



CYPEN & CYPEN
NEWSLETTER
for
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Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. HOW RETIREMENT PLANS STEER WORKERS TO LEAVE:

Defined benefit plans of governments, in effect, steer many employees to leave once they reach older ages, by creating financial disincentives to staying on, according to fedweek.com. A study by the Urban Institute notes that seven in eight full-time state and local employees are covered by traditional defined benefit type plans (as are all federal employees,

under either CSRS or FERS). As with the federal government program, retirement is typically allowed by achieving some combination of age and years of service and benefits, which typically is based on a formula of years of service and a salary figure. The study found that in nearly two-thirds of state and local plans, employees hired at age 25 maximize their lifetime benefits by age 57, and among the remainder, the maximum commonly is reached by age 61 -- in some other cases, by age 64. Some plans cap retirement benefits, so some long-tenured employees cannot even boost their monthly benefits by working longer. In contrast, federal government benefits continue to build as long as an individual is employed, with the caveat that there is a maximum CSRS benefit of 80% of salary that typically is not reached until nearly 42 years of service (earlier for some who worked in positions with special higher contribution and benefit accumulation rates). Those who hit that maximum can receive any excess contributions they made toward the system as a refund or can roll it over into an IRA. Plans that pushed workers into early retirement might have made sense decades ago when employers were eager to hire young baby boomers surging into the labor force, but they are hard to justify today as the population ages. Health gains and declines in physical work also enable elderly people to work now than before.

2. COMPASSIONATE ALLOWANCES SPEED HELP TO PEOPLE

WITH SEVERE DISABILITIES: Disability can happen to anyone. If you suffer from a serious medical condition that prevents you from working, time is of the essence when it comes to applying for Social Security

disability benefits according to socialsecurity.gov. Although Social Security is committed to processing disability claims as quickly as possible in all cases, the SSA initial claims process typically takes three to five months. Because compassion is a cornerstone of SSA's public service commitment, in some cases, they are able to expedite the application process through their Compassionate Allowances program. Social Security uses Compassionate Allowances to identify people whose medical condition is so severe they obviously meet SSA's disability standards. Under the Social Security Act, SSA considers you disabled if you cannot work due to a severe medical condition that is expected to last at least one year, or result in death. Social Security pays benefits under two programs, Social Security Disability Insurance and Supplemental Security Income programs. SSA's disability program provides benefits and Medicare eligibility to workers with disabilities who paid into the Social Security trust fund through payroll taxes. Under some circumstances, children and family members can receive disability benefits. SSI pays benefits to disabled persons of all ages with limited income and resources. SSI benefits are not paid out of the Social Security trust fund. Farber's disease and Tay Sachs disease in children, advanced pancreatic and ovarian cancer in adults are examples of some of the 223 conditions on the Compassionate Allowances list. Others include Huntington's disease and Creutzfeldt-Jakob disease, which cause rapid brain deterioration in otherwise healthy adults. For a complete list of the Compassionate Allowances conditions, go to www.socialsecurity.gov/compassionateallowances. The Compassionate Allowances initiative also provides grants to medical researchers to

identify other conditions that may qualify for this list. This initiative is just one of many ways Social Security works to help provide you with peace of mind when disability happens. Learn more at www.socialsecurity.gov.

3. MANY ELIGIBLE TAXPAYERS COULD BENEFIT FROM THE SAVER'S CREDIT IF THEY ONLY KNEW ABOUT IT:

Millions of American workers may be missing out on a valuable tax credit this year according to International Foundation of Employee Benefit Plans. The Saver's Credit, also referred to as the Retirement Savings Contributions Credit by the Internal Revenue Service, is available to low-to-moderate income workers who are saving for retirement, yet just 25% of American workers with annual household incomes of less than \$50,000 are aware of the credit. The Saver's Credit is a tax credit. It reduces an eligible taxpayer's federal income tax, making it an important incentive for low-to-moderate income individuals and households to save for retirement in a 401(k), 403(b), IRA, or newmyRA. Unfortunately, many eligible workers may be missing out on the Saver's Credit simply because they do not know that it exists. What is the Saver's Credit? The Saver's Credit is a tax credit that may be applied to the first \$2,000 of voluntary contributions an eligible worker makes to a 401(k), 403(b) or similar employer-sponsored retirement plan, or an IRA. The maximum credit is \$1,000 for single filers or individuals and \$2,000 for married couples. The Saver's Credit is a tax credit above and beyond the advantage of tax-deferred savings when contributing to a 401(k), 403(b), or IRA. Because this double benefit sounds too good to be true, many eligible savers may be actually confusing the two incentives. Who Can Claim the Saver's

Credit? The credit is available to workers aged 18 years or older who have contributed to a company-sponsored retirement plan or IRA in the past year and meet the Adjusted Gross Income requirements. Single filers with an AGI of up to \$30,500 in 2015 or \$30,750 in 2016 are eligible. For the head of a household, the AGI limit is \$45,750 in 2015 or \$46,125 in 2016. For those who are married and file a joint return, the AGI limit is \$61,000 in 2015 or \$61,500 in 2016. Additionally, the filer cannot be a full-time student or be claimed as a dependent on another person's tax return. How Can Workers Claim the Saver's Credit?

