



CYPEN & CYPEN NEWSLETTER for May 9, 2019

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

1. SPENDING PATTERNS OF OLDER HOUSEHOLDS:

Using the Health and Retirement Study (HRS) 2014 and the Consumption and Activities Mail Survey (CAMS) 2015, we examine total spending and its components based on marital and retirement status. We also closely analyze the gap between total spending and total income as defined in the HRS.

- Overall, 59 percent of the sample spent less than their income; 41 percent spent more than their income in 2015.
- For single and retired individuals in 2015, average spending was \$5,000 lower than income; however, median spending was higher than median income by \$3,000.
- Coupled households where both spouses were retired on average spent 80

percent of their income in 2015; married couples with at least one spouse in the labor force had the lowest spending-to-income ratio with an average of 45 percent.

- The single, retired cohort had the highest spending-to-income ratio, with an average of 86 percent. However, their median spending-to-income ratio was very high at 112 percent.
- As many income replacement approaches assume, our findings support a reduction in housing and transportation expenses for retirees relative to those in the labor force. However, food costs and health expenses were higher for retirees. These observations could merit a different approach for measuring retirement income adequacy as well as further research where a longitudinal analysis is used to assess the changes in spending allocations before and after retirement.
- For a single and retired individual in 2015, average income was \$21,000 higher for those with regular pension/annuity income compared with those without a pension, while the average total expenditure was \$9,000 greater, which was largely driven by a higher share of entertainment and other (gifts and contributions) expenses in total spending.
- Married and retired households with pension income, on average, had \$16,000 more income than those without pension income; total expenditure was \$10,000 more, largely driven by higher dollar-amount spending on the housing, entertainment, and other (gifts and contributions) categories.
- While almost 34 percent of households with regular pension/annuity income spent more than their income, 46 percent of households without regular pension/annuity income spent more than their total income in 2015.
- Having an IRA or pension account is correlated with surpluses: 71 percent of households with a surplus had IRAs or pension accounts, vs. 52 percent with a deficit.
- In addition, account holders with a surplus were less likely to make irregular withdrawals from their account (28 percent) vs. those with a deficit (42 percent).
- The probability of having a deficit has a positive correlation with catastrophic medical expenses. For instance, of those who spent 20 percent or more of their income on medical expenses, 85 percent experienced a budget deficit. In comparison, of those who spent 5 percent or less of their income on health-related costs, only 20 percent experienced a deficit.

Zahra Ebrahimi, EBRI Issue Brief, May 2, 2019.

2. IRS PROVIDES VARIOUS PAYMENT OPTIONS FOR TAXPAYERS WHO OWE BUT CAN'T PAY IN FULL:

As the 2019 tax filing season gets into full swing, the Internal Revenue Service reminds

taxpayers who owe of the many easy payment options. The IRS anticipates that most taxpayers will be affected by [major tax law changes](#). While most will get a tax refund, others may find that they owe taxes, many of whom may qualify for a [waiver](#) of the estimated tax penalty that normally applies. See [Form 2210](#), Underpayment of Estimated Tax by Individuals, Estates and Trusts, and its instructions for details. “The IRS understands there were many changes that affected people last year, and the new penalty waiver will help taxpayers who inadvertently had too little tax withheld,” said IRS Commissioner Chuck Rettig. “We encourage people to check their withholding again this year to make sure they have the right amount of tax withheld for 2019.” The IRS urges people with a filing requirement and a balance due to file by the April 15 deadline even if they cannot pay in full. Taxpayers in this situation should pay what they can and consider a payment plan for the remaining balance. Taxpayers who owe taxes can choose among the following [payment options](#):

- [IRS Direct Pay](#) allows payment directly from a checking or savings account. This service is free.
- [Electronic Federal Tax Payment System](#), or EFTPS. Pay by phone or online. This service is free.
- [Debit or credit card payment](#). This service is free, but the processing company may charge a fee. Fees vary by company.
- [Check or money order](#) made payable to the United States Treasury (or U.S. Treasury) either in person or through the mail.

Taxpayers who are unable to pay their taxes in full should act quickly. Several payment options are available including:

- [Online Payment Agreement](#) – Individuals who owe \$50,000 or less in combined income tax, penalties and interest and businesses that owe \$25,000 or less in payroll tax and have filed all tax returns may qualify for an Online Payment Agreement. Most taxpayers qualify for this option, and an agreement can usually be set up in a matter of minutes. Online applications to establish tax payment plans, like online payment agreements and installment agreements, are available Monday – Friday, 6 a.m. to 12:30 a.m.; Saturday, 6 a.m. to 10 p.m.; Sunday, 6 p.m. to midnight. All times are Eastern time.
- [Installment Agreement](#) – Installment agreements paid by direct deposit from a bank account or a payroll deduction will help taxpayers avoid default on their agreements. It also reduces the burden of mailing payments and saves postage costs. Even taxpayers who don’t qualify for a payment agreement may still pay by installment. Certain fees apply.

