



CYPEN & CYPEN

NEWSLETTER

for

April 12, 2018

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

1. JUDGE ORDERS FLORIDA GOVERNOR TO CREATE NEW PROCESS TO RESTORE VOTING RIGHTS OF CONVICTED FELONS:

A federal judge has ordered Florida Gov. Rick Scott (R) to create a new system to restore voting rights for convicted felons, [The Tampa Bay Times reported](#). U.S. District Judge Mark Walker gave Scott and three of his elected Cabinet members until April 26, 2018 to create the new system. Scott's office said it would review the order. "Officials elected by

Floridians, not judges, have the authority to determine Florida's clemency process for convicted felons," Scott communications director John Tupps said in a statement. "This is outlined in Florida's Constitution and has been in place for more than a century and under multiple gubernatorial administrations." The court order was part of an injunction issued by Walker in favor of the Fair Elections Legal Network, which successfully sued Florida over the state's system for restoring voting rights to convicted felons. Currently, the state can strip convicted felons of their voting rights unless the decision is overturned by the governor and Cabinet. Those felons cannot register to vote unless they are given back their voting rights. Walker had earlier ruled that the current system is unconstitutional. Roughly 1.5 million Floridians permanently lost their voting rights under the system, the *Times* reported. The judge ordered Scott and the Cabinet members to create a system with "specific and neutral criteria to direct vote-restoration decisions," and "meaningful, specific and expeditious time constraints," according to the *Times*. "Defendants essentially repackage the current scheme into proposed remedies permitting the governor and the board to do, as the governor described, 'whatever we want' in denying voting rights to hundreds of thousands of their constituents," Walker wrote in the decision. The ruling comes as Floridians prepare to vote on a ballot initiative in November automatically to restore voting rights to most convicted felons after they complete their sentences. This piece is from Jacqueline Thomsen.

2. NEW STUDY FINDS FEWER GENXERS HAVE RETIREMENT SAVINGS:

The Insured Retirement Institute (IRI) released the findings from its fourth biennial report on Generation X and their thoughts about, and preparations for, retirement. With only ten years until the eldest of the cohort turn 65, the majority GenXers believe their savings will cover their basic expenses and allow for leisure and travel in retirement. However, this confidence is misguided, as forty percent of GenXers have no retirement savings – an increase of 5 percent from the previous study -- and two-thirds have not attempted to calculate how much they would need to save in order to retire. Time is running short for GenXers to save for a financial secure retirement. Unfortunately, fewer GenXers are saving for retirement or utilizing professional financial advice than in previous years. The top three retirement risks GenXers are most concerned about are changes to Social Security, high health care costs, and running out of money, and financial advisors are uniquely positioned to help them effectively plan for these concerns. In fact, the research

clearly shows that GenXers working with advisors are better prepared for retirement and far less concerned about the risk of falling short. As the responsibilities of funding retirement fall more on the individual, it is encouraging to see that the majority of GenXers anticipates their own savings will form the bulk of their income. However, they must build sound plans for the use of those savings, including the use of annuities to provide guaranteed lifetime income, and align their expectations with their financial resources.

Key findings from the report include:

- Economic satisfaction is up slightly among GenXers, with 67 percent feeling satisfied with their lives from a financial standpoint versus 64 percent in 2016.
- Six in 10 GenXers have money saved for retirement. This is down from 65 percent two years ago.
- Of those with retirement savings, seven in 10 have less than \$250,000 saved, down from eight in 10 in 2016. However, this shift is the result of those with savings of \$250,000 or more nearly doubling, from 12 percent in 2016 to 23 percent in 2018.
- Six in 10 GenXers believe private employers should be legally required to offer a 401(k) plan to employees, and a staggering 81 percent would like be offered an option to take a portion of their retirement plan balance as monthly, guaranteed lifetime income.
- Despite their concerns regarding adequate savings and expenses, and most having either no savings or comparatively low retirement account balances, 60 percent of GenXers believe they will have enough money in retirement to cover their basic expenses and allow them to enjoy some (36 percent) or extensive (24 percent) travel and leisure activities.
- The top three retirement risks GenXers are most concerned about are changes to Social Security (66 percent), higher than expected health care expenses (64 percent) and running out of money (59 percent).