Workers who are eligible to receive the Saver's Credit are at risk of missing it if they use the wrong tax form. The Saver's Credit is not available on Form 1040EZ. If you are eligible to claim the Saver's Credit, you should use Form 1040, Form 1040A or Form 1040NR. Some good news is that most workers who are eligible to claim the Saver's Credit are also eligible to take advantage of the IRS Free File program for taxpayers with an AGI of \$62,000 or less.

4. ANIMATED VERSIONS OF *P&I* 1000 BY THE NUMBERS: Each year *Pensions & Investments* collects data on the largest 1000 U.S. retirement plans. With data animation, viewers can easily compare size, scope, location and changes in allocations. Quite clever.

http://video.pionline.com/media/AnimationA+P%26I+1000+by+the+numbers/0_ef2ogmim?&utm_source=Newsletters&utm_medium=email&utm_campaign=P%26I%20Online%20Insider&CSAuthResp=1455291815663%3A0%3A67909%3A0%3A24%3Asuccess%3AD60AF69BDA5CB8AC9B3F5A862C2D4310.

5. AFFORDABLE CARE ACT TAX FACTS: The Affordable Care Act includes individual shared responsibility provisions and the premium tax credit that may affect your tax return. This year marks the first time that certain taxpayers will receive new health-care related information forms that can be used to complete their tax return and then kept with their records. Depending upon your specific circumstances, the Health Insurance Marketplace, health coverage providers, and certain employers may provide information forms to you early in 2016. These forms can help you accurately report health coverage information for you, your spouse and any dependents when you file your 2015 individual income tax return in 2016. The Marketplace, health coverage providers, and employers will also file these forms with the IRS. The information forms are

- **Form 1095-A, Health Insurance Marketplace Statement:** The Health Insurance Marketplace sends this form to individuals who enrolled in coverage there, information about the coverage, who was covered, and when. Deadline for Marketplace to provide Form 1095-A was February 1, 2016.
- **Form 1095-B, Health Coverage:** Health insurance providers -- for example, health insurance companies -- send this new form to individuals they cover, with information about who was covered and when. The deadline for coverage providers to provide Form 1095-B is March 31, 2016.

- **Form 1095-C, Employer-Provided Health Insurance Offer and Coverage:** Certain employers send this new form to certain employees, with information about what coverage the employer offered. Employers that offer health coverage referred to as self-insured coverage send this form to individuals they cover, with information about who was covered and when. Deadline for employers to provide Form 1095-C is March 31, 2016.

If you are expecting to receive a Form 1095-A, you should wait to file your 2015 income tax return until you receive that form. It is not necessary for taxpayers to wait for Forms 1095-B or 1095-C in order to file. Taxpayers instead may rely on other information about their health coverage and employer offer to prepare their returns. These new forms should not be attached to your income tax return. FS-2016-10 (February 12, 2016).

6. YOU DO THE MATH: S & P Capital IQ and SNF Financial say due to the extended period of exceptionally low bond market yields over the past seven years, the average U.S. retiree's annual income generated on an inflation-adjusted \$100,000 principal investment in U.S. Treasury's from 1976 through 2015 was 13.3% of median U.S. household income. Based on that 40 year average principal invested in 2015 would need to increase by more than 600% to generate that same level of return by retirement time.

7. DOL FOCUSES ATTENTION ON BENEFIT PAYMENT PRACTICES

OF DB PLANS: The US Department of Labor is rolling out an initiative focused on the investigation of benefit payment practices of the defined benefit plans of a number of Fortune 500 companies according to *The National Law Review*. The investigations are concentrated on plan procedures in three key areas: (i) locating missing participants, (ii) informing deferred vested participants that a retirement benefit is payable and (iii) commencing benefit payments when the participant reaches age 70½. The initiative was launched out of the Philadelphia regional office, but the DOL has indicated that it intends to expand the investigation further. As this initiative continues to build momentum (and gain publicity), plan sponsors and administrators of defined benefit plans should consider whether a review of plan procedures for locating participants and paying benefits would be timely. The issue of benefit payments -- and in particular the payment of benefits at the participant's required beginning date (that is, when the participant reaches age 70½) - - has long been a focus of Internal Revenue Service retirement plan audits. By contrast, the DOL's interest in this topic is fairly new. According to reports, this interest stems from the influx of inquiries that the DOL receives each month after the Social Security Administration mails Private Retirement Benefit Information Notices to recipients regarding pension benefits that might be owed. According to the DOL, it has discovered, among other things, that (i) some plans under investigation have procedures for locating missing participants, but the procedures are not being followed in practice; and (ii) at least a few of the plans seemed to have significant recordkeeping problems and could not verify the age of their participants, with the obvious consequence that

