

# H | M | S

FINANCIAL GROUP

WEALTH MANAGEMENT & FINANCIAL PLANNING

# EYE ON MONEY

MAY  
JUN  
2016

## HOW TO SIMPLIFY YOUR FINANCES

SIMPLE STEPS YOU CAN TAKE  
TO MAKE YOUR FINANCES  
EASIER TO MANAGE



*plus*

WHAT BOOMERS  
NEED TO KNOW  
ABOUT RMDs

NEW SAVINGS OPTION  
FOR PEOPLE WITH  
DISABILITIES

KEY TAX BREAKS  
MADE PERMANENT

HOW TO GET  
STUDENT LOANS  
FORGIVEN

## THREE WAYS TO GET YOUR FEDERAL STUDENT LOANS FORGIVEN

- 1 Teach for five years in a low-income elementary or secondary school.**  
If you are a highly qualified teacher, teach full-time in a school that serves low-income families for five consecutive years, and meet certain other requirements, you may qualify to have up to \$5,000 of your remaining student loans forgiven. And if you are a highly qualified special education teacher or secondary math or science teacher, you may qualify to have up to \$17,500 of your remaining loans forgiven. The Teacher Loan Forgiveness Program applies to Direct Loans and Federal Stafford Loans.
- 2 Work in public service for ten years while paying off your loans.**  
Under the Public Service Loan Forgiveness Program, you may be eligible to have the remainder of your Direct Loans forgiven if you make at least 120 Direct Loan payments after October 1, 2007 while working full-time for the government or a non-profit organization. If the non-profit is private, it must provide certain public services, such as public health, public education, early childhood education, emergency management, or law enforcement.
- 3 Work in public service.**  
Working full-time in a public service occupation may make you eligible to have your Perkins Loans forgiven by your school. The list of qualifying occupations is extensive and includes law enforcement, public legal defense, special education, nursing, and firefighting, as well as VISTA and Peace Corps volunteers.

Visit the website [studentaid.ed.gov](http://studentaid.ed.gov) for more details.

## inside

### UP FRONT

- 2 Three Ways to Get Your Student Loans Forgiven**
- 3 The Financially Savvy Way to Leave a Job**  
Tips to help you make the most of your retirement savings, stock options, and employee benefits.
- 4 Why Invest Globally?**
- 5 Eight Things Boomers Need to Know About RMDs**

### FEATURES

- 6 How to Simplify Your Finances**  
Simple steps you can take to make your finances easier to manage.
- 10 ABLE Accounts: A New Savings Option for People with Disabilities**  
Answers to common questions about the new accounts.
- 12 The PATH Act of 2015 Makes Permanent or Extends Many Key Tax Breaks**  
How you may be affected by the changes.

### FYI

- 16 Zurich: Swiss Bliss**
- 18 Summer Music Festivals 2016**
- 19 Quiz: Where in the World of Sports Are You?**

© 2016 Quinn Communications Inc.

This publication was created by Quinn Communications Inc. ([www.quinncom.biz](http://www.quinncom.biz)) for the use of the sender. It is intended to provide general information on the subject matter covered. It is not intended to provide a financial, legal, or other professional service. The information in this publication may not be appropriate for you. Contact a financial or legal professional before making changes to your plans.



## The Financially Savvy Way to Leave a Job

Tips to help you make the most of your retirement savings, stock options, and employee benefits when you leave a job.

### WHETHER YOU ARE SWITCHING JOBS

or retiring, you may be faced with several financial decisions when you leave an employer. What will you do with your retirement savings? How will you handle your stock options? How will you replace the life insurance your employer provided? The following tips and considerations are a start to answering these questions, but your best move is to consult your financial advisor for advice tailored to your specific situation.

**Retirement savings.** Although it may be tempting to cash out the savings in your employer's retirement plan when you leave, that is rarely your best move. Not only will you immediately owe income tax and perhaps a 10% early withdrawal tax penalty on the taxable portion of your withdrawal, you will give up the potential for the withdrawn amount to continue to grow tax-deferred or tax-free.

You can avoid immediate taxation and allow your savings to continue to grow tax-deferred or tax-free by 1) leaving your savings in your former employer's retirement plan, 2) transferring them to your new employer's plan, or 3) transferring them directly to an IRA.

And while each of these three options enables taxes to be deferred on your savings for as long as they remain in the account, there are differences among them to consider. For example, IRAs

and qualified retirement plans, such as 401(k) plans, have different exceptions to the 10% early withdrawal penalty, which may be a factor if you need access to your savings before age 59½. Your financial advisor can review the differences with you and help you choose the best way to handle your retirement savings.

**Employer stock in your 401(k).** If the stock has appreciated greatly in value, you may save a bundle in taxes by transferring it to a taxable investment account.

When you transfer employer stock to a taxable account, its cost basis (the price originally paid for it) will immediately be taxed as ordinary income, but the increase in the stock's value (known as net unrealized appreciation, or NUA) will be taxed as a long-term capital gain when the stock is eventually sold.

Typically, the tax rate you pay on ordinary income is substantially higher than the rate you pay on long-term gains, so moving your employer stock to a taxable investment account will make at least part of its value eligible for lower tax rates. In contrast, withdrawals from tax-deferred retirement accounts, such as IRAs and 401(k)s, are taxed solely as ordinary income.

Deciding how to handle your employer stock is a complex decision. Please seek advice from your financial advisor before making a move.

**Stock options.** If you have vested stock options, leaving your employer may dramatically shorten the time you have to exercise them. Depending on your employer's stock plan and the circumstances of your departure, your options may expire on the last day of your employment or perhaps up to 90 days or one year later.

