case of a nontraded REIT or private placement. Remember that REIT securities' value can be affected by declines in rental income, changes in interest rates, property management, environmental issues, uninsured damage, competitive factors, or changes in real estate laws.

Potential tax complexity: Even though some REITs may provide a current tax benefit, they may require more attention at tax time. You'll also need to consider the type of account in which you plan to hold a REIT. The potential tax benefits mentioned above for certain REITs can be negated if they're held in a tax-advantaged retirement account.

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What health-care provisions are effective in 2013?

With the Supreme Court's favorable ruling on the constitutionality of the Patient Protection and Affordable Care Act (ACA), more of the law's provisions will become effective in 2013. Here are some of the new features that may be important to you.

Medicare Part D participants who reach a gap in their drug coverage (the "donut hole") are required to pay the entire cost of prescription drugs out-of-pocket. In 2013, the ACA will continue to close this gap by increasing subsidies to reduce the cost of brand-name and generic drugs to participants who reach the donut hole. These subsidies will continue until 2020, when the participant's maximum contribution toward the cost of prescriptions will be reduced to 25%.

The threshold for the itemized deduction for medical expenses increases from 7.5% to 10% of adjusted gross income, beginning in 2013. However, this increase is waived for taxpayers age 65 and older through 2016.

In 2013, the annual pretax employee contribution to a Section 125 cafeteria plan flexible spending account (FSA) is reduced to $2,500, subject to annual increases for cost-of-living adjustments. The reduction does not apply to certain employer nonelective contributions (e.g., flex credits).

Beginning in 2013, the hospital insurance (HI) portion of the payroll tax, commonly referred to as the Medicare portion, increases by 0.9% for individuals with wages exceeding $200,000 ($250,000 for married couples filing a joint federal income tax return, and $125,000 for married individuals filing separately).

In addition, 2013 marks the imposition of a new 3.8% Medicare contribution tax on the unearned income of high-income individuals. This 3.8% contribution tax generally applies to the net investment income of individuals with modified adjusted gross income that exceeds $200,000 ($250,000 for married couples filing a joint federal income tax return, and $125,000 for married individuals filing separately).

Looking ahead, 2014 brings the implementation of the health insurance exchanges, premium and cost-sharing subsidies, and the requirement that most individuals have health insurance.

How does health-care reform affect women?

The Patient Protection and Affordable Care Act (ACA) expands women's access to health insurance and adds several reforms to the existing health-care system that are specifically beneficial to women.

Access to care and affordability are important issues for women. According to the U.S. Department of Health and Human Services, because almost twice as many women than men who receive employer-provided health insurance are covered as dependents, they are susceptible to losing that coverage should they become widowed, divorced, or if their husbands lose their jobs.

In addition, the cost of coverage may significantly impact women. Women earn less than men, on average, and are more likely to be out of the workforce to care for children, parents, or other dependents. Because of this trend, out-of-pocket costs such as co-pays, deductibles, and premiums can pose a particular threat to women's access to affordable care.

The ACA provides for the creation of state-level health insurance exchanges, available to small businesses and uninsured individuals, that will serve as a marketplace of private and public health plans. Individuals and families purchasing insurance through insurance exchanges may be eligible for subsidies or tax credits (based on income) that can be applied towards the cost of insurance. According to the U.S. Census Bureau, 20% of women between the ages of 18 and 64, or about 19 million women, are uninsured. Of those, it is estimated that 36% will be eligible for tax credits and subsidies.

ACA specifies essential health benefits for women that must be offered by nongrandfathered plans. These benefits include maternity and newborn care, including prenatal visits and pediatric services. Several preventive services must be offered without co-payments or deductibles, including mammography exams; Pap tests; colonoscopies; type 2 diabetes screening; obesity screening; several immunizations including hepatitis, influenza, and HPV; and alcohol and tobacco counseling. Specific coverage benefits will continue to be shaped by U.S. Health and Human Services regulations.

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