the plans could not pay participant benefits when required. A representative from the DOL has said that investigators have found numerous problems with plan records, such as individuals who appear to be over 100 years old with birthdays identified by what are clearly “plug” dates. So far, the DOL has identified more than \$500 million dollars in unpaid pension benefits that are owed to participants over the age of 70½. While it is difficult to verify the accuracy of the DOL’s claims, corporate transactions, plan mergers, plant closings, and accidental loss or destruction of files are just some of the reasons that plans regularly confront the problems of missing participants/beneficiaries and inaccurate or incomplete plan records. However, as the DOL has emphasized, plan administrators have a fiduciary duty to maintain adequate records to determine plan benefits and to make a diligent effort to locate missing participants when benefits are due to be paid. In light of the DOL investigations and the increased focus on these issues, it may be a good time to revisit plan procedures for addressing both missing participants and gaps in plan records. Plan sponsors and administrators should consider conducting a high-level review of plan procedures relating to the location of missing participants and the adequacy of participant records or, more proactively, a targeted undertaking such as a missing participant search and/or a demographic data clean-up initiative. Plan sponsors and administrators may want to consider addressing these issues as part of a more comprehensive legal audit of their plans, which could cover both administrative and fiduciary obligations. Regardless of the actions taken, fiduciaries should take care to memorialize their activities and document efforts to fulfill their

administrative duties. Once written procedures are in place, plan fiduciaries should monitor whether they are being followed in practice.

8. NEW RESEARCH ON CORPORATE EMPLOYEE ENGAGEMENT AND WORKPLACE GIVING TRENDS:

America's Charities, which is involved in workplace giving and philanthropy, released a new report on top corporate employee engagement and workplace giving trends. The research, entitled *Snapshot 2015: The New Corporate DNA -- Where Employee Engagement and Social Impact Converge*, details the leading issues facing employee engagement and workplace giving program managers across corporate America today. *Snapshot 2015* dives into the top trends of employee engagement and workplace giving regarding:

- Volunteerism
- Employee recruitment and retention strategies
- Leadership involvement
- Influence of young professionals
- Increasing expectations among small and mid-size companies
- Corporate-nonprofit alignment of goals

Snapshot 2015 also examines the fast-moving evolution of employee engagement and workplace giving over the years, the critical role of technology platforms in engagement, workforce dynamics and changing expectations, the sharing economy in the social sharing age and more. The report concludes with five recommendations for leaders who want to ensure that their programs are keeping pace with the trends identified in *Snapshot 2015* as well as meeting employee expectations around

engagement inside and outside the walls of the workplace. To read more, please visit: <https://www.charities.org/node/8103>.

9. 2016'S MOST STRESSFUL JOBS: From physical danger to psychological stress, benefitnews.com says some jobs might not be right for someone with a low pressure threshold. Here are ten jobs where stress can be a major issue. The ranking system for stress considers several different job demands that can reasonably be expected to evoke stress, including travel, growth potential and competitiveness. Those jobs are:

- **Enlisted military personnel.** The men and women of the United States Armed Forces are tasked with protecting the entirety of the nation, both domestically and abroad, and often are placed in harm's way. Annual median salary: \$27,936.
- **Firefighter.** Firefighters face dangerous situations in ever-changing conditions, and their work is not limited to battling blazes. In addition, firefighters also assist with medical emergencies and natural disasters. Annual median salary: \$45,970.
- **Airline Pilot.** Airline pilots are responsible for the safety of thousands of passengers every month, only adding to the stress of the job. Annual median salary: \$103,390.
- **Police Officer.** The motto of police officers' work is "to protect and serve." It is a mantra that clearly defines the stress related to the job, as police officers are asked to protect citizens while at the

same time serving their communities' best interests. Annual median salary: \$58,630.

