Flournoy Wealth Management

Pam Flournoy, CFP® CDFA®
LPL Financial Advisor
CA Insurance License # 0E58750
1165 Lincoln Ave #330
San Jose, CA 95125
408-271-8800
408-887-8704
pam.flournoy@lpl.com
www.flournoywealthmanagement.com

2015 is here and I am looking forward to how it unfolds for each of us. No matter how many forecasts there are, I find very few that are accurate - whether a forecast about the financial markets or about our own lives -- we need to take what we know, what we value, and take wisdom and good judgment in making our decisions in all areas of our lives.

I enjoy helping my clients with information as to when and how to take Social Security. This is where some special calculations and understanding all of the rules involved can possibly make a BIG long after the decision has been made. Individuals thinking about or going through divorce are being helped through my growing experience and knowledge as a Certified Divorce Financial Analyst.

And a NEW SERVICE to my clients is being able to have them access my financial planning software, input their data and run their own scenarios!

How can I help you? Send me an email!

Happy 2015!

Pam

January 2015

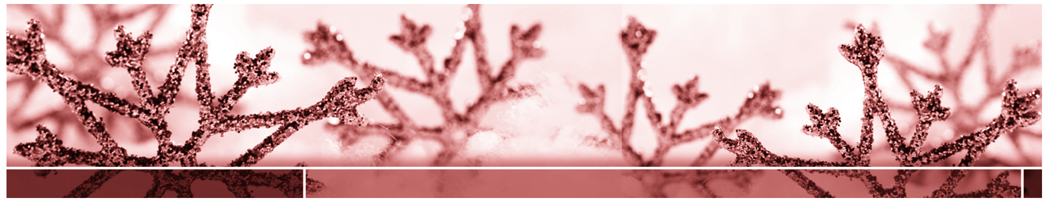
Key Numbers for 2015

No Matter What Your Age, Your Social Security Statement Matters

Should Life Insurance Be Part of Your Retirement Plan?

Do I have to pay an additional tax on investment income?

FLOURNOY
WEALTH MANAGEMENT



Your Financial Future

Key Numbers for 2015

Every year, the Internal Revenue Service (IRS) 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 2015.

Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $18,000 in compensation in 2015 (up from $17,500 in 2014); employees age 50 and older can defer up to an additional $6,000 in 2015 (up from $5,500 in 2014)
- Employees participating in a SIMPLE retirement plan can defer up to $12,500 in 2015 (up from $12,000 in 2014), and employees age 50 and older will be able to defer up to an additional $3,000 in 2015 (up from $2,500 in 2014)

IRAs

The limit on annual contributions to an IRA remains unchanged at $5,500 in 2015, 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:

	2014	2015
Single / head of household (HOH)	$60,000 - $70,000	$61,000 - $71,000
Married filing jointly (MFJ)	$96,000 - $116,000	$98,000 - $118,000
Married filing separately (MFS)	$0 - $10,000	$0 - $10,000

Note: *The 2015 phaseout range is $183,000 - $193,000 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:

	2014	2015
Single / HOH	$114,000 - $129,000	$116,000 - $131,000
MFJ	$181,000 - $191,000	$183,000 - $193,000
MFS	$0 - $10,000	$0 - $10,000

Estate and gift tax

- The annual gift tax exclusion remains $14,000
- The gift and estate tax basic exclusion amount for 2015 is $5,430,000, up from $5,340,000 in 2014

Personal exemption

The personal exemption amount has increased to $4,000 (up from $3,950 in 2014). For 2015, personal exemptions begin to phase out once AGI exceeds $258,250 (Single), $309,900 (MFJ), $284,050 (HOH), or $154,950 (MFS).

Note: *These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2014 threshold amounts were $254,200 (single), $305,050 (MFJ), $279,650 (HOH), and $152,525 (MFS).*

Standard deduction

The standard deduction amounts have been adjusted as follows:

	2014	2015
Single	$6,200	$6,300
HOH	$9,100	$9,250
MFJ	$12,400	$12,600
MFS	$6,200	$6,300

Note: *The 2015 additional standard deduction amount (age 65 or older, or blind) is $1,550 if filing as single or HOH (unchanged from 2014) or $1,250 (up from $1,200 in 2014) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.*

See disclaimer on final page

No Matter What Your Age, Your Social Security Statement Matters

Don't assume that Social Security is just for retirees; it's much more than a retirement program. According to the SSA, approximately 21% of individuals currently receiving benefits are younger than retirement age who are receiving disability or survivor benefits. Get in the habit of checking your Social Security Statement every year to find out what role Social Security might play in your financial future.*

**Source: Fast Facts & Figures About Social Security, 2014*

Fifteen years ago, the Social Security Administration (SSA) launched the Social Security Statement, a tool to help Americans understand the features and benefits that Social Security offers. Since then, millions of Americans have reviewed their personalized statements to see a detailed record of their earnings, as well as estimates of retirement, survivor, and disability benefits based on those earnings. Here's how to get a copy of your statement, and why it deserves more than just a quick glance, even if you're years away from retirement.

How do you get your statement?