It is a good idea to review the stock option plan and agreement well before your last day on the job so that you have enough time to create and implement a plan for exercising your vested options before they expire. Your tax and financial advisors can help with the plan.

It is also important to keep in mind that an incentive stock option (ISO) loses its tax benefit if not exercised within 90 days of leaving employment.

**Life insurance.** If you had life insurance through your employer, your coverage will generally end when your employment ends, although you may have the option to convert your coverage to an individual policy or port it into another group policy, generally without answering any health questions. You may also be able to simply purchase a new individual life insurance policy to provide the coverage you need.

Please consult your financial advisor for advice regarding your life insurance coverage and options when you leave a job. ■



© iStock.com/stockyimages

## Why invest globally?

Adding international investments to your portfolio offers two potential benefits: diversification and growth.

**DIVERSIFICATION** Because U.S. and international markets sometimes experience ups and downs at different times, combining U.S. investments with international investments may help reduce your portfolio's volatility and improve its potential returns. For example, when U.S. stocks are down, stocks in another part of the world may be up, helping to lessen the impact of declining U.S. share prices. Although diversification may help reduce a portfolio's volatility, it does not ensure a profit or protect against loss in declining markets.

**GROWTH** Investing internationally offers you the chance to participate in markets that may be growing faster than the U.S. market. Of course, you probably already have some exposure to international markets if you invest in U.S. companies that do business outside of the U.S. That exposure can be supplemented by investing in foreign stocks and international mutual funds and ETFs.

International markets offer investment opportunities to U.S. investors who venture beyond our borders. Whether international investments are right for you will depend on your financial objectives, the length of time before you will need the money, and your tolerance for risk. While all investing involves risk, investing outside your home country involves additional risk. Your financial advisor can help you determine the role that international investments should play in your portfolio and recommend investments that are appropriate for you. ■

### PLEASE NOTE:

*Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.*

*Foreign investments involve special risks due to currency fluctuations, economic and political factors, government regulations, differences in accounting standards, and other factors. Investing in emerging markets involves greater risk than investing in more established markets.*

**Please consult your financial advisor for help in developing and implementing an investment plan.**



## Eight Things Boomers Need to Know About RMDs

Required minimum distributions are a fact of life for most retirees. Here are eight things every baby boomer needs to know about them.

- 1 RMDs generally must begin at age 70½.** Owners of most types of retirement accounts, including traditional IRAs and 401(k) accounts, generally must withdraw at least a minimum amount every year beginning at age 70½. That minimum amount is known as a required minimum distribution, or RMD for short. Your employer's non-IRA retirement plans may allow you to delay the start of RMDs past age 70½ if you are still working.
- 2 RMDs are designed to stretch out distributions—and the resulting tax payments—over your lifetime.** They are calculated by dividing your prior December 31st account balance by a distribution period published by the IRS. To give you an example, let's say your prior December 31st balance is \$1,000,000 and you are age 71. According to the IRS's Uniform Lifetime Table, the distribution period for someone age 71 is 26.5 years. So \$1,000,000 is divided by 26.5 to arrive at a \$37,736 RMD for the year. (If your spouse is more than 10 years younger than you and is your sole beneficiary, you use a different IRS table.) Generally, your IRA custodian or retirement plan administrator will calculate your RMD for you.
- 3 RMDs are generally not required from Roth IRAs.** Although RMDs are required from all employer-sponsored retirement plans, including any Roth accounts in those plans, they are not required from Roth IRAs until after the account owner's death. To avoid having to take RMDs from your Roth 401(k), 403(b), or 457(b) account, you can transfer those savings to a Roth IRA after you leave your job.
- 4 Your RMD may not be 100% taxable.** RMDs from traditional, tax-deferred accounts are taxed as ordinary income. However, if you made any non-deductible or after-tax contributions to your account, that part of your distribution is tax-free. RMDs from Roth accounts are tax-free.
- 5 Charitable distributions from your IRA are tax-free and count toward your RMD.** Instead of withdrawing money from your IRA to satisfy your RMD obligations, you can have up to \$100,000 per year distributed directly to a qualified charity. You cannot claim a charitable deduction for the distribution, but it is tax-free and counts toward your RMD for the year.
- 6 You can withdraw more than the RMD amount.** The RMD is simply the minimum amount that must be withdrawn that year.
- 7 The penalty for not taking an RMD is huge.** You may have to pay a 50% excise tax on any amount not distributed as required. The IRS may waive the penalty if you can prove to them that the shortfall was the result of a reasonable error and that you have taken steps to correct it.
- 8 You get a few extra months to take your first RMD.** Typically, the RMD deadline is December 31. However, individuals taking their first RMD may take it as late as April 1st of the year following the one in which they turn age 70½. This move will result in you having to take two RMDs in one year and may increase the tax you'll owe if the combined amount of the distributions bumps you up to a higher tax bracket. ■

Please consult your tax and financial advisors for more information about RMDs and planning your retirement income.

# How to Simplify Your Finances

Is managing your finances taking too much time? These tips may help simplify the process so that you have more time to enjoy life.

## INVESTING

### **Consolidate your retirement accounts.**

If you have retirement accounts with former employers, consider consolidating them in an IRA or your current employer's retirement plan.

Fewer retirement accounts mean fewer statements to review, which can save you time and may make it easier for you to evaluate your overall investment picture and determine whether you are on track for your goals.

And if you are past age 70½, you may find it easier to take your annual required minimum distributions from one or two retirement accounts rather than several.

