



# Axial Financial Group

Centered on You.

July 2009

**Axial Financial Group**  
5 Burlington Woods Drive  
Suite 102  
Burlington, MA 01803  
(Tel) 781-273-1400  
(Fax) 781-273-1402  
info@axialfg.com

Dear Clients:

Summer is finally here and we hope you will have the chance to enjoy the nice weather with your friends and family.

Although this is the time of year for rest and relaxation, at Axial we never take a vacation from working to protect and grow your investments or assisting you with other Wealth Management needs. Mid-year is a good time to make sure your 401K is allocated properly; to check that you have contributed to your IRA or Roth IRA for 2009; or simply to make sure all the different insurance products you have are meeting your current needs.

We would be pleased to help you with any and all of these issues. Simply give us a call or send us an email and we will do our best to assist you in any way we are able. We look forward to talking to you or seeing you soon.

Axial Financial Group

### In this issue:

Social Security: Late Retirement Boosts Benefits

Retiring Early? Don't Forget about Health Insurance

Charitably Inclined? The Income Tax Benefits of Giving

Is it possible to accidentally disinherit my heirs?

## Social Security: Late Retirement Boosts Benefits

If your retirement savings have taken a beating, you may be wondering how you will make up a monthly retirement shortfall. One option might be to delay receiving Social Security benefits. Although you can receive retirement benefits as early as age 62, the longer you put off retirement, the larger your monthly benefit check will be.

### When can you retire?

How much you'll receive from Social Security every month depends mainly on how old you are when you begin receiving benefits and on your lifetime earnings. Your full retirement age is 65 to 67, depending on the year you were born. The Social Security Administration calculates your base benefit--the amount you'll receive at full retirement age--using a formula that takes into account your 35 highest earnings years.



If you begin receiving benefits earlier, you'll receive less than you would at full retirement age. If you begin receiving Social Security benefits at age 62, each monthly check you receive will be 25% to 30% less than it would be if you waited until full retirement age.

If you begin receiving benefits later than full retirement age, you'll receive more than you would receive at full retirement age, because you'll earn delayed retirement credits for each month you postpone retirement up until age 70. Delayed retirement credits will increase the amount you receive by 7% annually if you were born in 1939 or 1940, 7.5% if you were born in 1941 or 1942, or 8% if you were born in 1943 or later.

### Retirement benefit illustration

The following chart illustrates how the age you begin receiving benefits can greatly affect the amount of income you receive from Social Security every month. The chart assumes a

full retirement age of 66, and a base benefit at full retirement age of \$2,000 (which is nearly the maximum Social Security benefit an individual can receive).

Social Security Retirement Benefit



In this hypothetical example (your individual situation will be different), the Social Security benefit available at age 62 is \$1,500, which is 25% less than the \$2,000 monthly benefit available at full retirement age. But at age 70, the benefit available is \$2,640, which is 32% more than the monthly benefit available at full retirement age, due to delayed retirement credits. Keep in mind, too, that other factors, including post-retirement earnings and cost-of-living increases, can also affect your monthly benefit check.

You can explore various retirement benefit scenarios by using the Retirement Estimator, or one of the other benefit calculators available at the Social Security Administration's website, [www.ssa.gov](http://www.ssa.gov).

There's no right or wrong time to begin receiving Social Security retirement benefits, and you should determine how retiring at a certain age affects your overall lifetime income, as well as your monthly income. How long retirement is likely to last, the effect on your spouse's income, and your tax situation are also considerations when deciding when to retire.



## Retiring Early? Don't Forget about Health Insurance



### Retiree health benefits

*In 2008, only 31% of large employers (200 or more employees) offered retiree health benefits, while a mere 4% of small employers (3 to 199 employees) offered retiree health benefits.*

*Source: Employer Health Benefits 2008 Annual Survey. Kaiser Family Foundation.*



Thinking about retiring early? As part of the decision, you've got to calculate whether you'll have enough retirement income to meet your needs. While adding up the costs of customary living expenses, utilities, and an occasional vacation, don't forget to include another important retirement expense: health insurance.