- [Delaying Collection](#) – If the IRS determines a taxpayer is unable to pay, it may delay collection until the taxpayer's financial condition improves.
- [Offer in Compromise](#) – Certain taxpayers qualify to settle their tax bill for less than the amount they owe by submitting an offer in compromise. To help determine eligibility, use the [Offer in Compromise Pre-Qualifier](#) tool.

In addition, taxpayers can consider other options for payment, including getting a loan to pay the amount due. In many cases, loan costs may be lower than the combination of interest and penalties the IRS must charge under federal law.

Check tax withholding

The IRS urges all taxpayers to [check their withholding](#) for 2019, especially those who made withholding adjustments in 2018 or had a major life change. Those most at risk of having too little tax withheld from their pay include taxpayers who itemized in the past but now take the increased standard deduction as well as two-wage-earner households, employees with non-wage sources of income, and those with complex tax situations. To help taxpayers allocate the appropriate withholding to their paychecks throughout the year in 2019, an updated version of the agency's online [Withholding Calculator](#) is now available on IRS.gov. It's never too early to check your withholding. While it's a good idea any year, starting early in 2019 is particularly important as most tax filers adjust to the revised tax rates, deductions and credits.

Online tools

The IRS urges taxpayers to take advantage of the many [tools and other resources](#) available on IRS.gov. Taxpayers have a variety of options to get help filing and preparing their tax returns on [IRS.gov](#), the official IRS website. Taxpayers can also find answers to their tax questions and resolve tax issues online. The [Let Us Help You](#) page answers most tax questions, and [Publication 5136](#), IRS Services Guide, links to these and other IRS services. Taxpayers can go to [IRS.gov/account](#) to securely access information about their federal tax account. They can view the amount they owe, pay online or set up an online payment agreement; access their tax records online; review the past 18 months of payment history; and view key tax return information for the current year as filed. Visit [IRS.gov/secureaccess](#) to review the required identity authentication process.
Issue Number: IR-2019-15, IRS Newswire, February 13, 2019.

3. FIRST U.S. PENSION FUNDS TAKE THE PLUNGE INTO CRYPTOCURRENCY INVESTING:

Morgan Creek Digital has scored what it says is probably the first investment in the digital-assets universe from a U.S. pension fund. Two pension plans in Fairfax County, Va., are

anchor investors in a new \$40 million venture capital fund, according to a statement from the company. Other investors include an insurance company, a university endowment and a private foundation, said Morgan Creek Digital founder Anthony Pompliano, who declined to provide further details. Many institutional investors, which cryptocurrency enthusiasts believe will be drawn to digital assets because of their volatility and potential outsized gains, have been deterred by market manipulation and a lack of regulation. The Virginia pension funds join a handful of institutions to invest in the cryptocurrency world, including [Yale University](#), the second-largest endowment in higher education that invested in a digital assets fund last year. [Fairfax County Retirement Systems](#) manages three separate defined benefit plans, two of which invested in the Morgan Creek Digital fund, Mr. Pompliano said. Katherine Molnar, chief investment officer of one of the funds, said in a statement that blockchain technology, which was first developed to record the movement of bitcoin, is an "emerging opportunity" that offers an "attractive asymmetric return profile." Mr. Pompliano said his new fund is structured like a traditional venture capital fund that will invest in the equity of companies in the blockchain and digital assets industry. The fund will also hold a small percentage of its value in liquid cryptocurrencies, such as bitcoin, Mr. Pompliano said. Bitcoin lost about 75% of its value in 2018. "There's a belief in the institutional world that if the industry will be around for a long time, it will be very valuable," Mr. Pompliano said in an interview. "The smart money is not distracted by price but looks at the long-term trends, and believes they're betting on innovation as a great way to deliver risk-mitigated returns." Morgan Creek Digital, which is an affiliate of the investment manager Morgan Creek Capital Management, exceeded its original target of \$25 million for the fund. Its pitch: all traditional assets will eventually be represented by digital tokens, while the influx of intellectual capital into digital assets will create positive returns. It also argues that cryptocurrencies are not correlated to traditional assets, giving investors unique exposures. Bloomberg, *Pensions & Investments*, February 12, 2019.

4. "FRED'S CORNER":

Fred Nesbitt is Florida Public Pension Trustees Association (FPPTA).Media Consultant, who prepares news clips. From time to time, we will borrow some of his gems.

Florida Firefighter Cancer Bill Awaits Signature From DeSantis:

James Torrez, West Palm Beach Channel 12, April 30th 2019.

