



Ashwood Advisors, LLC

5 North Meadows Road • Medfield, MA 02052 • (508) 359-9442 • GeremiaInvestments.com

Truth, Knowledge, Experience

1st Quarter 2010

How Does Health Care Reform Impact You?

Presented by *Stephen Geremia*

The recently passed Health Care Reform Act has made waves on Capitol Hill—and spawned a veritable frenzy in the media—but you still may be left scratching your head as to how the changes impact you. Of course, there is no way of telling how the act could impact the economy as a whole (or the political sphere), but there are key points regarding its implementation that individuals and business owners will find relevant—now or in the near future—for their personal bottom lines.

Mandatory health care

The main driver of health care reform was to ensure that every American citizen and legal resident had access to health care coverage. The bill requires this to happen by 2014, though some exceptions will apply, or violators will pay a fine. **Uninsured citizens who cannot afford coverage, approximately 32 million of them, will gain coverage through government subsidies and Medicaid.** Additionally, Medicare prescription payment limits will increase gradually through 2020.

Changes are not limited to those living in poverty. Business owners will also need to evaluate their existing group plans to meet the provisions of the act, including:

- **Waiting periods to join group health plans cannot exceed 90 days** (for employers with more than 50 employees).
- Employee **contributions to the health plan cannot exceed 9.8 percent of individual income** (If this amount is exceeded, the employer will be penalized).
- **Employees must be automatically enrolled**, unless they opt out, in the employer-sponsored group health plan (i.e., for employers with more than 200 employees).
- Group health plans must provide for **preventative care without cost-sharing requirements**.
- Insured group health plans will be subject to **nondiscrimination rules** similar to those in effect for self-funded plans.
- Lifetime and annual **limits on coverage will be prohibited**.

Hi Everyone,
Spring is finally here, the floods are receding and the Dow Jones stands above 11,000. Things are looking up. Unemployment is traditionally a lagging indicator and certainly rings true in this cycle.

Have a great Spring!

*Sincerely,
Steve Geremia*

In This Issue:

- **How Does Health Care Reform Impact You?**
- **Be Alert of Internet Scams During Tax Season**

There are many more details for the business owner to consider, but this list of changes should illustrate the scope of the act and the impact it may have on businesses of all sizes and their employees.

Additional changes will impact insurance carriers such as:

- **Children covered by insurance cannot be excluded for pre-existing conditions.**
- Adults with pre-existing conditions will be able to buy coverage from temporary high-risk pools until 2014; thereafter, **coverage cannot be denied for pre-existing conditions.**
- Insurers cannot cancel or deny coverage if a person is **legitimately sick.**
- Insurers will not be able to impose **lifetime caps on insurance coverage.**

Because they can no longer use pre-existing conditions as part of the equation, insurers will also be limited as to the criteria they can use to dictate individual ratings (for insurability).

How Does Health Care Reform Impact You?— *continued*

Reform does not come free

The insurance industry and employers will face penalties and potential tax changes as a result of the act, but, given that the projected cost is about \$940 billion, funding will need to come from other sources as well. These include:

- In 2013, **the Medicare portion of FICA tax will increase by 0.9 percent, to 2.35 percent**, for taxpayers with income over \$250,000 (jointly) and \$200,000 (individually).
- In 2013, **a 3.8-percent surtax will be imposed on net investment income** (limits will apply) for tax payers with income over \$250,000 (jointly) and \$200,000 (individually).
- In 2011, **Medicare Part D subsidies will be reduced for taxpayers with income over \$170,000 (jointly) and \$85,000 (individually)**.
- In 2018, **a 40-percent excise tax will be imposed on “Cadillac” health insurance coverage** (i.e., a tax on most health plan coverage to the extent the value of the coverage exceeds \$10,200 for individual coverage and \$27,500 for family coverage).
- In 2013, the threshold on personal deductions for unreimbursed medical expenses will increase from 7.5 percent, to 10 percent, of adjusted gross income.
- **A 10-percent excise tax will be imposed on indoor tanning services, beginning in July 2010.**

Now is the time to find out what the act will mean for you

Although the cost of the act is great, **the Congressional Budget Office expects that the final legislation will cut the national deficit**. Whether that is true remains to be seen; however, regardless of what the future may hold, now is a good time to consider what these tax and health care coverage changes may mean for you personally—or for your business—and to evaluate strategies to minimize the impact. A financial professional can help you with a financial check-up and put a financial care plan in place for the years to come, regardless of what the legislation may bring.

