



**CYPEN & CYPEN**  
**NEWSLETTER**  
**for**  
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Never Forget September 11, 2001  
and  
Always Remember May 2, 2011

**1. RETIREMENT SECURITY 2017 -- A ROADMAP FOR POLICY MAKERS:** National Institute on Retirement Security has released its Retirement Security 2017 report, which reveals Americans' views of the retirement crisis and solutions. The 2016 U.S. elections made two issues abundantly clear: the nation remains deeply divided from a

political standpoint and many Americans are angry about their economic prospects. This report finds that despite deep political polarization, Americans are united in their anxiety about their economic security in retirement and in their dissatisfaction with national policy makers' inaction to address the nation's retirement crisis. The anxiety comes at a time when the once stable retirement infrastructure has degraded dramatically, resulting in a national retirement crisis for middle-class Americans. Pensions for private sector workers continue to disappear under a complex regulatory environment. Social Security benefits have been cut, and Congress is said to be eyeing additional benefit reductions. A large portion of Americans lack access to, or do not participate in, workplace retirement plans. Additionally, Americans are not saving enough in their individual retirement accounts at a time when retirement income needs are increasing thanks to rising longevity and costs. Against this backdrop, NIRS commissioned its fifth nationwide public opinion research project. The survey is conducted on a biennial basis to monitor over time how Americans feel about their economic security in retirement and to assess their views on policies that could improve their retirement outlook. The key research findings are as follows:

- Across party lines, Americans are worried about economic insecurity in retirement. Three-fourths (76%) of Americans are concerned about economic conditions affecting their ability to achieve a secure retirement. For respondents that identified themselves as Democrats, the level of concern was at 78%

compared to 76% for Republicans.

- Americans in overwhelming numbers continue to believe the nation faces a retirement crisis. Some 88% of Americans agree that the nation faces a retirement crisis, holding steady from 2015 (86%). The level of concern is high across gender, income, age and party affiliation. Importantly, more than half (55%) strongly agree that there is a crisis.
- Americans regard pensions as a route to economic security in retirement, and see these retirement plans as better than 401(k) accounts. NIRS finds that some 82% of Americans have a favorable view of pensions. A full 85% say all workers should have access to a pension plan so they can be independent and self-reliant in retirement. More than three-fourths of Americans (77%) say the disappearance of pensions has made it harder to achieve the American Dream. Some 71% of Americans say that pensions do more to help workers achieve a secure retirement as compared to 401(k) plans, and 65% say pensions are safer than 401(k) plans.
- Americans say national leaders still do not understand their retirement struggle, and they remain highly supportive of state efforts to address the retirement crisis. An overwhelming majority of Americans (85%) say leaders in Washington do not understand how hard it is to prepare for retirement, which held steady from 87% in 2015. Similarly, 86% say leaders in Washington need to give a higher priority to ensuring that Americans have a secure retirement. In terms of solutions, 82%

of Americans say government should make it easier for employers to offer pensions. Americans also believe that state-sponsored retirement savings plans for workers not covered by an employer's plan are a good idea (75%), and 81% say they would consider participating in a state plan.

- Protecting Social Security remains important to Americans. Some 76% of Americans say it is a mistake to cut government spending in such a way as to reduce Social Security benefits for current retirees, up from 73% in 2015 and 67% in 2013. When it comes to benefits for future generations, 73% oppose cutting government spending that reduces Social Security benefits.
- Americans strongly support pensions for public sector workers, and see them as a strong recruitment and retention tool. Americans strongly support pensions for police officers and firefighters (90%) and for teachers (81%). The research also finds that Americans overwhelmingly support retirement security for workers who face job risks, such as corrections officers (90%). More than half of Americans (52%) believe that public pension benefits levels are about right at \$2,205 per month, while 37% say the benefits are too low. Americans overwhelmingly agree (92%) that pensions are a good way to recruit and retain public sector workers like teachers, police officers and firefighters.

For those of you interested in methodology, the survey was conducted as a nationwide telephone interview of 800 Americans age 25 or older

in order to assess their sentiment regarding retirement and actions policy makers could take.