**Make saving automatic.** Contributing to your savings and investment accounts can be a snap when you automate it.

One way to automate it is to participate in a retirement plan at work. Typically, your employer will automatically deduct your contributions from your pay and deposit them into your retirement account without you having to lift a finger.

You may also be able to automate contributions into your regular savings and investment accounts. Perhaps your employer can deposit part of each paycheck directly into those accounts, in addition to the account you use for your immediate needs. Or you may be able to arrange through your financial institution for recurring transfers to be made at regular intervals from, say, your checking account to your investment account.

**Hire a financial advisor.** Bringing in a pro to help with your investments and investment planning can help free up your time and may remove some stress from your life. After a thorough financial review, a financial advisor will generally develop a customized investment plan based on your specific situation and goals, and may help you choose and monitor the investments in your portfolio.

## BANKING

### **Use direct deposit for all your income.**

There is no need to make a trip to the bank and wait in line simply to deposit your paycheck, pension, or Social Security benefits. With direct deposit, all of your income can automatically be deposited into your savings, checking, and investment accounts without any effort on your part.

Plus, direct deposit eliminates the risk of lost or stolen checks.

### **Deposit checks with your mobile device.**

In the time it may take you to find your car keys, you can generally deposit a paper check in your bank account using your mobile device—and avoid the need to drive to the bank!

Depositing a check can be as easy as opening the mobile banking app on your smartphone or tablet, taking a picture of the front and back of the check, choosing the account, entering the deposit amount, and touching Make Deposit.

**Transfer money electronically.** With online or mobile banking, you can easily move money from one account or financial institution to another using your computer, tablet, or smartphone.

**Set up email or text alerts.** Alerts help you stay on top of what's going on in your financial accounts by notifying you when certain events happen, such as when your balance drops below a certain amount, deposits or credits are posted, or other changes are made to your account.

**Pay your bills online or using your mobile device.** Both ways are generally faster and easier than writing and mailing checks.

Many financial institutions offer online and mobile bill paying services that enable you to simply choose who to pay and then enter the amount and the date you want the bill paid. The financial institution takes it from there, either sending an electronic payment or a paper check to the biller.

Many billers also offer online and mobile bill paying options where you can authorize payment from your bank account or credit card.

### **Pay your bills at set times each month.**

Arrange new due dates with your billers that fall closer together so that you only have to pay bills once or twice a month. Then set up a reminder on your computer or mobile device that alerts you when it is time to pay the bills.



**Go paperless with online statements.**

If you are awash in a sea of paper statements, switching to online statements can help reduce the amount of paper cluttering your home.



Online statements are an option at many banks, brokerages, and retirement plan providers. Typically, the financial institution will notify you by email when your statement is ready to be viewed and saved to your computer or storage device.



Statements from the past few years may also be available online.



### **Automatically pay your recurring bills.**

If you make payments for the same amount each month for expenses such as your mortgage, car payment, insurance, gym membership, and cable services, consider setting up those expenses to be paid automatically each month.



Many financial institutions will let you set up recurring bill payments for fixed amounts through their online or mobile banking services.



Many service providers, such as cable and insurance companies, also offer an auto pay option that automatically charges your credit card or debits your bank account each month.



You will still need to review your bills and bank statements for accuracy and make certain that you have sufficient funds in your bank account to cover any automatic debits.





**Limit your number of credit cards.**

Each credit card in your wallet equates to twelve statements per year. Have five credit cards? That is sixty statements per year that need to be reviewed.

You can reduce the time you spend reviewing statements—and the chance that you'll miss one or two of them—by limiting the number of credit cards that you use. Be sure to consider, however, that closing a credit card account may have a short-term negative impact on your credit score.

**Use software or apps to track your**

**spending.** Knowing where your money goes can help you identify areas where you can rein in spending. While you can simply jot down all of your expenditures, using a personal financial software program or app, such as Mint or Quicken, that pulls in all the transactions from your financial accounts (credit card, checking, etc.) and categorizes those transactions is generally the easier way to go.

## TAXES

**Organize your tax records as you go.**

Scrambling at the last minute to assemble the records necessary to prepare your tax return can take considerably longer than assembling them throughout the year as you receive them.

The trick to staying organized can be as low-tech as placing the receipts and other documents that support your deductions and income into an accordion file as soon as you receive them.

Or staying organized may be as high-tech as scanning the receipts and documents and filing them electronically, or using personal finance software to track your expenses and income. If the software or app allows you to flag deductible expenses, you may be able to simply print out a report at tax time

that lists your income and deductible expenses for the year.

If you itemize deductions, it is a good idea to keep records of your medical and dental expenses, taxes you paid (real estate taxes, as well as state and local income or general sales taxes), interest you paid (mortgage and investment), gifts to charity, casualty and theft losses, and a few other miscellaneous expenses.

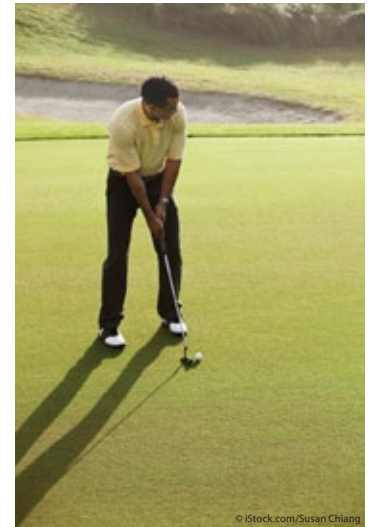
**Consider using a donor-advised fund for your charitable giving.**

A donor-advised fund is a charitable account that you establish with a sponsoring organization for the purpose of making grants to IRS-qualified public charities. The sponsoring organization is itself a public charity, so to receive a charitable tax deduction you only need to track the contributions you make to your account—not all the grants you make from it to individual charities.