This planet has— or rather had—a problem, which was this: most of the people living on it were unhappy for pretty much of the time. Many solutions were suggested for this problem, but most of these were largely concerned with the movements of small green pieces of paper, which is odd because on the whole it wasn't the small green pieces of paper that were unhappy. ~ Douglas Adams

Pullback is Evident by Chinese Lenders— *China's bank lending slowed in March after moves by Beijing to stem a flood of credit now that the economy is improving. According to data issued by the People's Bank of China on Monday, financial institutions in China extended 510.7 billion yuan (\$74.85 billion) of new local-currency to loans in March, down From 700.1 billion yuan in February. ~ WSJ 04/13/2010*

Friday, April 16th is “Tax Freedom Day.” That’s the day according to the Tax Foundation, we have made enough money to cover our tax liability for the year. Congratulations, for the rest of 2010 you get to keep what you make.

Be Alert to Internet Scams During Tax Season

Presented by Stephen Geremia

“Experience is the name everyone gives to their mistakes.” — Oscar Wilde

Experience can be a good thing, but not when it comes to fraud. One mistake you don't want to make is to fall victim to an Internet scam, as it could lead to the loss of money or even your identity. Cyber crimes are a widespread threat these days, but tax season presents some specific attempts to be wary of.

As surely as you are working hard to file your paperwork, Internet scam artists are working hard to defraud you by posing as the IRS. You should always be cautious about opening unsolicited e-mails, but it's easy to overlook a scam at a time when you are also receiving legitimate messages about your taxes.

Common Internet tax scams

To help you discern the “real” e-mails from the phony, here are three common scams to watch for:

Underreported income. Claiming to originate with the IRS, these fraudulent e-mails allege that you have underreported income and that you can find out how much you owe by opening an attachment. But beware: doing this downloads a virus.

A virus attacks your computer and can attach itself to other programs on your system. Many e-mail viruses replicate themselves when you open the viral attachment or read the e-mail and then send themselves to your contacts, who think the message is from you. Viruses can cripple your computer; you don't want to send them along to your friends and coworkers.

Refund. These communications promise quick and easy tax refunds—in exchange for your personal information and for details about your financial institution. It's obvious that this type of information could allow a would-be criminal to pose as you and access your personal finances. If your social security number gets into the hands of the wrong person, that person can do serious damage to your credit, which can take years—or even a lifetime—to repair.

Making work pay. These messages refer to reduced payroll taxes for qualifying individuals through a provision of the 2009 government stimulus package. They ask for personal information so that the IRS can deposit money owed you into your bank account. In reality, the provision provides a tax credit for qualified individuals in the form of reduced withholding from their paycheck.

Like the Refund scam, the perpetrators here are fishing (or, rather, phishing) for your identifiable personal information to do things like open credit lines in your name and access your bank and investment accounts.

Tips to help you avoid becoming a victim

1. **The IRS never discusses official tax matters over the Internet.** Forward any communication where the sender poses as the IRS via e-mail to phishing@irs.gov; then, delete the e-mail from your inbox.
1. **Don't open attachments from unknown senders.**
2. **Research a company or website** before you submit personal information.
3. **Never give your social security number to an unknown source online.**

Visit the FBI website, www.fbi.gov/cyberinvest/escams.htm, to learn whether the type of e-mail you received is a common cyber scam. The site also offers tips for avoiding Internet scams.

Hopefully, this information will prevent you from falling prey to Internet scams during tax season and throughout the year. You can always discuss any suspicious communications you receive with a trusted financial professional or tax advisor before opening the door—or e-mail—to risk.