We're living longer and health-care costs are surging. Unless you qualify for Medicare (you must be at least 65 for coverage) or you're very wealthy, you probably can't afford to go without health insurance. And, unless you're lucky, you probably can't rely on your former employer for coverage, since few companies offer retiree health-care benefits. Underestimating the impact of medical costs could significantly hamper your plans for a comfortable retirement.

### What are some of your options?

*Check out your working spouse's insurance* to see if you can be added to his or her policy. But adding you as an insured likely will increase the premium cost to your spouse.

*Ask your employer* if it's possible to remain covered under its group plan. Usually, plans don't extend coverage beyond active employees and their dependents. But, it's sometimes possible to remain covered, though you'll probably have to reimburse your employer for the cost to keep you on the plan.

COBRA may be another option allowing you to remain covered under your employer's group health plan. If your retirement causes you to lose your health insurance, you can remain on your employer's plan for a maximum of 18 months (with some exceptions). You'll have to pay the entire premium amount, plus a possible 2% administrative fee. And keep in mind that employers with fewer than 20 employees don't have to offer COBRA, so it might not be available.

### Shop for individual coverage

If you're going to buy an individual health insurance policy, you may find the premium cost to be quite steep, especially if you're also insuring your spouse and dependents. And there's no guarantee you'll even receive coverage. In most states, insurance companies can examine your health history and

medical records (called underwriting) in order to determine whether you qualify for insurance and at what cost. However, a few states do not allow underwriting for health insurance plans.

### Saving a few premium pennies

Here are a few suggestions that might help you lower the cost of individual health insurance. Group rates are usually less expensive, so look for health insurance plans offered by trade associations or churches. Be aware that while coverage might cost less, you may have to pay a membership or association fee to the group offering the coverage. Also, the plan may have high deductibles and co-payments, and the benefits and options, including your choice of physicians and medical facilities, may be limited.

***Unless you qualify for Medicare (you must be at least 65 for coverage) or you're very wealthy, you probably can't afford to go without health insurance.***

To lower premium costs, consider increasing your deductibles. By shouldering the cost of any treatment you might need, you'll decrease your premium expense.

Also, in states that allow underwriting, the cost of an individual policy of health insurance is based, in part, on your age and health. A preexisting medical condition could affect your premium or even cause you to be denied coverage. So before applying for new health insurance, consider getting in better shape, especially if you think you're a little overweight. Smoking is also a ticket to a higher premium, so quit if you can. Since the insurance company will examine your medical records, review them first with your doctor to remove any inaccuracies, and to clarify the reasons for examinations or treatments.

Finally, if you're denied coverage because of poor health, don't despair; you may still be able to get insurance if your state sponsors a high risk pool. If your state does, you can't be denied coverage, so long as you can show you aren't able to get insurance elsewhere. Be aware, however, that coverage might not be as comprehensive as other options, you may have a six-month or longer waiting period, and not all states offer this type of health insurance.

## Charitably Inclined? The Income Tax Benefits of Giving

Do you give regularly to a religious organization? Perhaps you make an occasional gift to a charity like the Salvation Army, United Way, or Red Cross? It's said that a good deed is its own reward, but when it comes to your federal income tax return, there's a little more to it than that--Uncle Sam rewards your generosity by allowing a deduction for qualified charitable contributions. The rules, however, can be confusing.

### Itemizing deductions

First, in order to deduct a charitable contribution, you've got to file IRS Form 1040 and itemize your deductions on Schedule A. So, if your allowable charitable deduction plus all your other itemized deductions doesn't add up to more than your standard deduction (for example, married couples filing a joint return are entitled to an \$11,400 standard deduction in 2009), you generally won't realize a tax benefit from the charitable contributions you've made. And because total itemized deductions are currently reduced for higher incomes (this won't be the case in 2010, but it is for 2009), your charitable deduction may consequently be limited as well.

### Qualified organizations

You can only deduct contributions that are made to qualified organizations. Churches, synagogues, temples, and mosques automatically qualify. Almost all other organizations have to apply to the IRS. An organization should generally be able to tell you if it is a qualified organization. You can also check IRS Publication 78, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986, which is available online at [www.irs.gov](http://www.irs.gov).