For a digital copy of the report, click [here](#).

3. HOUSTON REACHES \$40 MILLION SETTLEMENT WITH PENSION ACTUARY:

Reuters reports Houston has settled litigation with a firm over its actuarial work for the city's retirement funds dating back more than two decades, Mayor Sylvester Turner's

office announced. The settlement calls for Willis Towers Watson to pay the city \$40 million, according to city council's meeting agenda. The city would get \$29 million, with the remainder earmarked for legal fees related to the litigation. Houston filed a lawsuit in August 2014, claiming negligence, misrepresentations and professional malpractice on the part of the firm in connection with its work in the late 1990s and early 2000s for the Firefighters' Relief and Retirement Fund. Under the settlement, the city has agreed to dismiss its lawsuit and to release any potential claims based on Willis Towers Watson's work for the Houston Municipal Employees' Pensions System and the Houston Police Officers' Pension System. The firm has denied any wrongdoing, and the settlement does not constitute an admission of wrongdoing. In a February earnings release, the firm said it exited the business of doing actuarial work for states, local governments and their pension funds more than a decade ago.

4. HOW LONG CAN A GOOD FUND UNDERPERFORM ITS BENCHMARK?:

Morningstar introduced two new performance measures: Longest Underperformance Period (LUP) and Longest Outperformance Period (LOP) for funds that, over a given period, out- or underperformed their benchmark, respectively.

Key Takeaways:

- ▶ Morningstar investigated these measures empirically for a global set of active funds over the 15-year period starting January 2003 and ending December 2017.
- ▶ Morningstar found that funds that outperformed their benchmark trailed that benchmark for an average of nine to 12 years sometime during that period.
- ▶ Conversely, Morningstar found that funds that ended up underperforming their benchmarks were ahead of those benchmarks for comparably long stretches.
- ▶ This phenomenon is global and, with small variations, cuts across all the regions Morningstar included in the study.
- ▶ To get a better handle on the distribution of LUP/LOP, Morningstar ran simulations of large sets of "skilled," "no-skill" and "negative-skill" managers.
- ▶ The simulation results are largely in agreement with the empirical results.
- ▶ Morningstar showed, via simulations, that even a very skilled manager would, over a span of 100 years, underperform his benchmark for a period of 20 years at some point during that time.
- ▶ The main implication of these findings is that standard performance-measurement

periods, such as three, five, or even 10 years, are far too short to evaluate a manager with confidence. Investors who believe they picked a good fund must show more patience than is commonly assumed.

► The implications of these findings for investors, consultants and fund-of-funds managers are clear. The designers of asset management firms' portfolio-manager evaluation systems will also need to consider incorporating longer time periods in their methodologies.

5. THINGS TO REMEMBER WHEN CONSIDERING EARLY WITHDRAWALS FROM RETIREMENT PLANS:

Many taxpayers may need to take out money early from their Individual Retirement Account or retirement plan. Doing so, however, can trigger an additional tax on early withdrawals. They would owe this tax on top of other income tax they may have to pay. Here are a few key points to know:

- **Early withdrawals.** An early withdrawal is taking a distribution from an IRA or retirement plan before reaching age 59½.
- **Additional tax.** Taxpayers who took early withdrawals from an IRA or retirement plan must report them when they file their tax return. They may owe income tax on the amount plus an additional 10 percent tax if it was an early withdrawal.
- **Nontaxable withdrawals.** The additional 10 percent tax does not apply to nontaxable withdrawals, such as contributions that taxpayers paid tax on before they put them into the plan.
- **Rollover.** A [rollover](#) happens when someone takes cash or other assets from one plan and puts it in another plan. They normally have 60 days to complete a rollover to make it tax-free.
- **Exceptions.** There are many [exceptions](#) to the additional 10-percent tax. Some of the rules for retirement plans are different from the rules for IRAs.
- **Disaster Relief.** Participants in certain disaster areas may have [relief](#) from the 10-percent early withdrawal tax on early withdrawals from their retirement accounts.
- **File Form 5329.** Taxpayers who took early withdrawals last year may have to file [Form 5329](#), Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts, with their federal tax returns.