**Direct deposit your tax refund.** You will receive your refund sooner and avoid having to deposit a paper check if you provide directions on your tax return for your refund to be electronically deposited into a financial account.

You can even have your refund split and deposited into as many as three financial accounts, such as your checking account, savings account, and IRA.

**Hire a tax professional.** Unless you thrive in the minutia of the tax code or have a super simple tax return, hire a tax professional, such as a CPA or an enrolled agent, to prepare your tax returns. You will still need to provide the information that will be used to prepare your returns, but the tax professional can handle selecting, completing, and filing the proper forms for you. Plus, with a tax professional in your corner, you have access to year-round tax planning advice that may help reduce your taxes and avoid costly tax mistakes and penalties. ■



Your tax and financial advisors can help you simplify your finances. Please call on them for tax, investment, and financial planning advice and assistance.

# Achieving a Better Life Experience (ABLE) Accounts: A New Savings Option for People with Disabilities

Answers to common question about the new accounts.

## What is an ABLE account?

As early as this year, states may begin offering a new type of tax-favored account, known as an ABLE account, that enables certain individuals with disabilities to save for qualified expenses without losing their eligibility for government benefits, such as Medicaid and Supplemental Security Income (SSI).

Amounts saved in an ABLE account are generally not counted when determining eligibility for and the amount of benefits authorized by means-tested federal programs. However, special rules apply to SSI:

- ▶ If the ABLE account balance exceeds \$100,000, the beneficiary's SSI benefits will be suspended until the account balance falls below \$100,000. Medicaid benefits will not be affected.
- ▶ Distributions from an ABLE account for housing expenses may affect SSI benefits.

The Federal government gave states the authority to offer ABLE accounts to qualified disabled individuals with the signing of the Achieving a Better Life Experience (ABLE) Act in 2014. Since then, many states have enacted their own ABLE laws and have begun to develop their state programs, some of which may open in 2016.

## Who is eligible?

An ABLE account may generally be opened by an individual (or the parent or guardian of the individual) who became disabled or blind before age 26 and who either:

- ▶ Is entitled to SSI or Social Security Disability Insurance.

- ▶ Provides certification that he or she (1) is blind or (2) has a medically determinable physical or mental impairment, resulting in marked or severe functional limitations, which can be expected to result in death or has lasted, or is expected to last, for at least 12 continuous months.

## What are the tax advantages?

Although contributions to an ABLE account are not deductible for federal income tax purposes, money in an ABLE account grows free from income taxes. Plus, distributions (withdrawals) are exempt from income taxes as long as they do not exceed the individual's qualified disability expenses for the year.

## What expenses qualify for income-tax-free distributions?

Qualified expenses must be related to the individual's disability or blindness, and generally include expenses such as education, transportation, and housing, although distributions for housing may affect the beneficiary's SSI benefits.

Qualified expenses also include expenses for employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, as well as legal fees, oversight and monitoring expenses, and funeral and burial expenses.

If the distributions exceed the individual's qualified disability expenses for the year, the earnings portion of the excess is subject to income tax and a 10% penalty.

## How many ABLE accounts can be opened per beneficiary?

A beneficiary may generally have only one ABLE account. Anyone may contribute to that one account.

## How much money can be contributed?

Total annual contributions to an ABLE account may not exceed the amount of the annual gift tax exclusion, which is \$14,000 for 2016.

Each state's program will have its own limit on how much you may save overall in its program. And while many state limits will be well over \$100,000, keep in mind that a balance in excess of \$100,000 will result in suspended SSI benefits.

## Can you choose another state's program?

If another state's ABLE program allows non-residents to open accounts, you are welcome to choose it instead of your own state's program.

## What happens to the savings remaining in an ABLE account?

After the beneficiary's death, a state may file a claim to be reimbursed from the account for the Medicaid assistance it provided to the beneficiary after the account was opened. State claims will be paid only after all outstanding qualified disability expenses have been paid. ■

**Planning for the financial needs of a disabled individual can be complicated. Please consult your financial advisor about whether an ABLE account may be a good option for you, as well as to learn what other options are available.**



## ABLE Accounts at a Glance

- ▶ ABLE accounts are state-sponsored savings plans for certain individuals with disabilities who became disabled or blind before age 26.
- ▶ Savings in ABLE accounts are generally not counted when determining eligibility for means-tested programs, such as Medicaid.
- ▶ Savings grow income-tax-free and can be withdrawn tax-free if used for qualified disability expenses.
- ▶ The beneficiary may have only one ABLE account. Anyone may contribute to it.
- ▶ Up to \$14,000 per account per year may be contributed. (2016 amount)
- ▶ After the beneficiary's death, savings remaining in the account will be used to repay any Medicaid assistance the beneficiary received after the account was opened.
- ▶ Many states are in the process of rolling out their ABLE programs, with some programs expected to open in 2016.
- ▶ States may offer their ABLE programs to residents of other states so you are not limited to just your state's ABLE program.

**PLEASE NOTE:** For more complete information about an ABLE program, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Some states may offer state residents additional benefits, such as a state tax deduction for contributions to the program. Any state-based benefit offered with respect to a particular ABLE program should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other ABLE program to learn more about the features, benefits, and limitations of that state's ABLE program.

