



CYPEN & CYPEN
NEWSLETTER
for
August 17, 2017

Copyright, 1996-2017, all rights reserved
Stephen H. Cypen, Esq., Founding Editor
Robert D. Klausner, Esq., Senior Editor

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

1. SEC RISK ALERT CALLS ON ADVISORY INDUSTRY TO DO MORE TO SHORE UP CYBERSECURITY: Investmentnews.com says that financial advisory firms are getting more advice from federal regulators on steps they should be taking to protect their information systems from hackers. Advisory firms need to do a better job of

following their stated cybersecurity policies and they should correct all the vulnerabilities that periodic tests reveal, according to results from a new round of cybersecurity examinations by staff at the Securities and Exchange Commission. Advisers also need to do a better job of keeping the firm's security patches up-to-date. It contained findings from 75 cybersecurity exams of advisory firms, broker dealers and funds conducted from September 2015 through June 2016. The staff observed that a few of the firms had a significant number of system patches, that according to the firms, included critical security updates that had not yet been installed. The importance of timely installation of security patches was highlighted earlier this year when the "WannaCry" ransomware attack hit more than 200,000 computers in 150 countries, encrypting computers and demanding \$300 to release each computer. The malware spread through a bug in an old Windows version that Microsoft had issued a critical patch to fix two months earlier. The attack in May was especially damaging because it had a mechanism to spread through the network, infecting other computers that had not been updated. The SEC issued an alert specific to the issue of ransomware soon after the massive hack. Another area where firms should improve is in maintaining response plans for addressing data breaches and letting clients know about material events. Less than two-thirds of advisers have these plans in place. The SEC alert also said broker-dealers were not doing as good a job as advisers and funds at having formal procedures for verifying customers' identities when clients request electronic transfers. Federal regulators generally have been less prescriptive than some states

when it comes to giving financial services firms detailed requirements for protecting their systems from attacks. Once city, Colorado, recently implemented new rules requiring annual assessments, use of secure email, including digital signatures and encryption, another city, New York, also has set specific rules for financial institutions. The SEC has not been very specific about what it wants firms to do on cybersecurity. In the new alert, the SEC said the firms with robust cybersecurity protections reviewed the effectiveness of their security solutions with penetration tests, tracked access rights of employees, had formal patch management policies, made training mandatory, and established data access controls for mobile devices that used passwords and software that encrypted communications, among other steps.

2. HOW EMPLOYEES CAN SAVE FOR THEIR CHILDREN'S HIGHER EDUCATION COSTS: When you work in the business of financial planning, it is common for friends and acquaintances to ask for advice on how financially to prepare for major life events such as retirement, end-of-life care and, of course, becoming a parent, reports www.benefitnews.com. Parenthood is a rewarding, beautiful part of life, but also an enormous financial responsibility. While a majority of parents (understandably) focus on how to pay for day-to-month-to-year childrearing costs, not enough plan how to pay for future costs related to higher education. More than half (56%) of millennials saving for college are still paying back their own student loans — an indication that those who have experienced the burden of student

loans want to prevent their children from having to deal with similar circumstances in the future. The months of July and August have the highest birthrates in the U.S. So for employers, it is a great time to give employees tips on how they can save for their children's college expenses. Like all financial planning, the earlier employees start to financially prepare for major life milestones, the better. But sometimes they are so busy living their lives that they forget to fill up a rainy day fund or set up a 529 plan. Employers should remind employees that if they have a child who is 5, 10 or even 15-years-old, it is by no means too late to begin making financial preparations. In fact, the Center for Social Development states that children with \$1 to \$499 in a dedicated college savings account are 2.5 times more likely to enroll in and graduate from college than children with no account. Naturally the more money saved for higher education, the better. But remember, something is better than nothing. Know your options: Some parents prefer to save for their children's college by investing in a mutual brokerage account, a Roth IRA or selecting a 529 plan through their state or employer. If investing through a 529 plan, employees can often invest with age-based options — a helpful feature for those parents starting to save when their children are enrolled in K-12 schools. If parents start saving \$100 a month into a college savings plan when their child is born, that could be worth about \$39,000 when their child is ready for college. Student loan debts have made millennials want to save more for college than any other generation and, as a result, they are more likely to use a 529 plan than prior generations. Note, the choice of investments you make

