



CYPEN & CYPEN
NEWSLETTER
for
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Stephen H. Cypen, Esq., Founding Editor
Robert D. Klausner, Esq., Senior Editor

Never Forget September 11, 2001
and
Always Remember May 2, 2011

1. UNDERSTANDING PUBLIC PENSIONS, A GUIDE FOR ELECTED OFFICIALS: Center for State & Local Government Excellence and AARP have recently released a guide entitled “Understanding Public Pensions-A Guide for Elected Officials.”

(Download publication: [4-19-17 PensionGuide FINALpdf](#)). State and local pension plans are important in attracting and retaining well-qualified public employees. They help to facilitate the effective and efficient delivery of public services, by serving as a workforce management tool and providing financial security in retirement. As an elected official, it is important for you to understand how public pension plans operate and the role they can play in meeting the needs of employees, employers and taxpayers alike. A good starting point is to assess whether or not your pension plans are meeting their objectives. The purpose of this guide is to provide key facts about public pension plans, including the elected official's role in making sure they are well designed and adequately funded, so they can meet the goals of all stakeholders. You will quickly learn that since 2009 all states have made modifications to their retirement plans to help ensure their long-term sustainability. Every pension plan has a unique history, legal framework, and financial condition. As a result, there are no one-size-fits-all solutions from state to state or even from plan to plan to ensure that pension plans are properly financed and effectively managed to pay benefits for the long-term. Finally, you will learn that not all changes are solutions. Any modifications to a pension plan should be carefully considered to avoid unintended consequences or costs. The Guide also contains some factoids about public plans:

- Cover 14.7 million active (working) members
- Distribute \$277.1 billion annually in benefits to 9.9 million

retirees

- Hold \$3.86 trillion in assets
- Financed by employer and employee contributions and investment earnings

2. TEN YEARS AFTER THE CRISIS: MIDDLE-INCOME BOOMERS REBOUNDING BUT NOT RECOVERED:

A study from the Bankers Life Center for a Secure Retirement – *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered* – was conducted October, 2016. The internet-based survey consisted of a nationwide sample of 1,000 middle-income Americans age 52 to 70. Quotas were established based on the U.S. Census Current Population Survey data for age, gender and income to obtain a nationally representative sample. The margin of error is +/- 3.1 percentage points at the 95% confidence level. The survey included questions that asked about middle-income Boomers' feelings at three points in time: in 2006 (before the financial crisis), during the financial crisis and today. Multiple answers were accepted on some questions; results on these sum to greater than 100%. The study used the following definitions:

- Middle income: Middle-income Americans have an annual household income between \$30,000 and \$100,000 and have less than \$1 million in investable assets.
- Baby Boomers: Boomers are Americans born between 1946

and 1964. They were 52 to 70 years old in 2016.

- Financial Crisis: Sometimes called the Great Recession, the global financial crisis of the late 2000s began in 2007 with the US subprime mortgage crisis. According to the National Bureau of Economic Research, the U.S. economy officially fell into the recession in December 2007.

Key Findings:

Middle-income Boomers remain unconvinced about a nationwide recovery from the financial crisis:

- While half (51%) of middle-income Boomers feel the economy has recovered somewhat from the financial crisis, only 2% feel the economy has fully recovered, and nearly half (47%) do not believe the economy has recovered at all.
- Two-thirds (65%) of middle-income Boomers do not feel they have personally benefitted from any economic recovery since 2007.
- Among middle-income Boomers who have not felt a personal benefit from any economic recovery, half (52%) report that their savings are lower today than before the financial crisis.

Middle-income Boomers are unsure about their chances for a secure

retirement:

- Only about one-third (31%) of middle-income Boomers feel well prepared or very well prepared for retirement, down from four in 10 (41%) before the financial crisis.
- Just over one-third (37%) of middle-income Boomers are confident that they will have a personally satisfying retirement, down from more than four in 10 (44%) before the financial crisis.
- More than half (57%) of middle-income Boomers feel confident in meeting their daily financial obligations, down from two-thirds (65%) before the crisis.
- Nearly half (47%) of middle-income Boomers are confident in their ability to make smart investment decisions, just below its pre-crisis level of half (50%).

Middle-income Boomers have taken steps to manage their spending, savings and investments.

- Two-thirds (68%) of middle-income Boomers are worried about another financial crisis in their lifetime.
- More than eight in 10 (84%) middle-income Boomers have taken actions to manage their spending behavior since the start of the financial crisis, such as reducing their discretionary expenses (54%), reducing their recurring monthly expenses

(47%) or creating and maintaining a household budget (35%).