# The PATH Act of 2015 Makes Permanent or Extends Many Key Tax Breaks

How you may be affected by the changes.

**AFTER YEARS OF SIMPLY EXTENDING** key tax breaks for a year or two, Congress passed a tax act in December of 2015 that makes permanent many of the temporary tax provisions that individuals and businesses have come to rely on. The Act, titled the Protecting Americans from Tax Hikes (PATH) Act of 2015, makes permanent more than twenty provisions, including the deduction for state and local sales tax, the American Opportunity Tax Credit, and the ability for individuals over age 70½ to make tax-free IRA distributions to charity. The Act also extends, through 2016 or 2019, some of the other temporary provisions that were not made permanent.

As a result of the Act, you gain some certainty about the tax breaks available to you, which may prove helpful in your tax planning.

Here is an overview of some of the key provisions affecting individuals. Your tax advisor can tell you more about them, as well as provide information on the provisions affecting businesses.

**The deduction for state and local sales taxes is made permanent.** The PATH Act permanently extends your ability to deduct state and local general sales taxes instead of state and local income taxes. This is good news for people who live in a state with no income tax or who pay more in sales taxes than in state and local income taxes.

**The American Opportunity Tax Credit is made permanent.** Introduced in 2009, the American Opportunity Tax Credit

expanded on an earlier education tax credit, known as the Hope Credit, by:

- ▶ Making it available to more people, including those with higher incomes or no incomes.
- ▶ Increasing the maximum credit to \$2,500 (from \$1,800) per student per year.
- ▶ Increasing the number of years the credit can be claimed to four years (instead of two).

With the passage of the PATH Act, the American Opportunity Tax Credit is made permanent, enabling you to claim a credit of up to \$2,500 per student per year for the first four years of qualified post-secondary education expenses that you pay, provided your income falls within certain limits.

And of all the education tax breaks, the American Opportunity Tax Credit has the highest income limits. Individuals with modified adjusted gross incomes (MAGIs) as high as \$80,000 (\$160,000 for joint filers) may claim up to the full \$2,500 credit. A reduced credit is available for individuals with MAGIs between \$80,000 and \$90,000 (\$160,000 and \$180,000 for joint filers). The credit cannot be claimed by individuals with MAGIs above \$90,000 (\$180,000 for joint filers) or who are married and file separate tax returns.

This credit is refundable, meaning that if it exceeds your tax for the year, 40% of the excess (up to \$1,000) can be refunded to you.

**Tax-free IRA distributions to charity are made permanent.** The temporary tax provision allowing individuals age 70½ or older to make charitable donations directly from their IRAs that count toward their annual required minimum distribution (RMD) has been made permanent.

Normally, when you take a distribution from your traditional IRA, the taxable portion of it is added to your gross income for the year, which drives up your taxes. If you have the money (up to \$100,000 per year) distributed directly to a qualified charity instead, the distribution counts toward your RMD for the year, but is not added to your gross income and is not taxable to you. However, you cannot also claim a charitable deduction for the charitable distribution.

So whether a charitable distribution from an IRA is a good way for you to make a donation often hinges on whether you may benefit more from a lower gross income than from a charitable deduction. For example, a charitable IRA distribution may be the way to go if a lower gross income helps you qualify for other tax breaks that have income limits or if it reduces the taxes on your Social Security benefits. A charitable IRA distribution may also be a smart choice if you do not itemize deductions and therefore cannot deduct your donations anyway.

Please consult your tax advisor for help determining the method of charitable giving that offers you the greatest tax benefit.



## KEY PROVISIONS OF THE PATH ACT FOR INDIVIDUALS AND FAMILIES

### Made permanent:

- ▶ Deduction for state and local sales taxes
- ▶ American Opportunity Tax Credit
- ▶ Tax-free IRA distributions to charity
- ▶ Deduction for teachers' expenses
- ▶ Special rule for contributions of capital gain property for conservation purposes
- ▶ Enhanced child tax credit
- ▶ Enhanced earned income tax credit

### Extended through 2016:

- ▶ Exclusion of canceled mortgage debt
- ▶ Deduction for mortgage insurance premiums
- ▶ Credit for adding certain energy-efficient equipment, such as furnaces, insulation, and windows, to your main home
- ▶ Deduction for qualified tuition and fees

### Other provisions:

- ▶ Distributions from 529 college savings plans for computers are exempt from federal taxes
- ▶ Rollovers permitted into SIMPLE IRAs



**The deduction for teachers' expenses is made permanent and expanded.** For the past few years, a temporary tax break made it possible for teachers of grades K-12 to take an above-the-line deduction of up to \$250 for amounts they paid for books, equipment, and certain supplies that they use in the classroom.

The PATH Act makes this tax break permanent and, beginning in 2016, indexes the \$250 maximum deduction amount for inflation and adds professional development expenses to the list of expenses that qualify for the deduction.

To claim this deduction, you must be a teacher, instructor, counselor, principal, or aide who works in an elementary or secondary school (grades K-12) for at least 900 hours during the school year.

**Tax breaks for homeowners are extended through 2016.** Although the PATH Act did not make tax breaks related to home ownership permanent, it did extend the following breaks through 2016.