## **2. RIGHT-TO-WORK LAWS CONTINUE TO GAIN MOMENTUM AT**

**ALL LEVELS:** In a viewpoint piece for Employee Benefit News, Ryan N. Parsons writes that for nearly fifty years, the debate over “right-to-work” laws had largely been considered settled. The concept was popular in the south, where a number of states have had right-to-work-laws on the books since before the 1960’s, but had gained little traction elsewhere. Though all states were free to pass laws adopting right-to-work, few states outside this initial core group did so. In fact, between 1963 and 2012, only two additional states (Idaho in 1985 and Oklahoma in 2001) enacted right-to-work. The last five years, however, have seen an explosion in right-to-work laws that shows no sign of slowing down. As a refresher, “right-to-work” laws make it illegal for employers and unions to require that employees contribute to the union as a condition of employment. In states with no right-to-work law, unionized employers may be required to terminate employees who refuse to pay union dues. Union advocates argue that mandatory dues prevent the “free rider” problem -- employees reaping the benefits of having a union, without having to pay the costs. Opponents argue that right-to-work laws protect employees from having financially to support organizations they personally oppose and that these laws require unions to demonstrate to reluctant employees that the cost of membership is worth the benefits. In the last five years, right-to-work supporters have found fertile ground throughout

much of the country. Historically, right-to-work laws were mostly found in politically conservative states, but recently, both “purple” states and states with strong historic union ties have enacted right-to-work. Since 2012, Indiana, Michigan, Wisconsin, West Virginia, Kentucky, and Missouri have all passed right-to-work provisions. (Note that Missouri’s law does not go into effect until August 28, 2017, and opponents are attempting to gather enough signatures for a referendum to undo the law.) With these most recent adoptions, 28 states -- totaling 52% of the nation’s population -- now live in right-to-work jurisdictions. This number is up from just 22 states and 41% of the population in 2011. Right-to-work is advancing on other fronts as well. Nationally, House Republicans have introduced the National Right-to-Work Act, which would repeal federal labor law provisions that permit firing workers who refuse to pay union dues. While the GOP has introduced similar bills in past years, now is the first time that they have done so with control of the White House and both houses of Congress. President Trump’s administration has signaled support for the legislation. Even on the local level, elected officials have been active in pushing for right-to-work. In Kentucky, before the state right-to-work passed, twelve counties passed some form of right-to-work provisions. Those bills were upheld as lawful by the Sixth Circuit Court of Appeals late last year. On the other hand, a district court judge ruled against an Illinois village’s right-to-work law last month. That decision is on appeal to the Seventh Circuit Court of Appeals. However the Seventh Circuit rules, it is clear that unions and their supporters are on the defensive against right-to-work. Time will

tell whether the last five years represent the peak of right-to-work measures or just the tip of the iceberg.

### **3. QUESTIONS PLAN SPONSORS SHOULD ASK ABOUT 457(B)**

**AND 457(F) PLANS:** 457(b) and 457(f) plans are non-qualified deferred compensation plans for eligible highly-compensated employees. A non-qualified plan is a type of tax-deferred, employer-sponsored retirement plan that is not subject to Employee Retirement Income Security Act guidelines. Non-governmental 457 plans are not required to file Form 5500 since they are not subject to ERISA, but they are required within 120 days of the plan's existence to file a one-time notification ("top hat letter") with the Department of Labor. These plans are exempt from the non-discrimination testing that is required for qualified plans according to [strategicbenefitservices.com](http://strategicbenefitservices.com). In 1986, Section 457 was added to the Internal Revenue Code specifically to address the unique needs of the not-for-profit sector. The rules address governmental plans sponsored by state or local governments and non-governmental plans sponsored by tax-exempt organizations under Section 501(c). This frequently-asked question document will specifically address questions regarding non-governmental 457(b) and 457(f) plans.