The Federal Reserve has a congressional mandate as defined in the Federal Reserve Act of 1977, to promote “stable prices” and “maximum employment”. To that end we are still off the mark. In similar economic cycles the change in the unemployment rate from its peak:

February, 1994 -1.7% +3,939,000 Jobs
 June, 2004 -0.7% + 460,000 Jobs
 February, 2010 -0.4% - 1,114,000 Jobs

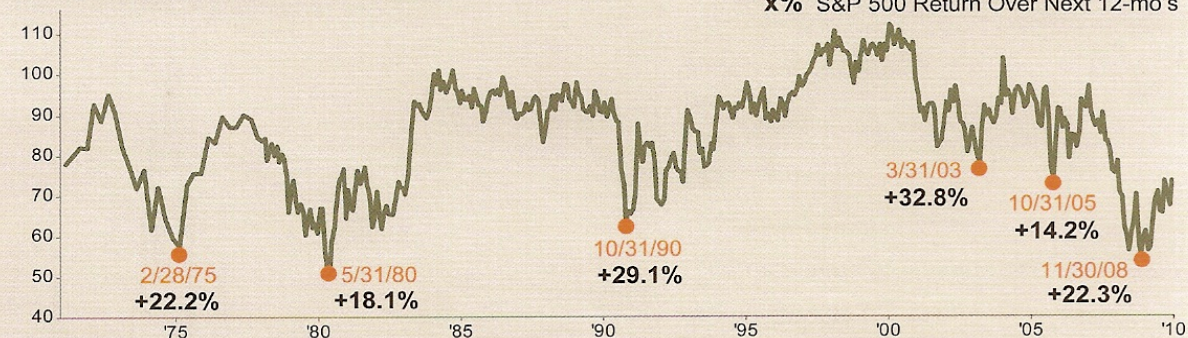
MARKET INSIGHTS

Lagging Economic Indicators

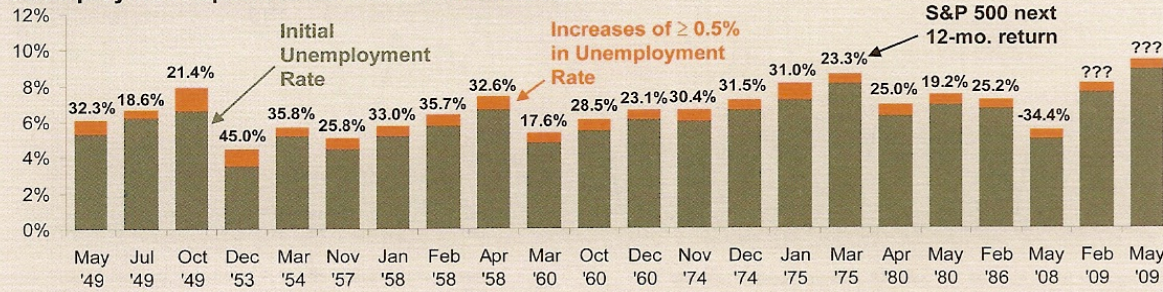
Economy

Consumer Sentiment Index - University of Michigan

Including subsequent S&P 500 Index 12-month return



Unemployment Spikes ≥ 0.5% and Market Returns



Source: Standard & Poor's, BLS, FactSet, University of Michigan, J.P. Morgan Asset Management.

Market return reflects S&P 500 Price Index return (not including dividends) for 12-month period following each low in consumer sentiment and unemployment spike, as indicated in chart. Returns are calculated using month-end values.

J.P.Morgan
Asset Management

Inflation hasn't ruined everything. A dime can still be used as a screwdriver.

~ Quoted in **D.S. I Love You**, compiled by **H. Jackson Brown, Jr.**

Please tear off here and return to address below

Please add the following person (s) to your Newsletter mailing list:

Please send a copy of this Newsletter to:

Name: _____

Address: _____

Tel: _____

5 NORTH MEADOWS ROAD · MEDFIELD, MA 02052 · TEL: 508-359-9442 · FAX 508-359-2494 · EMAIL: SGEREMIA@GEREMIAINVESTMENTS.COM
 SECURITIES OFFERED THROUGH COMMONWEALTH FINANCIAL NETWORK, MEMBER FINRA, SIPC