- Nearly three in 10 (28%) middle-income Boomers have built up an emergency fund since the start of the financial crisis, and nearly two in 10 (17%) now save a larger percentage of their paycheck than before the crisis.
- Three-quarters (74%) of middle-income Boomers have changed their investment behavior as a result of the financial crisis, most often taking defensive measures, such as making more conservative investment choices (28%) or regularly reviewing and adjusting investments (18%). One in four (26%) no longer invest at all.

Middle-income Boomers are still planning to retire, but they are adjusting their retirement expectations.

- Nearly all (92%) of middle-income Boomers still plan to retire.
- Four in 10 (38%) middle-income Boomers expect to rely on Social Security for their primary source of retirement income.
- Before the crisis, about a third (35%) of middle-income Boomers expected to work full-time or part-time in retirement, but today half (48%) expect to work at least part-time.
- Before the crisis, nearly half (45%) of middle-income Boomers expected to retire debt-free, but today only about one-third (34%) do. One-quarter (23%) expected to have savings to pass along to heirs, while today only about one in six (16%) expect to

leave an inheritance.

3. SOTOMAYOR SEES DISTURBING TREND OF UNEQUAL TREATMENT REGARDING POLICE, ALLEGED VICTIMS: The *Washington Post* reports that Supreme Court Justice Sonia Sotomayor wrote Monday that the court is developing a disturbing trend of siding with police officers accused of excessive force at the expense of their alleged victims, a notion disputed by two of her colleagues. Sotomayor was arguing that the court should have accepted the case of Richardo Salazar-Limon, who was shot in the back by a Houston police officer. A federal district judge dismissed Salazar-Limon's suit before trial, and the U.S. Court of Appeals for the 5th Circuit upheld that decision. What happened in the incident that left Salazar-Limon crippled is disputed, Sotomayor wrote in her dissent, and a decision on which man is telling the truth should be made by a jury sitting as finder of fact, not a judge reviewing a paper record. What made Sotomayor's dissent unusual was the criticism of the court's past decisions. Her colleagues' failure to accept the case continues a disturbing trend regarding the use of the court's resources, Sotomayor wrote in an opinion joined by Justice Ruth Bader Ginsburg. The court has not hesitated summarily to reverse courts for wrongly denying officers the protection of qualified immunity in cases involving the use of force, Sotomayor said. But the court rarely intervenes where courts wrongly afford officers the benefit of qualified immunity in these same cases. "What is clear is that our

legal system does not entrust the resolution of this dispute to a judge faced with competing affidavits. The evenhanded administration of justice does not permit such a shortcut,” she wrote. We think Justice Sotomayor got it wrong because she overlooked the facts in record. Police Officer Thompson stated in a deposition that he shot Salazar-Limon because he saw him turned toward him and reached for his waist in a movement consistent with reaching for a gun. Tellingly, Salazar-Limon did not state in his deposition or affidavit that he did not reach for his waist and on that ground the Court of Appeals held that Respondents were entitled to summary judgment. That conclusion should have been enough.

4. FIVE TAX TIPS ON MAKING ESTIMATED TAX

PAYMENTS: The IRS says that taxpayers usually will have taxes withheld from their pay if they are an employee. However, if a person does not have taxes withheld, or they do not have enough tax withheld, they may need to make estimated tax payments. Taxpayers that are self-employed normally have to pay their taxes this way. Here are five tips about making estimated tax payments:

- **When the tax applies.** Taxpayers should pay [estimated taxes](#) if they expect to owe at least \$1,000 in tax for 2017 after subtracting their withholding and refundable credits. Special rules apply to farmers and fishermen.
- **How to figure the tax.** Taxpayers need to estimate the amount

of income they expect to receive for the year. Taxpayers also need to make sure they take into account any tax deductions and credits that they will be eligible to claim. Use [Form 1040-ES](#), Estimated Tax for Individuals, to figure and pay any estimated tax.