- **What is a 457(b) plan?** Non-governmental 457(b) or "top hat" plans must limit eligibility to a select group of highly-compensated employees, executives, managers, directors or officers, as defined in the plan document. The plan must not

cover rank-and-file employees. Failure to limit participation in a non-governmental 457(b) plan will force the plan to comply with ERISA funding requirements. The assets of the plan remain the property of the employer and are available to the company's general creditors in the event of litigation or bankruptcy. Non-governmental 457(b) plans commonly use "rabbi trusts" to hold plan assets. The rabbi trust is funded, but the assets are available to pay creditors at the discretion of the courts. Non-governmental 457(b) plans are not allowed to offer loans. Although employee salary deferrals are fully vested, employer contributions may be subject to a vesting schedule. However, including a vesting schedule in a 457(b) plan can produce adverse tax consequences for a participant. The amount of compensation deferred, whether as a salary deferral by the participant, an additional employer retirement obligation, or any employer contribution that becomes vested during the year cannot exceed the stated dollar limits. Any deferrals that vest during the year are included toward the dollar limit for the year. A vesting schedule can create excess deferrals that, unless corrected by a timely distribution, become taxable to the participant. Non-governmental 457(b) assets are not eligible for rollovers, but transfers to another non-governmental 457(b) plan may be possible.

- **What are the contribution limits for 457(b) plans?** Contributions to 457(b) plans typically include employee pre-tax salary deferrals, but may also include employer contributions.

Roth deferrals are not allowed. Employee and employer contributions are aggregated and cannot exceed the designated Internal Revenue Service annual elective deferrals. However, contributions to 457(b) plans are not aggregated with 403(b) or 401(k) contributions. Eligible employees may contribute up to another full employee deferral limit if their employer offers a 403(b) or 401(k) in addition to the 457(b) plan. Non-governmental 457(b) plans do not allow age 50+ catch-up contributions, but special catch-up provisions may apply. Participants who are within three years of normal retirement age and under-contributed in prior years in which they were eligible, may be able to increase their contribution limits up to 2x normal deferral limits.

- **What are the distribution rules for 457(b) plans?** Identified in the plan document, distributable events typically include severance from employment, retirement, disability or death. Plan sponsors may (but are not required to) offer participants the ability to take an in-service withdrawal in the event of an “unforeseeable emergency” or financial hardship resulting from an illness or accident, property loss caused by casualty (natural disaster), funeral expenses, other similar extraordinary and unforeseeable circumstances resulting from events beyond the control of the participant. Unlike a 403(b) or 401(k), when a distribution is made prior to age 59½, a 10% early withdrawal penalty does not apply, but all distributions are taxed as ordinary income. Benefits can be paid as a lump sum or

installments. Although installment payments are only subject to tax when received, any unpaid installment payment remains the property of the employer and is subject to general creditor status. Each 457(b) plan has a default date or specified time period by which a participant must make an election to defer payment and postpone taxation by electing a future distribution date. If no timely election is made by the end of the specified time period (“default date”), payment will commence. A participant must typically choose within 30, 60, or 90 days after the date of severance. Participants are typically allowed to make a one-time change, but the date can never be accelerated. Once final, the distribution conditions are irrevocable. Distribution rules should be effectively communicated to participants. Many participants erroneously assume that the same distribution rules that are applicable to their 403(b) or 401(k) accounts also apply to their 457(b) accounts. Distributions are made through payroll and reported on a W-2, not a 1099 unless the participant is deceased and a beneficiary is requesting the distribution. If the sponsor withheld Social Security tax (FICA) at the time of the participant’s deferral, it will not need to be levied at the time of distribution. Required minimum distribution rules that take effect at age 70½ apply to 457(b) plans. Required minimum distribution rules that take effect at age 70½ apply to 457(b) plans. However, if the plan document allows it, a participant that has attained age 70½ and is still working, can defer their RMDs until they retire.