- ▶ *The exclusion for canceled mortgage debt.* The provision allowing you to exclude from income up to \$2 million of canceled or forgiven debt (\$1 million if you are single or married and file a separate tax return) that was taken out to buy, build, or improve your main residence is extended through 2016. The provision also applies to debt discharged after 2016 as long as there is a binding written agreement regarding the discharge in place before the end of 2016. Please see your tax advisor for more details.
- ▶ *The deduction for mortgage insurance premiums.* The ability for some low- and middle-income taxpayers to deduct mortgage insurance premiums as mortgage interest is extended through 2016.
- ▶ *The credit for energy-efficient improvements.* The Nonbusiness Energy Property Credit for adding insulation,

windows, doors, roofs, heating and cooling systems, and water heaters to your principal residence is extended through 2016. The credit has a lifetime limit of \$500, of which only \$200 may be used for windows. The improvements must be in service before the end of 2016 and meet specific energy standards to qualify for the credit.

**The deduction for tuition and fees is extended through 2016.** The PATH Act extends through 2016 an above-the-line deduction for higher-education tuition and fees that you pay for yourself, your spouse, or your dependent.

This deduction is capped at either \$4,000 or \$2,000, depending on your income. Individuals whose MAGIs do not exceed \$65,000 (\$130,000 for joint filers) may deduct up to \$4,000 of eligible education expenses. Individuals with MAGIs between \$65,000 and \$80,000 (\$130,000 and \$160,000 for joint filers) may deduct up to \$2,000. The deduction may not be taken if your MAGI exceeds those amounts, if you are married and file separately, or if you can be claimed as a dependent on someone else's tax return.

Before claiming the tuition and fees deduction, be sure to consider whether one of the education credits—either the American Opportunity Tax Credit or the Lifetime Learning Credit—may offer you a greater reduction in taxes. Remember, credits reduce your taxes, deductions reduce your taxable income. For example, the American Opportunity Tax Credit may reduce your taxes by up to \$2,500 for each eligible student while the tuition and fees deduction may reduce your taxable income by up to \$4,000 overall. For someone in the 25% tax bracket, a \$4,000 reduction in taxable income equates to a \$1,000 reduction in taxes.

Please consult your tax advisor to learn whether you are eligible to claim an education tax break for college expenses

that you pay and which one of the available tax breaks may offer you the largest tax reduction.

**The rules for 529 college savings plans are modified.** The PATH Act makes a few permanent changes to the rules for 529 plans, among them:

- ▶ *Computer equipment, software, and services are now qualified expenses.* Withdrawals from 529 plans for qualified higher education expenses, such as tuition, fees, books, and generally room and board, are exempt from federal taxes. The PATH Act expands the list of qualified expenses to include the purchase of computer equipment, software, and services, such as Internet access, that are used primarily by the plan beneficiary while enrolled in an eligible school. In the past, a computer had to be required by the school in order to be treated as a qualified expense.
- ▶ *Tuition refunds can be redeposited without penalty.* If a beneficiary receives a refund for education expenses paid with money from a 529 plan, the beneficiary can redeposit that money into the 529 plan within 60 days of receiving the refund and avoid being taxed on it.

The preceding 529 plan changes went into effect in 2015.

**Rollovers are now permitted into SIMPLE IRAs.** If you have savings in a traditional IRA or an old employer-sponsored retirement plan, such as a 401(k) plan, you now have the option to roll over those savings into a SIMPLE IRA as long as you have participated in the SIMPLE IRA for at least two years.

This provision applies to contributions made to SIMPLE IRAs after December 18, 2015, the day the PATH Act was enacted. ■



Please consult your tax advisor for advice on the tax breaks described here, as well as on the other tax provisions for individuals and businesses included in the PATH Act.



© iStock.com/Aleksandar Georgiev

## ZURICH | Swiss Bliss

BY BRIAN JOHNSTON

A look beyond Zurich's staid image to its cultured, innovative, and very contemporary urban scene.

**MOST VISITORS, WHETHER THEY'RE** coming from the airport or elsewhere in Switzerland, arrive in downtown Zurich at its cavernous main station, one of the world's busiest. They alight from their train, turn right off the platform and, a few minutes later, are strolling down the Bahnhofstrasse, the city's smug main street, lined with private banks, watch shops, and the suave stores of predictable fashion labels. No surprise that the Bahnhofstrasse is the most expensive property on the Swiss Monopoly board. As for Zurich, it generates a fifth of Switzerland's considerable fortunes and is one of the world's most important financial centers.

It's easy to give into the stereotypes in Zurich, but veer away from the Bahnhofstrasse and the predictable tourist trail

and you're in for a surprise. Take a different exit from the train station and you can find yourself in another city entirely: the working-class, multi-ethnic 'Zurich West' cut through by the Langstrasse, where you're more likely to see Croatian cafés and Albanian eateries than Lindt chocolate shops, and boutiques selling innovative, hipster jewelry rather than Cartier and Dior.

A decade or so ago, Zurich West (which covers parts of what is officially known as Districts 4 and 5) was a decaying inner-city industrial area. Now it's one of the most happening parts of the city, with factories transformed into outrageous art galleries and chic restaurants haunted by Zurich artists and journalists. A former brewery is now an arts center,

a shipbuilding enterprise that once built lake steamers has been recycled into a restaurant complex topped by a glass tower providing views over the distant Alps. Above it all lords the tower of an oh-so-hip hotel, quite the alternative to the traditional, grand luxury of old-town establishments. Another hotel has brought Zen-like luxe to what was once a multi-story parking garage.

The renaissance of Zurich West shows that this city does more than just the polite and proper, and can even have a rather edgy appeal. Indeed, Zurich is being touted as the 'new Berlin' with its heady mixture of experimental creativity and refreshing urban ideas. It offers free public bikes, street benches in the shape of cows and bathtubs, an avant-garde



Zurich's old town (left) stretches along the Limmat River with the city's more modern districts in the distance. A bike can be a great way to explore the scenic areas (below) around Zurich's rivers and lake.

music scene, and thriving summer festivals and street parades.