should be decided based on your risk tolerance and acumen as an investor. Key takeaways: Employers should encourage their employees who are expecting children to start saving now — even if they fear that they are not beginning at the right time. If life (and kids) teaches us anything, it is that there is never a right time when it comes to matters of importance, and saving for college is one. Today, the average amount of student loan debt is just over \$37,000 — but it is not too late preemptively to work to alleviate this burden. Nearly all parents currently paying back their own student loans (91%) plan to re-allocate those dollars toward their children’s college savings plans as soon as their own loans are paid off.

3. ONLINE BILL PAYMENT FOR MEDICARE PREMIUMS: Social Security is here with tools and information to help you secure today and tomorrow. Did you know that you can pay your Medicare premiums online? If your bank offers the option to pay your bills online, you can use their service to pay for your Medicare premiums bill from the Centers for Medicare & Medicaid Services (CMS). You, or your representative, must sign up for your bank’s online bill payment process and you can contact your bank directly for assistance. Social Security and CMS are not involved in establishing the online bill pay service with your bank. Before you contact your bank to set up the process, make sure you have the following information available: Amount of your Medicare premium bill, Account number and Medicare claim number without dashes. You will need to tell the bank how much money to deduct from your account to pay for the Medicare premium.

You will also need to update the amount with your bank whenever there is a change in the Medicare premium amount. Changes usually happens in January when CMS announces the new Medicare premium rates. You can find more information at www.Medicare.gov or CMS' online bill pay webpage. CMS does not charge a fee for processing the electronic payments, but in some situations, a bank may charge its customers a fee for using their online bill payment service. If you have any questions about bill pay, please contact your bank or financial institution directly. You can also visit CMS's online bill pay for more information on paying your Medicare premiums.

4. THE GREATNESS GAP: THE STATE OF EMPLOYEE

DISENGAGEMENT: Greatness does not happen by chance—it is the accumulation of daily successes, reports www.achievers.com. True greatness consists in being great in little things. Scale that across your workforce; business greatness is the sum of employee successes, day in and day out. What makes employees successful? It is the same set of requirements for engaging employees. Employees are truly engaged when their needs beyond the basics of compensation and equipment are being met: the less tangible but critical needs for recognition, direction, inspiration and purpose. Research shows that business success is driven by engaged employees. Engaged employees are the ones who know why they get up each morning to come to work. But the data show us there are a few things missing. Our 2015 Workforce Survey asked employees in North America about their level of connection with core engagement

factors, such as their company's mission, their perceptions and experience of recognition at work, and their workplace culture. The results show that there is a dramatic split. For example, while close to half of today's workforce might be passionate about their company's mission, the larger half (57 percent) does not find it inspiring at all. And that could explain why the survey also shows half of employees expect to be working for a different employer, just one year into the future. Mission, vision and values: Most—57 percent—do not find their company's mission statement motivating. Which could be because they do not know their company's mission. Just 39 percent said they did. And only 40 percent knew the vision their company is striving toward. Cultural values fared equally poorly: 61 percent of employees reported not knowing their organization's cultural values. What about cultural fit?: More than half of employees are not engaged with the bigger picture and "whys" of the business. Only 44 percent of employees say they like their company's culture. Not even half say they are happy at work! As the old adage goes, people join companies, but leave bad managers. The results do not bode well for retention. Only 45% trust their company's leadership, and half do not expect to be in their current job just one year from now. Leadership and recognizing success: If recognition is any indicator, managers are not living up to the expectations of their employees. Specifically, 60 percent of employees reported not receiving in-the-moment feedback from their managers, while more than half of employees do not feel recognized for their achievements at work. And 57 percent do not feel recognized for progress toward achieving their goals. The deep desire