- **What is a 457(f) plan?** As with 457(b) plans, the assets for non-governmental 457(f) or “ineligible” plans remain the property of the employer and are available to the company’s general creditors in the event of litigation or bankruptcy. These plans and the associated deferrals are possible only if there is a “substantial risk of forfeiture.” This is a standard applied by IRS to determine whether deferred compensation should be taxed currently to the payee. Typically, a substantial risk of forfeiture exists if an employee’s right to deferred compensation is contingent on the performance of services in the future or on the occurrence of a certain event. Often this is referred to as “golden handcuffs.” The financial allurements are designed to encourage a highly-compensated employee to remain with an organization. Therefore, the executive is 0% vested until the specified event or date defined in the plan document. If the executive voluntarily terminates employment prior to being vested, the entire 457(f) benefit may be forfeited. Any vesting schedule can be adopted and loans are not available. 457(f) assets are not eligible for rollovers. Portability or rollovers among plans is not a feature of a 457(f) plan.
- **What are the contribution limits for 457(f) plans?** There are no specific dollar limits for contributions. Since all benefits under a 457(f) plan must be subject to a substantial risk of forfeiture, these plans typically hold employer contributions only.
- **What are the distribution rules for 457(f) plans?** Benefits under 457(f) plans receive less tax-favorable treatment than

those under 457(b) plans. When a participant becomes vested and therefore the benefit is no longer subject to a substantial risk of forfeiture, the full amount of the vested benefit is taxed as ordinary income, even if the participant does not actually receive it. It is not uncommon for plan benefits to be vested periodically in increments, although actual distributions may be delayed until retirement. As is the case with 457(b) plans, tax penalties for distributions prior to age 59 ½ do not apply. Required minimum distribution rules do not apply to 457(f) plans. The distributions are reported on a W-2, not a 1099 unless a beneficiary is requesting the distribution. The sponsor is required to withhold Social Security tax (FICA) at the time of the distribution.

- **Which employers can offer non-governmental 457(b) and 457(f) plans?** Not-for-profit entities exempt from income tax under IRC Section 501(c) are the only organizations that can offer non-governmental 457(b) and 457(f) plans.
- **Why would an employer use a 457(b) or 457(f) plan?** Employers seeking to provide supplementary retirement benefits for executives over and above the maximum compensation limits applicable to 403(b) or 401(k) plans may turn to a 457(b) or 457(f) plan. The 457 limits are not aggregated with 403(b) or 401(k) plan limits. 457 plans can be an extremely valuable tool in attracting, retaining, and rewarding executive level employees. Employer contributions can enhance the compensation package of key executives since these

contributions can be discretionary and determined separately for each covered executive. Since 457 plans must remain “unfunded,” the employer’s liability can be met by earmarking a specific corporate asset (corporate owned life insurance, mutual funds, fixed interest investments) to meet future obligations or benefits can be paid from future cash flow. Section 457 plans provide employers design flexibility to customize compensation plans that balance the organization’s goals with the executive’s preferences.

**4. UPLOADING FILES NEGATES PRIVILEGE:** An insurance company has waived any claim of privilege for materials uploaded to an unprotected file-sharing site, a federal magistrate judge in Virginia ruled. U.S. Magistrate Judge Pamela Meade Sargent said in a recent decision that the Harleysville Insurance Co. waived its privilege in documents uploaded to a site where they were accessible to anyone who had the hyperlink, according to the ABA BNA Lawyers’ Manual on Professional Conduct. “In essence,” Sargent wrote, “Harleysville has conceded that its actions were the cyber world equivalent of leaving its claims file on a bench in the public square and telling its counsel where they could find it. It is hard to imagine an act that would be more contrary to protecting the confidentiality of information than to post that information to the worldwide web.” According to the Lawyers’ Manual, the decision “should make lawyers think twice before putting confidential documents in a file-sharing site without password protection.” Harleysville was not the only litigant criticized in the

opinion. Its opponent also acted improperly, Sargent said, by accessing the drop-box materials and using them without notifying lawyers for Harleysville. The document dispute arose in Harleysville's declaratory judgment suit seeking a ruling that it did not have to pay a loss claim for an October 2014 fire at a funeral home. Harleysville's privilege problems stemmed from an investigator for its parent company, Nationwide Insurance, who wanted to share information electronically. The investigator uploaded video surveillance footage of the fire scene to Box Inc. and sent a hyperlink to an employee at the National Insurance Crime Bureau. Later, the senior investigator uploaded the insurance claims file and investigation file to the same Box site, and sent the same hyperlink to Harleysville's lawyers. Defense lawyers for the funeral home obtained the link from the National Insurance Crime Bureau after they sought the NICB file related to the fire. The NICB forwarded the email from the Nationwide investigator with the hyperlink, which also included a confidentiality notice that the email includes privileged and confidential information. When the funeral home lawyers used the hyperlink, they gained access to the entire claims file. They downloaded the file and reviewed it without notifying Harleysville, Sargent said. Harleysville learned the opposing lawyers had the information when they received a thumb drive of documents from the defense lawyers. Harleysville then filed a motion to disqualify the defense lawyers. Sargent declined to disqualify the defense lawyers because of her decision on the privilege waiver. Instead, she said, the defense lawyers would have to pay the cost to the parties of obtaining her ruling on the matter.