### Did you receive a benefit?

Generally, if you make a contribution and receive a benefit as a result, you can only deduct the amount that's more than the value of the benefit you receive (for contributions over \$75, the charity must give you a statement describing the value of the goods and services provided to you). So, if you pay \$200 at a charity auction for a weekend getaway that has a fair market value of \$150, your deductible charitable contribution is \$50.

You can, though, deduct your entire payment to a qualifying organization if you receive only a token item or benefit in return, and the organization determines that the value is not substantial and tells you that you can deduct

the full amount of your payment. (Special rules apply to payments made to colleges and universities for the right to buy tickets to athletic events.)

### Limits based on income

Your deduction for charitable contributions generally can't be more than 50% of your adjusted gross income (AGI) for the year. A lower percentage AGI limitation may apply to:

- Contributions made to certain organizations (e.g., veterans' organizations, fraternal societies)
- Contributions made "for the use of" any organization (contributions held in trust for the qualifying organization)
- Gifts of capital gain property

If these limits prevent you from deducting your contributions in the current year, you're able to carry forward your excess contribution for up to five years.

### What if you volunteer your time?

If you volunteer your services to a qualified organization, you are allowed to deduct unreimbursed amounts that are directly connected with the services you provide. You can deduct out-of-pocket expenses that are directly related to the use of the vehicle in providing services. You can use actual expenses, or base your auto deduction on the standard mileage rate (currently 14 cents per mile). You can also deduct parking and tolls. You can't, though, deduct the value of your time.

### Recordkeeping

Make sure that you keep records that document the contributions that you make during the year.

For cash contributions, you'll need a bank record (e.g., a canceled check or a credit card statement), or a receipt from the organization that includes the name of the organization as well as the date and amount of the contribution. If you make an individual contribution of \$250 or more, you'll need a written acknowledgement from the organization that meets specific requirements.

If you made noncash contributions, the specific documentation that's required depends upon the amount of the deduction.

For additional information, see IRS Publication 526, Charitable Contributions, and discuss your situation with a tax professional.



**Special rules apply in many situations, including contributions of:**

- *Clothing or household items*
- *A car, boat, or airplane*
- *Appreciated property*
- *Taxidermy property*
- *Property subject to a debt*
- *A partial interest in property*
- *A fractional interest in tangible personal property*
- *A qualified conservation contribution*
- *A future interest in tangible personal property*
- *Inventory from your business*
- *A patent or other intellectual property*



The accompanying pages have been developed by an independent third party. Commonwealth Financial Network is not responsible for their content and does not guarantee their accuracy or completeness, and they should not be relied upon as such. These materials are general in nature and do not address your specific situation. For your specific investment needs, please discuss your individual circumstances with your representative. Commonwealth does not provide tax or legal advice, and nothing in the accompanying pages should be construed as specific tax or legal advice. Securities and Advisory Services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser.

## Ask the Experts



### Is it possible to accidentally disinherit my heirs?

Yes. One of the most tragic estate planning mistakes is unintentionally disinheriting an heir. Here are some of the most common ways this unfortunate situation can occur.

One of the biggest causes of accidental disinheritance is the simplest: failure to make a will. In this case, property passes according to the intestacy laws of the state in which you're "domiciled."

Making an ineffective or faulty will can also result in misdirected allocations. For example, you may fail to provide for children born after you make your will (this is what happened to Anna Nicole Smith and Heath Ledger). The lesson here is to forgo the do-it-yourself kit and hire an experienced estate planning attorney to draft and execute your will, and review it every year or two.

Failing to update your will can result in allocations that are made according to an old will. This can lead to unwanted allocations (for

example, the disinheritance of children when Mom or Dad remarries and everything passes to the new spouse). Make it a rule to review and update your will periodically, especially after major life events such as marriage, a birth or adoption, divorce, or death. Also, update beneficiary designations (for life insurance policies, retirement accounts, payable on death accounts, etc.) annually. And, remember that beneficiary designations trump provisions made in your will.

A fourth cause of accidental disinheritance is what's known as ademption. This is the failure of a specific bequest made in a will because the property no longer exists in the decedent's estate for some reason. For example, you might leave your car to your son in your will, and then sell or gift it to someone else before you die. A similar situation can occur when a life insurance policy is allowed to lapse (so check that your elderly parents don't forget to make their premium payments).