- **Event coordinator.** Event coordinators must ensure gatherings such as seminars, weddings and parties go smoothly. Because setting up these events means meeting strict deadlines, and the groups involved can span a wide range of attendees, the stress associated with this job can be high. Annual median salary: \$46,490.
- **Public Relations Executive.** PR specialists make speeches and give presentations, often in front of large crowds. And due to the highly competitive field, specialists must work quickly and creatively to meet numerous deadlines. Annual median salary: \$55,680.
- **Corporate Executive.** This competitive job demands detailed knowledge of the financial community, economic trends, as well as technological developments and their implications. Executives are expected to excel in many different fields at once, and face daily pressure to make far reaching decisions. Annual median salary: \$102,750.
- **Broadcaster.** Another job in the public eye, stress can be high while appearing live on camera or behind the microphone. Annual median salary: \$29,010.
- **Newspaper Reporter.** Documenting important local and world

events under the public's watchful eye requires taking risks, typically for low pay and constant threat of newspaper closures and layoffs. Such is the daily life of a newspaper reporter, who does it all while under demanding deadlines. Annual median salary: 37,200.

- **Taxi Driver.** Taxi drivers generally work erratic hours, including late nights and weekends. Drivers frequently deal with bad weather conditions as well, all well being confined to their vehicles all day. Annual median salary: \$23,210.

We are sure you noticed that the most stressful job carries the second-lowest annual median salary. It figures.

10. TEN OUTRAGEOUS CLIENT TAX DEDUCTIONS: The push to save during tax season can make advisors -- and their clients -- a little crazy. And while it may be difficult for clients to remember what deductions are allowed, some understandings may be a little broad. Here are ten stories from industry professionals where clients stretched a little too far for a loophole:

- Clients asked about elevator installations, fitness memberships, bad debt deductions involving family members and Netflix deductions.
- A single woman said she should have a baby for the tax deduction. She obviously had no clue as to how much it costs to raise a kid. The tax deduction comes nowhere close.
- An anesthesiologist who was told by a friend that he could buy a

large SUV and write it off as a business expense -- which he could not do, because it was a personal vehicle. He went back to his friend and the friend told him he could take a full write off by saying it was an ambulance.

- A client presented over \$50,000 in chiropractic invoices and cancelled checks as a medical deduction. He said he suffered from chronic back pain and had discovered a Russian chiropractor located 35 miles away in the San Fernando Valley, who had invented a machine that rearranged all the molecules in your body and completely relieved his back pain. The relief was so great that he drove 70 miles round trip every day in Los Angeles traffic. He eventually withdrew a large portion of his 401(k) at work to invest in the chiropractor's business.
- A prospective client said that her taxable income was quite low because of all her deductions. She was young and single, so it seemed odd that she had such high deductions. She said that she had very high health expenses -- all the costs of the multiple weeks spent at yoga and meditation retreats each year. Wouldn't it be lovely if we could all meditate our way out of paying taxes.
- A travel agent wanted to deduct all her Grateful Dead concerts tickets and related travel expenses because her business specialized in providing travel arrangements to Grateful Dead fans. Of course she needed to go to about 50 concerts a year thorough out the country to do the marketing.
- A client tried to deduct the cost of her weekly manicure because it was necessary to maintain her professional image and allowed her

to charge a premium for her services.

- An elderly client had to move to housing adapted to her health condition. So she moved out of her house for several years but kept ownership. When her savings got depleted, her house had to be sold. She wanted to know if she could still qualify for the \$250,000 home sale exclusion. But, she had moved out over five years before the sale, and the new housing did not qualify as a care facility for tax purposes. The situation hinged on the house remaining the client's tax domicile. The client always intended to move back to her house when her health got better. As such, the client could claim the home sale exclusion.
- Client received a kidney donation from her sister. He paid for all of her expenses associated with the surgery and post care. He was able to deduct those as his own medical expenses on his own tax return.
- An adult entertainer who had been doing her own tax returns and writing off her costumes was audited. She had to show an agent her skimpy costumes, which was a hoot. She lost the audit, since the agent determined that the exotic dance costumes did have other uses of a personal nature.

These outrageous loopholes were brought to us by onwallstreet.com.

11. SO YOU THINK YOU KNOW EVERYTHING: There is no Betty Rubble in the Flintstones Chewable Vitamins. (Why not?)

12. TODAY IN HISTORY: In 1970, Chicago seven defendants found

innocent of inciting to riot. (What ever happened to the eighth guy?)

13. KEEP THOSE CARDS AND LETTERS COMING: Several readers regularly supply us with suggestions or tips for newsletter items. Please feel free to send us or point us to matters you think would be of interest to our readers. Subject to editorial discretion, we may print them. Rest assured that we will not publish any names as referring sources.

14. PLEASE SHARE OUR NEWSLETTER: Our newsletter readership is not limited to the number of people who choose to enter a free subscription. Many pension board administrators provide hard copies in their meeting agenda. Other administrators forward the newsletter electronically to trustees. In any event, please tell those you feel may be interested that they can subscribe to their own free copy of the newsletter at <http://www.cypen.com/subscribe.htm>.

15. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.