In September 2014, the SSA began mailing Social Security Statements to most workers every five years. Workers attaining ages 25, 30, 35, 40, 45, 50, 55, and 60 who are not receiving Social Security benefits and are not registered for an online account will receive a statement in the mail about three months before their next birthday. Workers older than age 60 will receive a statement every year.

But why wait? A more convenient way to view your Social Security Statement is online. First, visit socialsecurity.gov to sign up for a personal *my* Social Security account (you must be 18 or older to sign up online). Once you have an account, you can view your Social Security Statement anytime you want, as often as you want.

Check your estimated benefits

Your Social Security Statement gives you information about retirement, disability, and survivor benefits. It tells you whether you've earned enough credits to qualify for these benefits and, if you qualify, how much you can expect to receive. As each Social Security Statement notes, the amounts listed are only estimates based on your average earnings in the past and a projection of future earnings. Actual benefits you receive may be different if your earnings increase or decrease in the future. Amounts may also be affected by cost-of-living increases (estimates are in today's dollars) and other income you receive. Estimated benefits are also based on current law, which could change in the future.

Retirement benefits

Although Social Security was never intended to be the sole source of retirement income, retirement benefits are still very important to many retirees. Your statement shows estimates of how much you can expect to receive if you begin receiving benefits at three different ages: your full retirement age (66 to 67, depending on your birth year), age 62 (your benefit will be lower), or age 70 (your benefit will be higher). When to start claiming Social Security is a big decision that will affect your overall retirement income, so if you're approaching retirement, this information can be especially useful. But even if you're years away from retirement, it's important to know how much you might receive, so that you can take this information into account as you set retirement savings goals.

Disability benefits

Disability is unpredictable and can happen suddenly to anyone at any age. Disability benefits from Social Security can be an important source of financial support in the event that you're unable to work and earn a living. Check your Social Security Statement to find out what you might receive each month if you become disabled.

Survivor benefits

Survivor protection is a valuable Social Security benefit you may not even realize you have. Upon your death, your survivors such as your spouse, ex-spouse, and children may be eligible to receive benefits based on your earnings record. Review your Social Security Statement to find out whether your survivors can count on this valuable source of income.

Review your earnings record

In addition to benefit information, your Social Security Statement contains a year-by-year record of your earnings. This record is updated whenever your employer reports your earnings (or if you're self-employed, when you report your own earnings). Earnings are generally reported annually, so keep in mind that your earnings from last year may not yet be on your statement.

It's a good idea to make sure that your earnings have been reported correctly, because mistakes do happen. You can do this by comparing your earnings record against past tax returns or W-2s you've received. This is an important step to take because your Social Security benefits are based on your average lifetime earnings. If your earnings have been reported incorrectly, you may not receive the benefits to which you're entitled.

What if you find errors? The SSA advises you to call right away if any earnings are reported incorrectly. The SSA phone number is 1-800-772-1213 (TTY 1-800-325-0778).

FLOURNOY WEALTH MANAGEMENT

Should Life Insurance Be Part of Your Retirement Plan?

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Any guarantees associated with payment of death benefits, income options, or rates of return are based on the claims-paying ability and financial strength of the insurer.

Most of us think of life insurance as protection against financial loss should we die prematurely. But if and when we reach retirement and the kids are all self-sufficient, do we still need life insurance? The answer is maybe--or maybe not. Here are some situations where life insurance may make sense for retirees, or those close to retirement.

Benefits at death

Provide for a dependent family member

Sometimes, even in retirement, there are family members who'll depend on you for financial and/or custodial support. Should you die unexpectedly, life insurance may help provide funds needed to support dependent family members who are physically or mentally challenged.

Income replacement for surviving spouse

Generally, Social Security retirement benefits are paid to both spouses, either based on their individual work records or on the work record of one spouse, with spousal benefits available for the other spouse. At the death of a spouse, his or her benefits end, reducing the total benefits available to the surviving spouse. Life insurance can be used to replace the loss of income for the surviving spouse.

Pay off debt

While past generations often retired with little or no debt, it is not uncommon for today's retirees to leave the workforce while still carrying a mortgage, car loan, and credit-card debt. Life insurance can provide the cash to pay off these debts, which is especially beneficial for a surviving spouse.

Provide a legacy

For many approaching retirement, as well as for those already there, a primary concern is having enough savings to provide income needed to live comfortably. While conserving savings and keeping track of spending in retirement are important, all too often retirees will forgo spending on themselves in order to fulfill a desire to leave a legacy. The death proceeds from a life insurance policy can provide a legacy for surviving family members, while allowing retirees to spend a little more on themselves, with the knowledge that they'll be leaving something for their loved ones.

Final expenses

Unfortunately, the expense of dying is often overlooked or underestimated. Uninsured medical bills, funeral costs, debts, and estate administration costs can add up. Typically, these expenses are paid in a lump sum, which can reduce savings for surviving spouses and dependent family members. Proceeds from life insurance can be used to help pay for these final expenses, which may help preserve savings for other needs.

