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*Objective Advice to Help You Reach  
Your Goals & Find Peace of Mind*

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## Greetings!

**The overall health of the economy is still not very good** in spite of some favorable news in the housing sector and a slight rebound in the stock market. Unemployment numbers are terrible and defaults on credit cards and mortgage payments continue. **We believe you should be prepared for another significant downturn in the equity (stock) markets and be pleasantly surprised if this does not occur.** If you are still ten years or more from retirement this may soon be a good time to invest. If you are close to or in retirement, make sure you have enough cash and bonds to both preserve capital and make withdrawals without having to sell equities. There are some other diversified investments that also may make sense now. Please discuss this with us if you have not already.

**The literature in financial circles has a new cliché: the “new normal.”** This term can refer to a new life style: more belt-tightening and less income but increased gratitude for family, home and health. It can also refer to relatively slower growth in the United States and relatively faster growth in emerging economies, such as China, India, and Brazil.

Healthcare is in the news. President Obama believes that cutting healthcare costs is the single most important thing we can do to reduce projected deficits. It seems that he has succeeded in showing the importance of health care reform to some degree and that some action may be taken. As you know, the devil is in the details- and only time will tell what the specifics may be and how they will affect you and the country.

**Health Care Coverage for Young Adult Children (19-24) – When will your child no longer be eligible for your health care plan? Coverage generally ends when a child turns 19, but coverage may continue under some health plans if the child is unmarried, attending school full-time and not older than 24.** Virginia and nineteen other states do not require health plans to cover a child past age 18, though some do. But

your child could also lose coverage if you lose your health plan for any reason, such as a job loss or benefit reduction.

**Planning for adequate health care coverage is a key component of financial planning. You should read the specifics of your policy, determine the date when your children will no longer be eligible for coverage and then share this information with them. If you think you might lose your coverage for any reason, please consider using an individual policy for the child, even if it is a high-deductible plan to protect from catastrophe.**

Should you be concerned about children having coverage even if they are 25 or are no longer financially dependent? Perhaps, if you don't want your child to run out of coverage, rack up too much medical debt or risk becoming uninsurable. Some young adults skip health insurance because they believe they're invincible or because they just can't afford it. This can be dangerous to long-term financial stability and could even prevent the child from being able to buy individual insurance in the future.

It can be very difficult to purchase private health, life or disability coverage today. **If applicants have any history of serious illness or drug use, are actively being treated, or are taking any number of prescription medications, they could be declined for private coverage or have to pay exorbitant rates.** Parents should consider discussing this issue with their children.

COBRA is an important-but typically expensive and temporary-solution to bridging the gap from a parent's health plan to another source of coverage. Regardless of the high-cost premium, COBRA can be an important option and needs to be considered. COBRA can extend the health care benefits, but at the group rate plus a small administrative fee. As a result of this federal legislation, young adults are eligible to keep the coverage they had as dependents for up to 36 months after becoming ineligible. This is a good alternative for those who have pre-existing conditions but are looking to find a job with benefits. (Federal law does not apply to small groups, but small businesses have a COBRA obligation under state law, often referred to as "mini-COBRA.")

**We think that it may be better for parents with sufficient wealth to help maintain adequate healthcare coverage for a son or daughter rather than to get blindsided by exorbitant health care bills after an emergency.**

**Life Insurance Coverage on a Child? - Some parents buy a small whole life policy for a child in the early teens to act as a safety for eventual dependents of the child in case he becomes uninsurable in the future.** A good insurance policy for this use should include the option to purchase additional insurance at various age points in the future at the same rate class. Use a highly-rated company and shop rates for high-quality policies.

**Emergency Preparedness** – It is hurricane season again and time to make certain you are ready for trouble! In addition, a recent alert has come out about issues related to the “swine flu” when flu season arrives in the fall. To learn more, go to flu.gov.