Therefore, the judge concluded, an insurance company that uploaded files to DropBox waived any claim of privilege to those materials. “It is hard to imagine an act that would be more contrary to protecting the confidentiality of information than to post that information to the worldwide web,” Judge Sargent wrote. The ABA BNA Lawyers’ Manual on Professional Conduct cites the case in advising that “lawyers think twice before putting confidential documents in a file-sharing site without password protection.”

**5. 75 PROMINENT INSTITUTIONAL INVESTORS WITH OVER \$4 TRILLION UNDER MANAGEMENT JOIN TOGETHER AT U.S. SUPREME COURT TO PRESERVE CRITICAL LAW IMPACTING THE TIMELINESS OF SECURITIES CLAIMS:** An amicus curiae brief was filed with the United States Supreme Court in the *CalPERS v. ANZ Securities* case. The "friend of the court" brief -- which is supported by 75 prominent pension funds and other institutional investors from across the United States and Europe, as well as the National Conference on Public Employee Retirement Systems advocates why it is critically important for the *American Pipe* class action tolling rule to remain fully intact and be applied broadly to both the statutes of "limitations" and "repose" governing investors' claims for recovery under the U.S. securities laws. ([See C & C Newsletter for January 19, 2017, Item 2](#)). The 75 pension funds and institutional investors supporting the amicus curiae brief represent total assets under management exceeding \$4 trillion. Expressing the will of the worldwide institutional investor community for continued application of

the *American Pipe* class action tolling rule to both the "limitations" and "repose" periods for securities claims, the amicus brief demonstrates how the rule is part of a sound and efficient securities litigation framework, and is needed to avoid imposing extensive and unnecessary costs and burdens on institutional investors, defendants and the court system as a whole. For over forty years, investors have relied on the filing of securities class actions to protect and preserve the timeliness of their claims for recovery of securities fraud damages, when the Supreme Court established the class action "tolling" doctrine in the landmark *American Pipe* case. Under the *American Pipe* rule, investors have been able to rely on the commencement of a securities class action to protect and preserve the timeliness of their individual claims for recovery of securities damages until the court decided whether to grant the case class action status. However, a division emerged with the Second Circuit's 2013 decision in the *IndyMac* case, which narrowly held that the *American Pipe* rule applies only to the statute of limitations, not a separate statute of "repose." The division in the lower federal courts has since widened and led to great uncertainty in the institutional investor community. As a result, investors must incur the substantial costs and burdens of proactively monitoring hundreds of active securities class action cases across the nation to determine whether to intervene or file individual actions in order to prevent their claims from expiring. Fortunately, the Supreme Court is set to resolve the uncertainty in *CalPERS v. ANZ Securities*. Oral argument is scheduled for April 17th, and the Court will issue its decision by the end of June, 2017. If you would like to

read the entire brief: <http://www.scotusblog.com/wp-content/uploads/2017/03/16-373-pet-merits-brief.pdf>.