It's a bill meant to save the lives of those who help save our lives. The Florida Firefighter Cancer Bill passed unanimously in the Florida House and Senate and now sits on Governor Ron DeSantis' desk. The bill is intended to give firefighters a hand if they are ever diagnosed with cancer. It would provide a whole new set of benefits, which includes paid time off for medical leave and a \$25,000 lump sum to off-set medical costs. It's something lawmakers have thrown out for years, but this year it's finally getting support

from every state senator and representative. The measure is what's called a "presumptive cancer law." That means should a firefighter in good health get one of 21 identified types of cancer, it is presumed the cancer stemmed from his or her work as a firefighter. Cancer treatment itself is often already covered by existing health plans. But firefighters can often foot the bill for out-of-pocket expenses such as co-pays and deductibles. The newly-passed measure would require those expenses to be covered in an effort to ensure firefighters don't have to go through an arduous workers' compensation process to prove those cancers stemmed from their employment. According to the bill, firefighters only qualify for the cancer presumption if he or she "has not been employed in any other position in the preceding 5 years which is proven to create a higher risk for any cancer."

Editor's Note: The bill was sent to the governor on April 26. Some of the information in the news summary came from multiple sources.

Council Increases Public-Safety Employee Pay:

Alanna Barrett, Palm Beach Record, April 30, 2019.

The Palm Beach Town Council took action to make the pay of police and firefighters in the town of Palm Beach competitive with neighboring municipalities. The council decided to position public safety workers' salary ranges at the 75th percentile of the jobs in the public sector in Palm Beach County. This means that the pay ranges for those jobs will be adjusted so that Palm Beach is in the top 25 percent of highest-paying public agencies in the county. Raises would be given to public safety employees whose pay currently falls below the midpoint of the new salary ranges. Currently, police are at the 50th percentile, a survey found. Firefighters are at roughly the 75th percentile and will see fewer pay adjustments than police. The town of Palm Beach has struggled to retain police and firefighters since 2012, when deep pension cuts and other changes caused a large exodus of public safety employees. The council also made several other changes, including additional pay raises to reward long-time employees, adjusting the firefighters' schedule to 48 hours a week, and more. The council will address any compensation changes for general employees at its May 14 meeting.

Issues With Police Retention Lead Branford to Roll Back Defined Contribution Pension Plan:

Steven M. Mazzacane, Branford Seven, April 17, 2019.

The Branford (CT) Board of Finance and Representative Town Meeting will soon vote on a new contract for Branford police officers and a pension plan that rolls back a defined contribution aspect established in 2011. In 2011, in response to the economic crash, Branford looked to limit its long-term risk by transferring new hires into a defined contribution plan. It was hoped that the change would provide stability to the town, but also encourage officers retiring from other communities to work in Branford, as the new

plan did not require a minimum number of years to participate in the plan. However, since then some issues have arisen. It became harder to attract and retain officers who can receive a guaranteed pension payout without market risk in other towns. The inability to retain workers and attract lateral hires has been an ongoing discussion at police commission meetings and in discussions with town officials. It also leads to increased costs, as officers can be trained in Branford and then leave for a better pension plan elsewhere.

Here's What School Teachers Earn In Every State:

Amanda Tarlton, Yahoo Lifestyle, April 23, 2019.

Our state ranks #35. Florida: \$49,407. From sunshine to beautiful beaches, there's a lot of great qualities about Florida—but its healthcare isn't one of them. In the Southern state, employers are only required to cover 65 percent of their employees' health insurance costs, the lowest in the entire country. New York ranks #1 - \$79,637 and South Dakota ranks #50 - South Dakota: \$42,668.

Firefighters In Wales Win Landmark Pay and Pension Case:

Josephine Cumbo, The Financial Times, April 1, 2019.

Firefighters in Wales have won a landmark legal action over pay and pensions in a case that could have wider implications for tens of thousands of workers across the public sector. The High Court ruled that firefighters in Wales were entitled to have the additional pay they received for working extended hours, or taking on additional duties, be considered “pensionable”. Currently, pay for working beyond core hours is not considered when the employer is working out pension contributions for the firefighter. The Mid and West Wales Fire and Rescue Authority had argued that allowances for working extended hours, or additional duties, were not pensionable as they were not permanent.

Fred Nesbitt, FPPTA Media Consultant, Florida Public Pension Trustees Association Pension News Clips, April 2019 on Florida Pension Issues.

13. DID YOU KNOW BENJAMIN FRANKLIN SAID THIS?:

He that composes himself is wiser than he that composes a book.

14. PONDERISMS:

Why is it called a funny bone, when if you hit it, it's not funny at all?

15 INSPIRATIONAL QUOTES:

Happiness is not something you postpone for the future; it is something you design for the present. - Jim Rohn

16. TODAY IN HISTORY:

On this day in 1960, U.S. becomes the first country to legalize the birth control pill.

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

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