## **Disaster Supply Kit**

(From the Virginia Department of Health)

- **Water** – one gallon per person per day, for three-five days (half for drinking; half for sanitation and cooking). Rotate every six months.
- **Food** – three to five day supply requiring minimal water, no refrigeration, preparation or cooking (canned foods, granola bars, trail mix, etc.). Rotate every six months.
- **Pet supplies** – food, water, carriers, etc.
- **Manual can opener**
- **Sanitary supplies** – toilet paper, soap, garbage bags, plastic bags with seals, five-gallon bucket with lid, disinfectant, pre-moistened towels, diapers, feminine hyg.
- **Clothing** - One complete change
- **Footwear** - sturdy
- **Sleeping bag** or two blankets per person
- **First Aid Kits** – Prescription and non-prescription medications, extra eyeglasses and contact lenses, prepackaged first aid kits in home and each car
- **Cash** – small bills
- **Credit card**
- **Extra set of car keys**
- **Entertainment** – Games, toys, books
- **Comfort items** unique to infants, elderly, or disabled family members
- **List of emergency phone numbers**
- **Originals of important documents** (in fire-proof, water-proof portable safe)
- **Battery powered radio, flashlight**
- **Extra bulbs and batteries**
- **Call letters and dial setting** of your local emergency alert system taped to radio & TV
- **Wrenches, duct tape, whistle, utility knife**
- **Road map**
- **Cell phone**

**Credit Card Law** - New legislation will improve consumer disclosures and end some current outrageous practices but does not cap interest rates and fees. Most of the provisions do not go into effect until Feb. 22, 2010. Predictably, some banks are raising charges ahead of this date. **Read all mail from your credit card issuers.**

Under the new rules, credit card issuers won't be able to raise rates on existing balances unless you're late by 60 days or more. They will not be able to punish borrowers for late payments on unrelated accounts. And, starting in August 2010, if you should trigger the default rate because of a 60-day delinquency, the bank must restore the lower rate once

you make six consecutive on-time payments. For a thorough discussion of the new law, go to [bankrate.com](http://bankrate.com).

**Bank Fees** – Banks and credit unions are offsetting loan and investment losses with increased fee income and in some cases higher rates on credit and lower rates on savings. Read the literature that your bank sends so that you are aware of any changes. **Avoid unnecessary fees and compare interest rates; shop around if necessary.**

**Inherited IRA's rules are difficult and subject to change.** It's easy to deal with an IRA you inherit from your husband or your wife, because you can simply roll it into your own individual retirement account. If not rolled over, the required beginning distribution (RBD) date can be that of the decedent (person who died) or of the surviving spouse, whichever is more beneficial. A surviving spouse can also treat the IRA as an inherited IRA and begin taking distributions either the year following the original spouse's death or by April 1 of the year following the year the decedent would have reached age 70 and a half.

**But if you inherit an IRA from anyone else, there are some key rules to follow in order to get the most value out of your inheritance. Those rules are spelled out in the Internal Revenue Service's Publication 590, available at [www.irs.gov/pub/irs-pdf/p590.pdf](http://www.irs.gov/pub/irs-pdf/p590.pdf).**

If you inherit a traditional IRA from anyone other than your spouse, you can't treat it as your own. Instead, you need to have the account re-titled. According to IRS Notice 2007-7, the IRA must be "established in a manner that identifies it as an IRA with respect to a deceased individual and also identifies the deceased individual and the beneficiary, for example, 'Tom Smith as beneficiary of John Smith, deceased'". In other words, make sure to include the name of the deceased IRA owner in the title, along with an indication that it's for the benefit of the person who inherited it.

There is good reason to go through this trouble. The beneficiary of an inherited IRA can stretch out withdrawals from the account across his or her life expectancy. That means the assets have the potential to continue to grow, with earnings continuing to accrue on a tax-deferred basis. If an IRA has more than one heir, those heirs may be able to split the inherited account so they can use their individual life expectancies to take withdrawals. To do so, they have to separate the account by the end of the year following the year of the original owner's death. Otherwise, they have to use the oldest heir's age to calculate everyone's withdrawals. (The specific distribution rules and life-expectancy table involved are also in IRS Publication 590.)

**If you don't title the account properly as an inherited IRA, or you put the assets in your own IRA, you trigger immediate taxation on the account's entire value. Two other things to keep in mind: 1) After you re-title an inherited IRA, name a beneficiary of your own, known as a "successor beneficiary," and 2) If you do not need any distributions from any IRA in 2009 the law allows you to skip required distributions in 2009 only. This can save taxes and give time to allow the account to grow again.**