For such a small city, Zurich also has a remarkable number of museums, several rather cutting-edge. Helmshaus features experimental art by local artists and, in Zurich West, the Kunsthalle too pushes the artistic envelope in its exhibitions, which range from film and painting to video installations and puppet plays. On the floor below is the Migros Museum, a private project by Switzerland's biggest supermarket chain, which features contemporary art and often holds public discussions with notable artists, sometimes in English.

Actually, there's nothing new about the liberal and alternative in Zurich, which has long been a place for anti-establishment thinkers, from novelists Thomas Mann and James Joyce (who is buried in Fluntern Cemetery near the zoo) to psychiatrist Carl Jung. Check out the city's design and arts scene, and you'll soon dispel the myth that this is just a stuffy banking city full of thrifty money men—or ever was. Sketches by Chagall and Miró decorate the Kronenhalle restaurant, where the redwood and bronze bar is designed by Swiss Modernist great Robert Haussmann. And the entrance hall of Zurich's main police station is eye-popping: it features a floral fresco in gorgeous orange and red hues by Swiss artist Augusto Giacometti, cousin of the more famous sculptor Alberto.

Meanwhile, one of the city's top art galleries, the Kunsthaus, showcases Dadaist art, an early form of surrealism established in the early twentieth century in Zurich, before spreading to Berlin and New York. The anti-bourgeois, almost anarchic art movement went on to influence pop art and punk rock—surely

not quite what you'd expect to emerge from this supposedly conservative banking city.

If it's more mainstream art you're after, the Kunsthaus also has a good



©iStock.com/RomanBabkin

collection of Dutch, Italian, and Impressionist paintings. The other must-see is the Stiftung Sammlung E.G. Bührle, a collection put together in the 1950s by a local industrialist. He clearly had a fine eye: the Manets, Monets, Cézannes, and other nineteenth-century French canvases that adorn his villa are among the best on the continent, even if rather more predictable than Zurich's other museum offerings.

Zurich architecture has been as inventive as its art. The Constructivist movement of the 1920s, though it originated in Russia, was thoroughly embraced in Switzerland in the 1930s and 1940s. Head to the Haus Konstruktiv—housed in a Modernist former electrical substation—to trace its history and see art from the likes of Swiss expressionist painter Paul Klee and influential graphic designer Max Bill. To admire a superb example of Functionalist architecture, take a look at the Design Museum, which houses exhibitions on graphic design and applied arts.

Of course, the most famous Swiss architect of all was Le Corbusier. His

Heidi Weber Haus down on the lakefront was created in the 1960s to epitomize all that he believed in architecturally. It's a curious building of steel, concrete, and brass, studded with brightly-colored enamel blocks and covered by an elevated roof. The museum inside covers the life and works of Le Corbusier, one of the pioneers of modern architecture.

Set among the sedate flowerbeds of the lakeshore, Heidi Weber Haus is a bold statement of alternative Zurich and quite the contrast to the buildings of the rather Spartan old town, which have little color or adornment except for the coats-of-arms and leaded-glass windows of its guildhalls.

When you've had enough of museums and need some fresh air, Zurich's fine location also demonstrates a surprisingly relaxed side to this sedate city. The city's lakeshore setting is part of what makes this city so laidback. Spend a sunny afternoon strolling its quays, planted with flowerbeds of roses, marigolds, and petunias.

Myhtenquai leads along the western shore of Lake Zurich right out into the countryside. You could also consider renting a bicycle at the main train station; the cycle route from Seebach to Katzenruti is particularly fine. You can also take cruises by steamer onto the lake itself and watch yachts skimming along against a background of alpine peaks. (Rapperswil at the far end of the lake, topped by a medieval castle, is a pleasant steamer excursion.) Or just head to Zurich's lakeshore beaches to enjoy a summer splash and an evening party atmosphere. Look back towards the city, so prosperous yet so understated, at once conservative and forward-looking: a superlative city, where you might want to linger a while. ■



## Summer Music Festivals 2016

Nothing beats a great concert—except maybe a series of great concerts outdoors in a beautiful setting!

### CHICAGO

**Grant Park Music Festival** *June 15–August 20, 2016*

This festival of classical music will feature thirty concerts this summer at the Jay Pritzker Pavilion in Chicago's Millennium Park and other venues throughout the city. Highlights of the 2016 program include the world premiere of a new orchestral work by American composer Michael Gandolfi, two all-Tchaikovsky evenings, a Cole Porter celebration, an Independence Day Salute, and a multimedia work featuring imagery by wildlife photographer Frans Lanting set to music by composer Philip Glass. All concerts in the series are free of charge and most will take place on Wednesday, Friday, and Saturday evenings. Early birds can attend a pre-concert lecture that offers insight into the evening's program and, on Fridays, enjoy performances by students from local music schools on the park's Great Lawn.

### MILWAUKEE

**Summerfest** *June 29–July 3 and July 5–July 10*

Milwaukee is the site of the world's largest music festival each summer—about 900,000 people attended last year's event—that features music's hottest stars, emerging talent, and local favorites. Sting and Peter Gabriel, Blake Shelton, and Selena Gomez are among the artists expected at this year's Summerfest, which typically features over 800 acts and 1,000 performances.