Use IRS e-file. Early withdrawal rules can be complex. [IRS e-file](#) can help. It is the easiest and most accurate way to file a tax return. The tax preparation software that taxpayers use to e-file will pick the right tax forms, do the math and help get the tax benefits they're due. Seven out of 10 taxpayers qualify to use IRS Free File tax software. Free File is only available through the [IRS website](#).

6. HOW SPECIAL PAYMENTS AFTER YOU RETIRE AFFECT YOUR SOCIAL SECURITY BENEFIT:

After you retire from your job or self-employment, you may get payments for work you did before you started receiving Social Security benefits. We call those "special payments." Usually, special payments will not affect your Social Security benefit, if they are for work done before you retired. These payments will be counted in the **last month you worked**, unless the services can be shown to have been rendered in a prior period. You should consider this when [evaluating your work activity](#). If you are younger than [full retirement age](#) and make more than the yearly earnings limit, your earnings [may reduce](#) the amount of your monthly benefit. In 2018, the earnings limit is \$17,040 if you are younger than full retirement age for the entire calendar year. If you reach full retirement age in 2018, the earnings limit is \$45,360 for the months before you reach full retirement age. Starting with the month you reach full retirement age, you can receive your full monthly benefit no matter how much money you earn. If you were self-employed, any net income you receive **after the first year you retire** counts as a special payment if you performed the services before you began receiving Social Security benefits. "Services" are any regular work or other significant activity you do for your business. You can find more information and examples of special payments by reading [Special Payments After Retirement](#). If you want to learn more about the earnings limit, please read [How Work Affects Your Benefits](#). Got another question about Social Security? On our [website](#), you can find answers to over 200 of your most [frequently asked questions](#), and much more. Social Security's online services are here to put control at your fingertips. See what else you can do online at [SocialSecurity.gov](#). Posted by Jim Borland, Acting Deputy Commissioner for Communications.

7. NEW REPORT: FLORIDA IS ONE OF THE FASTEST GROWING SOLAR STATES IN THE NATION:

Florida is increasing its solar power installations faster than almost any other state in the nation, according to a report by the Solar Energy Industries Association (SEIA). The Sunshine State increased its solar capacity by over 100 percent in 2017, adding 748 megawatts, which is enough energy to power more than 122,000 homes. The growth put Florida in the top ten states for total solar installations. [SEIA](#) says the increase was mostly due to the utility company Florida Power & Light's (FP&L) recent efforts to expand its use of solar. FP&L is recognizing that new solar is at a competitive price with other forms of energy generation, and they are recognizing that their customers want a cleaner energy portfolio. FP&L recently added a [battery storage system](#) to its Babcock Ranch Solar Energy Center in Charlotte County, making it the largest solar-plus-storage system in the United States. The company is also building four new solar plants that should start powering customers by 2019. While SEIA applauds the growth, it warns having one company behind most of Florida's solar expansion could limit competition in the energy market. Solar customers probably are not getting the best deal when FP&L is building its own solar projects without going out to the market and asking the market to provide them the best cost. SEIA is calling on FP&L to have more of an open bidding process for outside solar companies to get involved in future projects. Stephanie Colombini explained the report.

8. 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.

9. CLEVER WORDS:

Polarize: What penguins see with.

10. LEXOPHILES:

A plateau is a high form of flattery.

11. INSPIRATIONAL QUOTES:

Believe you can and you are halfway there. – Theodore Roosevelt

12. TODAY IN HISTORY:

On this day in 1994, Church of England ordains first 33 women priests.

13. THINK YOU KNOW EVERYTHING:

Gold is the only metal that does not rust, even if it's buried in the ground for thousands of years.

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