- **When to make payments.** Taxpayers normally make estimated tax payments four times a year. The dates that apply to most people for 2017 are April 18, June 15 and Sept. 15. There is one last payment on Jan. 16, 2018.
- **When to change tax payments or withholding.** Major life changes like the birth of a child can affect taxes. When these changes happen, taxpayers should consider revising their estimated tax payments for the year. If the taxpayer is an employee, they may need to change the amount of tax withheld from their pay. If this is the case, the taxpayer should give their employer a new Form W-4, Employee's Withholding Allowance Certificate. Anyone can use the [IRS Withholding Calculator tool](#) at IRS.gov to complete the form.
- **How to pay estimated tax.** Taxpayers have a variety of ways available to them to pay estimated tax. They can pay online, by phone or from their mobile device. Direct Pay is a secure online service to pay a tax bill or pay estimated tax directly from a checking or savings account at no cost. Visit [IRS.gov/payments](#) for easy and secure ways to pay taxes. Paying by mail is another option. If a taxpayer pays estimated tax through the mail, they should use the payment vouchers that come with

[Form 1040-ES.](#)

5. EVEN THE VERY WEALTHY WORRY ABOUT FUNDING

RETIREMENT: Twenty percent of those with a net worth of \$5 million or more worry they will have enough money to last them in retirement, according to www.planadviser.com. Twenty percent of ultra-high net worth (UHNW) people, those with a net worth of \$5 million to \$25 million, and senior corporate executives, worry about having enough money to last them throughout their retirement. This group is also concerned that they may not be able to retire when they want to. Nonetheless, 67% of UHNW people say they are better off financially than they were a year ago. In lockstep with this, 61% of people with a net worth of \$1 million share this optimism, along with 53% of mass affluent people with a net worth of \$100,000 or more. A large percentage of UHNW people think that the age for receiving full Social Security benefits should be raised, with many of them indicating it should be raised by several years. Fifty-six percent of the mass affluent think that people earning \$300,000 or more a year should not be eligible for Social Security. A large percentage of the people across all three wealth segments think that the Federal government should forgive student loan debt. Asked how they attained their wealth, 58% of UHNW investors said it was luck being in the right place at the right time. Advisers can use this information to customize investment recommendations to fit the unique financial concerns and personal situations of their clients.

6. HOW SOCIAL SECURITY SHARES DATA TO HELP

YOU: Social Security is with you throughout life's journey, at birth, first working, getting married, becoming disabled, losing a loved one and upon retirement, reports www.ssa.gov. At every stage, social security strives to make participant's interaction as seamless as possible. One way to do that is through data exchange programs. Data exchange happens when Social Security electronically obtains or shares personal information about someone with another government or private entity. This only happens when it is legally permitted, technologically secure, and in accordance with individual privacy rights. Data exchanges begin at birth when Social Security receives a name, date of birth and parents' names from states so it can provide a new social security number for a baby. This allows Social Security to create its first Social Security record. Data exchanges continue through a participant's driving test or request for an identification card with a department of motor vehicles (DMV). These exchanges allow the DMV to verify a Social Security number to issue a government document or register you to vote. Upon your first job, employers use the Social Security verification service to verify information before submitting wage reports to Social Security. This ensures we can accurately track earnings over a lifetime to secure your retirement, disability and survivor's coverage. Upon becoming disabled and eligible for Social Security Disability Insurance, social security shares your data with other federal agencies to help get additional benefits, such as those from the U.S. Department of Veterans Affairs. If there has been service in the military, social

security obtains a veteran's status as a wounded warrior to expedite disability claims with Social Security. Social security also provide disability status to the U.S. Department of Education for potential student loan forgiveness. After a person's death, Social Security gathers death information from states and other federal agencies through data exchange to support loved ones and provide final death benefits. Data exchanges facilitate Social Security's efficient administration of our programs while saving tax payers' money.

7. 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.

8. CRAZY STATE LAWS: *Good Housekeeping* reminds us that there are crazy laws in every state. In the State of In Kentucky a woman cannot marry more than three times. We could not find the exact origin of this law, but [Woman's Day](#) vows it is true! Hopefully, the third time really is a charm.

9. ZEN PROVEN TEACHINGS TO LIVE BY: Never test the depth of the water with both feet.

10. PONDERISMS: If you look like your passport picture, you probably need the trip.

11. OLD CEMETERIES & EPITAPHS: A truly happy person is one who can enjoy the scenery on a detour and one who can enjoy browsing old cemeteries. For example, a cemetery in John Penny's epitaph in Wimborne, England reads: Reader, if cash thou art in want of any, dig 6 feet deep and thou wilt find a Penny.

12. TODAY IN HISTORY: On this day in 1979, Margaret Thatcher becomes the first female Prime Minister of the United Kingdom.

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>.

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