### NAPA

**BottleRock Napa Valley** *May 27–29, 2016*

Part music festival, part wine-and-food festival, this three-day event at the Napa Valley Expo features 70+ bands and artists performing on four stages, cooking demonstrations and presentations from renowned chefs and vintners, and a wide variety of gourmet food from the Napa Valley's finest chefs. Stevie Wonder, the Red Hot Chili Peppers, and Florence + the Machine are just a few of the artists lined up for the musical portion of this year's event.

### PORTLAND

**Safeway Waterfront Blues Festival** *July 1-4, 2016*

Four stages on the banks of the Willamette River in Portland, Oregon are the setting for the Safeway Waterfront Blues Festival, the second largest blues festival in the nation. Proceeds from this festival benefit the Oregon Food Bank.

### SARATOGA SPRINGS

**Saratoga Jazz Festival** *June 25–26, 2016*

The sounds of jazz, blues, soul, Latin, and funk will fill the air of the Saratoga Performing Arts Center in the scenic Saratoga Spa State Park when the Jazz Festival returns for its 39th year. This year's event will include performances by legendary R&B artist Smokey Robinson, keyboard virtuoso Chick Corea, and many others.

### TELLURIDE

**Telluride Bluegrass Festival** *June 16–19, 2016*

For four days each June, the town of Telluride, Colorado becomes the epicenter of bluegrass and Americana music as musicians take the stage in Telluride's idyllic mountain setting. This year's festival will include performances by the Sam Bush Band, Emmylou Harris, John Prine, Bela Fleck & the Flecktones, and the Yonder Mountain String Band, to name just a few of the many artists scheduled to perform.

### VAIL

**Bravo! Vail** *June 23–August 6, 2016*

This classical music festival brings world-renowned musicians to scenic venues throughout Eagle County, Colorado each summer. This year's festival will have four of the world's finest orchestras in residency: the Academy of Saint Martin in the Fields (June 23–26), the Dallas Symphony Orchestra (June 29–July 6), The Philadelphia Orchestra (July 8–16), and the New York Philharmonic (July 22–29). ■



QUIZ

## WHERE IN THE WORLD OF SPORTS ARE YOU?

1. If you are courtside at the U.S. Open, you are in:  
A. Flushing Meadows  
B. Wimbledon
2. If you are sitting on the fifty yard line watching the Packers kickoff on their home field, you are at:  
A. Soldier Field  
B. Lambeau Field
3. If you will be in the stands during the opening ceremonies of the 2016 Summer Olympics, you will be in:  
A. London  
B. Rio de Janeiro
4. If you are watching a baseball soar over the Green Monster, you are in:  
A. Fenway Park  
B. Yankee Stadium
5. If you watched poolside as Michael Phelps won eight gold medals in the 2008 Summer Olympics, you were in:  
A. London  
B. Beijing
6. If you witnessed firsthand the 'Miracle on Ice' in 1980, you were in:  
A. Sarajevo  
B. Lake Placid
7. If you are teeing off at the home of the Masters Tournament, you are at the:  
A. Augusta National Golf Club  
B. Pebble Beach Golf Links
8. If you will be attending the Super Bowl in 2017, you will be in:  
A. Houston  
B. Santa Clara
9. If you will be sailing in a match race for the 2017 America's Cup, you will be in the waters off of:  
A. Bermuda  
B. San Francisco
10. If you are watching thoroughbreds thunder past in the first race of the Triple Crown, you are at:  
A. Belmont Park  
B. Churchill Downs

ANSWERS: 1-A, 2-B, 3-B, 4-A, 5-B, 6-B, 7-A, 8-A, 9-A, 10-B

# H | M | S

FINANCIAL GROUP

WEALTH MANAGEMENT & FINANCIAL PLANNING

Founded in 1988 as an independent firm, HMS Financial Group is committed to ethical and personal financial planning and wealth management. Operating as an Office of Supervisory Jurisdiction (OSJ) for one of the largest, independent investment broker/dealers\* in the United States, HMS does not have proprietary products, and has no vested interest other than the financial success of its clients.

Herb Shapiro, Vice-President and founder, brings more than 44 years of industry experience to the HMS team. He began his career in 1970, and worked for several firms until 1988, when he founded HMS Financial Group. His core values of providing personal service, maintaining market objectivity, and high standards of integrity and honesty with the clients he serves, are deeply imbued in the HMS philosophy.

Barbara Shapiro, President, is a Registered Investment Advisor with the Commonwealth of Massachusetts, is a Certified Financial Planner™ and one of the first



Barbara Shapiro, CFP, CDFA, CFS & Herb Shapiro

Certified Divorce Financial Analysts in Massachusetts. She holds a Master of Science in Finance from Suffolk University and is a Graduate of the Securities Industry Association Institute at the Wharton School. Additionally, she holds a Master of Education in Counseling from Boston University and a Master of Education in Moderate Special Needs from Northeastern University.

Among her many recognitions, Barbara has served as a National Board Member of the Securities Industry Foundation for Economic Education, past member of the Boston Jewish Community Women's Fund, and the Treasurer of the Massachusetts Council of Economic Education. She is continually interviewed and quoted in all of the major financial publications.

She is an active lecturer to diverse groups and educational institutions, and has written and teaches a course on financial planning, investments, and long-term care insurance.

**Tel: 781-251-2655 • Fax: 781-251-2656 • Location: 333 Elm Street, Suite 210, Dedham, MA 02026**  
**E-Mail: [bshapiro@hms-financial.com](mailto:bshapiro@hms-financial.com)**

\* Securities offered through Cadaret, Grant & Co., Inc. Member FINRA, SIPC.