## **6. HERE IS WHAT HAPPENS TO THE COINS YOU THROW IN**

**FOUNTAINS:** Travelandleisure.com has answered a question that we all have wondered about, “what happens to the coins we throw in fountains?” The Trevi fountain in Rome has had a longstanding tradition: if you stand with your back to the fountain and toss a coin over your left shoulder, you are guaranteed a return trip to Rome. Each day thousands of people partake in the custom, which equates to approximately \$15,000 a week and almost \$1 million a year in collected coins. There is so much build-up, that each day the Roman Catholic charity Caritas takes an hour to sweep the fountain and distributes the money to the needy. They even opened a low-cost supermarket in 2008 from the collection. While the Trevi fountain needs to be cleaned every day, other famous fountains collect their loot every few months. The lake at Las Vegas’s Bellagio, for example, makes about \$12,000 a year, and uses a very efficient cleaning system. A giant vacuum is used to remove everything from the floor of the lake. Similarly, the fountains at the Mall of America in Minnesota make about \$2,000 a month, which is donated to charities and nonprofits. The fountains at all 24 Rainforest Cafes make about \$25,000 a year, which is donated to environmental charities. And the fountains in Disney World raised \$18,000 in 2014, all of which was donated to children in foster care. Other interesting fountain intel: The 9/11 Memorial has collected almost \$3,000 in change, despite the fact

that people are not allowed to toss coins. The fountain at Bryant Park, meanwhile, collects about \$3,400 a year, which pretty much just pays for the coin collectors. Interestingly, Chicago's Buckingham Fountain, one of the largest in the world, only makes about \$200 a year.

## **7. INDIVIDUAL REPRESENTATIVE PAYEES WHO DO NOT HAVE A SOCIAL SECURITY NUMBER IN THE SOCIAL SECURITY**

**ADMINISTRATION'S PAYMENT RECORDS:** Office of Inspector General, Social Security Administration, has issued its final report after examining the results of the Office of Audit's review. OIG's objective was to determine whether the Social Security Administration had adequate controls to ensure it recorded individual representative payees' Social Security numbers in its payment records. OIG's finding is SSA needs to improve controls to ensure it (a) records individual representative payees' SSNs in its payment records and (b) retains the application for representative payees who do not have an SSN. Based on OIG's random sample, OIG estimates that 150,257 beneficiaries had an individual representative payee who had a valid SSN that SSA should have recorded on the MBR/SSR. Of these, 26,912 beneficiaries had representative payees whom, according to eRPS, SSA had terminated or not selected. From October 2004 to September 2016, SSA paid these representative payees about \$853.1 million. Furthermore, unless it takes corrective action, we estimate SSA will pay these representative payees about \$189.6 million in benefits annually. In addition, OIG estimates that 22,426 beneficiaries had an individual representative payee who did not have an SSN, and

SSA had not followed its policy to retain the paper application. These representative payees were not in eRPS. From April 2006 to September 2016, SSA paid these representative payees about \$1 billion. Furthermore, unless it takes corrective action, OIG estimates SSA will pay these representative payees about \$182.5 million in benefits annually. OIG recommends that SSA:

- Take appropriate action for the 77 beneficiaries whose representative payees' SSNs are not on the MBR/SSR, as identified by the audit.
- Evaluate the results of its actions for the 77 beneficiaries and determine whether it should review the remaining population of 224,164 beneficiaries we identified.
- Improve controls to ensure (a) it records representative payees' SSNs on the MBR/SSR and (b) its systems generate alerts when there is a discrepancy between representative payee information in eRPS and the MBR/SSR.

The Social Security Administration has agreed with OIG's recommendations. A- 09-16-50159 (February 2017).

## **8. INSPECTOR GENERAL WARNS PUBLIC ABOUT PHONE**

**CALLS FROM OIG "IMPOSTERS":** The Acting Inspector General of Social Security, Gale Stallworth Stone, is warning citizens about a nationwide telephone "imposter phishing" scheme. The Social Security Administration and its Office of the Inspector General have received several reports from citizens across the country about

persons receiving phone calls from individuals posing as OIG investigators. The caller indicates an issue exists pertaining to the person's Social Security account or Social Security number and directs the person call a non-SSA telephone number to address the issue. The reports indicate the calls include a recording from a caller stating she is "Nancy Jones," an "officer with the Inspector General of Social Security." The recording goes on to say the person's Social Security account, SSN, and/or benefits are suspended, and that he or she should call 806-680-2373 to resolve the issue. Citizens should be aware that the scheme's details may vary; however, citizens should avoid calling the number provided, as the unknown caller might attempt to acquire personal information. OIG investigators occasionally contact citizens by telephone for investigative purposes, but they will not request sensitive personal information from a citizen over the phone. If a person receives a similar suspicious call from someone alleging to be from the OIG, citizens may report that information to the OIG at 1-800-269-0271 or online via <https://oig.ssa.gov/report>. Acting Inspector General Stone said, "This phishing scheme is targeting unsuspecting persons for the purpose of Social Security benefit theft or identity theft." She warns citizens to be cautious, and to avoid providing personal information such as your SSN or bank account numbers to unknown persons over the phone or internet unless you are certain of who is receiving it. "You must be very confident that the source is the correct business party, and that your information will be secure after you release it," Stone said. If a person has questions about any communication – e-mail, letter, text