Living benefits

Source of retirement income

While life insurance is designed to protect against unexpected economic loss, cash-value life insurance also may provide a source of income during retirement. Earnings in life insurance accumulate tax deferred, and in some instances cash-value distributions can be income-tax free. However, loans used to access cash values from a life insurance policy will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured.

Income you can't outlive

Your financial circumstances may change during retirement, and the need for the policy's death benefit may not be as important as the need for a steady income. One option that may be available is to exchange a portion or all of your policy's cash value for an immediate annuity that can provide a fixed income for the rest of your life, and for the life of your spouse if you choose. If the policy is not a modified endowment contract and there are no outstanding policy loans, the exchange to an annuity should be income-tax free. But exchanging your cash value for an annuity will likely decrease or eliminate the policy's death benefit. And these exchanges work only one way--you can't exchange an annuity for a life insurance policy.

Long-term care benefits

Some cash-value life insurance policies provide multiple sources of protection. Along with the death benefit and potential cash value, these policies may also provide a long-term care benefit. Often, these policies allow for a portion or all of the death benefit to be "accelerated" if used for the payment of qualifying medical and long-term care expenses.

Life insurance provides protection for your family's financial future should you die during your working years. However, life insurance may provide other benefits that can be useful during your retirement. Whether life insurance should be part of your retirement plan is best determined based on your individual circumstances and goals. You may want to talk with an insurance or financial professional before making this decision.

FLOURNOY
WEALTH MANAGEMENT

Flournoy Wealth Management
Pam Flournoy, CFP® CDFA®
LPL Financial Advisor
CA Insurance License # 0E58750
1165 Lincoln Ave #330
San Jose, CA 95125
408-271-8800
408-887-8704
pam.flournoy@lpl.com
www.flournoywealthmanagement.com

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

The tax information provided is not intended to be a substitute for specific individualized tax planning advice. We suggest that you consult with a qualified tax advisor.

Pam Flournoy is a Registered Representative with and, securities are offered through LPL Financial, Member FINRA/SIPC. CA Insurance License #0E58750

FLOURNOY
WEALTH MANAGEMENT

Do I have to pay an additional tax on investment income?

You might, depending on a few important factors.

A 3.8% net investment income tax is imposed on the unearned income of high-income individuals. The tax is applied to an amount equal to the lesser of:

- Your net investment income
- The amount of your modified adjusted gross income (basically, your adjusted gross income increased by an amount associated with any foreign earned income exclusion) that exceeds $200,000 ($250,000 if married filing a joint federal income tax return, and $125,000 if married filing a separate return)

So if you're single and have a MAGI of $250,000, consisting of $150,000 in earned income and $100,000 in net investment income, the 3.8% tax will only apply to $50,000 of your investment income.

The 3.8% tax also applies to estates and trusts. The tax is imposed on the lesser of undistributed net investment income or the excess of MAGI that exceeds the top income tax bracket threshold for estates and trusts ($12,150 in 2014). This relatively low tax threshold potentially could affect estates and trusts with undistributed income. Consult a tax professional.

What is net investment income?

Net investment income generally includes all net income (income less any allowable associated deductions) from interest, dividends, capital gains, annuities, royalties, and rents. It also includes income from any business that's considered a passive activity, or any business that trades financial instruments or commodities.

Net investment income does not include interest on tax-exempt bonds, or any gain from the sale of a principal residence that is excluded from income. Distributions you take from a qualified retirement plan, IRA, 457(b) deferred compensation plan, or 403(b) retirement plan are also not included in the definition of net investment income.

How can I try to manage the impact of an interest rate hike?

With higher interest rates a distinct possibility in 2015, you may want to think about whether the bond portion of your portfolio is positioned appropriately given your time horizon and risk tolerance. One factor you might consider is which types of bonds may be most vulnerable to a rate hike.

Some investors forget that a bond's principal value may fluctuate with market conditions. When interest rates rise, longer-term bonds may feel a greater impact than those with shorter maturities. When interest rates are rising, bond buyers may be reluctant to tie up their money for longer periods if they anticipate higher yields in the future. The longer a bond's term, the greater the risk that its yield may eventually be superseded by that of newer bonds.

High-yield bonds (also known as junk bonds) may be affected disproportionately because they involve greater risk. Issuers must pay those higher yields because they are seen as having a greater risk of default, especially if a company already has a high debt burden and/or a relatively short history of successful debt repayment, or is otherwise on shaky financial footing. Investors may be reluctant to purchase risky debt if they foresee receiving a comparable yield from an issuer seen as more trustworthy.

Bonds redeemed prior to maturity may be worth more or less than their original value; however, if you hold a bond to maturity, you would suffer no loss of principal unless the issuer defaults. Bond investments also may be laddered. This involves buying a portfolio of bonds with varying maturities; for example, a five-bond portfolio might be structured so that one of the five matures each year for the next five years. As each bond matures, you might be able to reinvest the proceeds in an instrument that carries a higher yield.

Don't forget that all investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. In addition to interest rate risk, bonds also face credit risk, inflation risk, and market risk.

Prepared by Broadridge Investor Communication Solutions, Inc. Copyright 2015