for recognition is always there. Almost all employees hope to be recognized regularly, but just 41 percent said it is occurring at their preferred frequency. Retention: It is no surprise employees are asking, should I stay or should I go? The future of retention reflects the lackluster connection employees feel with their workplace: Only half of employees expect to be with their organizations a year from now. What is missing? It is unlikely half of your workforce is not doing anything worthwhile while at work. The truth is most efforts—even minimal efforts—are valuable and make a difference. But without momentum, purpose and inspiration, the disconnection only grows. It is a negative snowball effect. Small steps lead to great accomplishments, but employees need to see that they are headed somewhere. Recognizing daily efforts—the great little things happening all the time, the stuff that is done right or is on the right track, adds up. It enables employees to see the value in what they're doing and why. Recognition is the biggest opportunity in business, because what you get is an engaged workforce. And an engaged workforce is a powerful force.

5. IRS SUMMERTIME TIPS TO KEEP IN MIND ON INCOME TAXES

AND SELLING A HOME: Homeowners may qualify to exclude from their income all or part of any gain from the sale of their main home. Below are tips to keep in mind when selling a home:

Ownership and Use: To claim the exclusion, the homeowner must meet the ownership and use tests. This means that during the five-

year period ending on the date of the sale, the homeowner must have:

- Owned the home for at least two years
- Lived in the home as their main home for at least two years.

Gain: If there is a gain from the sale of their main home, the homeowner may be able to exclude up to \$250,000 of the gain from income or \$500,000 on a joint return in most cases. Homeowners who can exclude all of the gain do not need to report the sale on their tax return

Loss: A main home that sells for lower than purchased is not deductible.

Reporting a Sale: Reporting the sale of a home on a tax return is required if all or part of the gain is not excludable. A sale must also be reported on a tax return if the taxpayer chooses not to claim the exclusion or receives a [Form 1099-S](#), Proceeds from Real Estate Transactions.

Possible Exceptions: There are exceptions to the rules above for persons with a disability, certain members of the military, intelligence community and Peace Corps workers, among others. More information is available in [Publication 523](#), Selling Your Home.

Worksheets: Worksheets are included in Publication 523, Selling

Your Home, to help you figure the Adjusted basis of the home sold, Gain (or loss) on the sale, Gain that can be excluded,

Items to Keep In Mind:

- Taxpayers who own more than one home can only exclude the gain on the sale of their main home. Taxes must be paid on the gain from selling any other home.
- Taxpayers who used the [first-time homebuyer credit](#) to purchase their home have special rules that apply to the sale. For more on those rules, see [Publication 523](#). Use the First Time Homebuyer Credit [Account Look-up](#) to get account information such as the total amount of your credit or your repayment amount.
- Work-related moving expenses might be deductible, see [Publication 521](#), Moving Expenses.
- Taxpayers moving after the sale of their home should update their address with the IRS and the U.S. Postal Service by filing [Form 8822](#), Change of Address.
- Taxpayers who purchased health coverage through the [Health Insurance Marketplace](#) should notify the Marketplace when moving out of the area covered by the current Marketplace plan.

6. BAAAD GOAT JUMPS ON COPS PATROL CAR: A goat in Blanchard, Oklahoma, jumped atop the hood of a police cruiser, and appeared reluctant to leave, reports <http://www.leoaffairs.com/>. A

police officer's body camera captured the funny encounter. The officer responded to a report of a loose pony but found his cruiser "occupied" by the animal. The goat jumped back up moments after it was carried off, prompting the officer to say with a laugh, "That's my hood, Dude." The video says it all.

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 New York slippers are banned after 10 p.m. Rumor has it that slippers are not to be worn after dark; however, no credible source was found for this ban so we say rock those slippers day and night.

9. CYNICAL THINKING: If you think nobody cares whether you are alive, try missing a couple of payments.

10. PONDERISMS: Why is the man who invests all your money called a broker?

11. FUNNY TOMBSTONE SAYINGS: Some tombstones are clever and could make you die from laughter. For example, one tombstone reads: "This can't be heaven, my ex is here!"

12. TODAY IN HISTORY: On this day in 1987 Mohammad Ali elected to *Ring* magazine's Boxing Hall of Fame.

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.