or phone call -- that claims to be from SSA or the OIG, please contact your local Social Security office, or call Social Security's toll-free customer service number at 1-800-772-1213, 7 a.m. to 7 p.m., Monday through Friday, to verify its legitimacy.

**9. NINE COMMON TAX FILING ERRORS TO AVOID:** The Internal Revenue Service encourages taxpayers to file an accurate tax return. If a taxpayer makes an error on his return, it will likely take longer for the IRS to process it. This could delay a refund. Avoid many common errors by filing electronically. IRS e-file is the most accurate way to file a tax return. All taxpayers can use IRS Free File at no cost. Here are nine common errors to avoid when preparing a tax return:

- **Missing or Inaccurate Social Security Numbers.** Be sure to enter each SSN on a tax return exactly as printed on the Social Security card.
- **Misspelled Names.** Spell all names listed on a tax return exactly as listed on that individual's Social Security card.
- **Filing Status Errors.** Some people claim the wrong filing status, such as Head of Household instead of Single.
- **Math Mistakes.** Math errors are common. They range from simple addition and subtraction to more complex items. Transactions like figuring the taxable portion of a pension, IRA distribution or Social Security benefits are more difficult and result in more errors. Taxpayers should always double check their math.

- **Errors in Figuring Tax Credits or Deductions.** Filers can make mistakes figuring their Earned Income Tax Credit, Child and Dependent Care Credit, the standard deduction and other items. Taxpayers need to follow the instructions carefully. For example, if a taxpayer is age 65 or older, or blind, they should be sure to claim the correct, higher standard deduction.
- **Incorrect Bank Account Numbers.** The IRS strongly urges all taxpayers who have a refund due to choose direct deposit. It is easy and convenient. Be careful to use the right routing and account numbers on the tax return.
- **Forms Not Signed.** An unsigned tax return is like an unsigned check – it is not valid. Both spouses must sign a joint return.
- **Electronic Filing PIN Errors.** When e-filing, the taxpayer signs and validates the tax return electronically with a prior-year Self-Select Personal Identification Number. If they do not have or know their PIN, they should enter the Adjusted Gross Income from their 2015 tax return originally filed with the IRS. Beginning in 2017, taxpayers using a software product for the first time may need their Adjusted Gross Income amount from their prior-year tax return to verify their identity.
- **Filing with an expired ITIN.** A tax return filed with an expired Individual Tax Identification Number will be processed and treated as timely filed, but will be processed without any exemptions or credits claimed. Taxpayers will receive a notice from the IRS explaining that an ITIN must be current before any refund is paid. Once the ITIN is renewed, exemptions and

credits are processed and any allowed refund paid.

IRS Tax Tip 2017-24.

**10. EXCUSEZ-MOI, POLICE SNIPER ACCIDENTALLY SHOOTS TWO AT FRENCH PRESIDENT'S SPEECH:** LEO Affairs reports a French police marksman injured two people after suffering a negligent discharge during a speech by French President Francois Hollande. Only one hundred meters away from where the president was christening a new train line in the town of Villognon, the sniper reportedly left the safety off on his weapon, causing it to discharge as he was changing position. While the shot reportedly interrupted his speech, Hollande seemed rather nonchalant about the whole matter. Two people -- a waiter and a train employee -- were wounded below the waist with non-life-threatening injuries. They were taken to the hospital and later comforted by Hollande himself.

**11. THINGS YOU FORGET TO INCLUDE IN YOUR BUDGET:** When putting together a budget most people begin by gathering all of their bills together and then sitting down and figuring out where the money needs to go each month. Many people base their budget solely on the bills they pay and add in the cost of groceries, and then wonder why their budget never seems to work out. There are seven common categories that people often leave out of their budgets according to [thebalance.com](http://thebalance.com). By adding these in you may be able to do a better job of tracking your spending and getting your spending under control.

- **Eating Out.** Most people remember to put groceries in their budget. Food is essential to survival, but they either lump the eating out and grocery category together or do not budget for eating out at all. If you do eat out even once a month, you need to include this item in your budget. Lunches at work may need to be broken into a separate category as well. Breaking down where your food money is going will give you more control and motivation to limit your spending in these categories. If you realize that you are spending a hundred dollars a week on your work lunches, you may decide that packing your lunch is worth the saving you will receive.
- **Pick Me Up Spending.** This is spending that you do on a regular basis to help you get through the day. For some people it may be a trip to your local coffee shop on the way to work each morning. Or it may be a trip to the convenience store for a soda and candy bar on the way home or during your lunch break. It may be the extra candy bar you slip into your cart whenever you run into the grocery store. It may be the extra book you buy each week for your commute or a DVD rental. You do not usually budget for this because the spending amount is small usually less than five dollars, but it can add up quickly if you are doing it on a daily basis. This is one very common area where people have a budget weakness, and it does need to be addressed. You do not need to stop this type of spending all together, but you should include it in your budget so that you

can figure out how much you want to spend on it each month.

- **Entertainment Costs.** A night out at a bar, or going to the movies with your friends should definitely be part of your budget. Many people will cut back drastically on this category, and then end up either overspending or feeling frustrated because they cannot afford to do anything. You should have an entertainment category that will allow you to spend time doing the things that help you to relax. You may need to cut back to one or two nights out a month and look for less expensive alternatives.
- **Clothing.** If you do not love shopping for clothes, you may leave this item out of your budget. If you are focused on getting out of debt, you may be diverting all of your money to extra debt payments. Leaving clothing out of your budget means that needing a new pair of shoes, or new pants may throw your entire budget out of whack. Budget a little bit each month and allow the balance to grow so you can cover the items you need when you need them.
- **Annual Payments.** Another area that causes problems for many people are the payments that are due once or twice a year. In the initial budget you may just forget to include it in your budget, until you are presented with the bill. Another common thing you may forget are annual home taxes, car taxes and registration. One easy way to plan for these items is to add up the total you paid in the last year and then divide it by twelve. Set aside this amount each month so you will have money to

cover the upcoming bills. You should also set up a category to cover irregular spending like the cost of attending a friend's wedding. This can help you set up an annual budget that actually helps you reach your financial goals.

- **Emergencies.** Emergencies are things you do not plan for, like your car breaking down, the trip to the emergency room or the unexpected plumber's bill. These expenses can add up quickly and make it difficult to pay for them. You can set up sinking funds for some expenses like car repairs, and budget money to put toward an emergency fund to cover these expenses.
- **Gifts.** Although, you may be able to handle the occasional birthday gift, you really should have a budget a category for gifts. You may want a separate one for Christmas gifts and expenses and one for general gifts. Friends getting married can drain your gifts budget, so it is important to plan for this too.

**12. NEW OFFICE ADDRESS:** Please note that Cypen & Cypen has a new office address: Cypen & Cypen, 975 Arthur Godfrey Road, Suite 500, Miami Beach, Florida 33140. All other contact information remains the same.

**13. CRAZY STATE LAWS:** *Good Housekeeping* reminds us that there are crazy laws in every state. State residents of Delaware are barred from selling the hair of a dog or cat. We wonder how much money residents used to be able to cash in for all the hair left on the sofa.

**14. ZEN PROVEN TEACHINGS TO LIVE BY:** We are born naked, wet and hungry, and get slapped on our behind... then things just keep getting worse.

**15. PONDERISMS:** Why do people pay to go up tall buildings and then put money in binoculars to look at things on the ground?

**16. TODAY IN HISTORY:** In 1959, Barbie, the popular girls' doll, debuted, over 800 million sold.

**17. 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.

**18. 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>.

**19. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.**