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Issue 4

TRIUMPH
RETIREMENT SOLUTIONS
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Lighting Your Way to Financial Security

A Monthly Insight into Your Finances April 2013

Financial Focus

Monthly Health Topic >>>

3 Ways to relieve stress in under 60 minutes

10 Minutes: **Chew a Stick of Gum**

Researchers from Australia and England found that in moments of stress, gum chewers felt less anxious and had 18 percent less cortisol (the stress hormone) in their saliva. Chewing increases blood flow to the brain—which may make us feel more alert—and it may also distract us from stress.

12 Minutes: Brew Some Black Tea

People who drank four servings of black tea a day for six weeks were able to de-stress faster and had lower levels of cortisol after a stressful event, according to a study from University College London. Chemical compounds in the antioxidant-packed beverage may relax us through their effect on neurotransmitters in the brain.

30 Minutes: Put on Music You Love

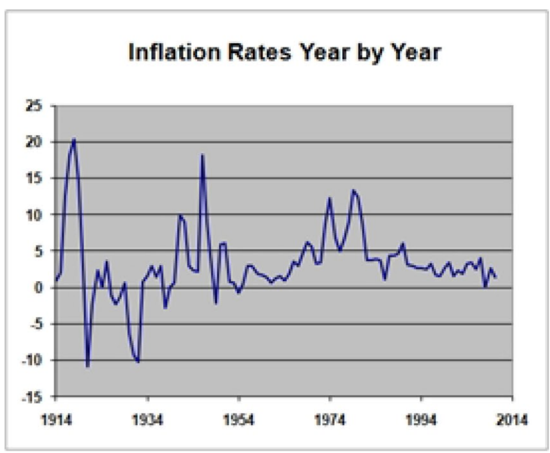
Music can elicit positive emotions and reduce your levels of stress hormones. A study in the *Journal of Advanced Nursing* found that patients who listened to songs of their choice were less anxious before surgery. Boost your mood even more by dancing along to trigger the release of feel-good endorphins.

Cost-of-Living Adjustments: What they are and why they matter

The rising costs of food, gas, electricity, and health care can strain anyone's budget. The situation is even worse if your living expenses increase while your income stays the same, because your purchasing power will steadily decline over time. That's why cost-of-living adjustments, or COLAs, are especially valuable to retirees and others living on fixed incomes.

How COLAs work

A COLA is an increase in regular income you receive (such as a Social Security or pension benefit) that is meant to offset rising prices. It's important protection because price inflation has occurred almost every year in the last 40 years.



Data Source: *Bureau of Labor Statistics*

It's easy to think of a COLA as a "raise," but a COLA is meant to help you maintain your standard of living, not improve it. For example, let's say you receive a $2,000 monthly retirement benefit, and the overall cost of the things you need to purchase increases by 3% during the year. The next year, you receive a 3% COLA, or an extra $60 a month, to help you manage rising prices.

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Continued: Cost-of-Living Adjustments: What they are and why they matter >>>

That 3% COLA doesn't sound like much, but without a COLA, inflation can seriously erode your retirement income. Assuming a 3% inflation rate, in just 10 years, the purchasing power of your $2,000 benefit would drop to $1,520, and in 25 years, the purchasing power of your benefit would be only $963, less than half of what you started with.

Who receives COLAs?

Social Security is the major source (and in some cases the only source) of inflation-protected retirement income for many Americans. Social Security COLAs are announced each October, based on increases in the average Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was payable to the third quarter of the current year. For example, because the CPI-W rose 1.7% between August 2011 and August 2012, Social Security and SSI beneficiaries received a 1.7% COLA, beginning with December 2012 benefits. However, if there is no rise in the CPI-W, then beneficiaries will not receive a COLA.

COLAs are also commonly paid to retirees who are covered by state or federal pensions. However, most private pensions do not offer COLAs.

Less commonly, employers offer COLA increases as part of compensation packages. You may also purchase riders to certain insurance policies (such as disability income and long-term care policies) that ensure that benefits you receive keep pace with inflation.

Should you count on COLAs?

As important as COLAs are, they are still vulnerable to cutbacks. For example, pension plans that are underfunded may view reducing COLAs as a relatively simple way to cut costs, and some plans have attempted to eliminate COLAs altogether, although there have been legal challenges. Changing the COLA formula that the Social Security Administration uses has also been proposed as a way to save money and strengthen program reserves.

So while you should appreciate the value of COLAs, you should also take other measures to account for the effect of long-term inflation. These include using realistic inflation and investment return assumptions when planning for retirement, maintaining a diversified portfolio that reflects your time horizon and tolerance for risk, and considering investments that have historically held their own against inflation.

Question: Can I deduct premiums paid for long term care insurance (LTCI)?

Answer: It depends on several factors. Your LTCI contract must be a qualified one, and the total of your medical expenses (including your LTCI deduction) must exceed 7.5 percent of your adjusted gross income (AGI). Qualified LTCI premiums are deductible as medical expenses (subject to the 7.5 percent of AGI floor) within certain limits, based on your age.

Note: Starting in 2013, the threshold to deduct medical expenses will be raised from 7.5 percent of adjusted gross income to 10 percent. The threshold increase will be delayed until 2017 for those age 65 or older. If you bought your policy before January 1, 1997, and it met the requirements of the state in which it was issued, it is automatically considered a qualified policy. LTCI contracts issued subsequently are only considered qualified for a tax deduction if they meet certain federal standards. In 2012, qualified LTCI premiums are deductible as medical expenses (subject to the 7.5 percent of AGI floor) within the following limits, based on your age at the end of the tax year. For more information, consult a tax professional.

Age:	Limit on Deduction:
40 or less	$350 (up from $340 in 2011)
41-50	$660 (up from $640 in 2011)
51-60	$1,310 (up from $1,270 in 2011)
61-70	$3,500 (up from $3,390 in 2011)
71 and older	$4,370 (up from $4,240 in 2011)

Four Common Questions about Social Security

As you near retirement, it's likely you'll have many questions about Social Security. Here are a few of the most common questions and answers about Social Security benefits.

Will Social Security be around when you need it?

You've probably heard media reports about the worrisome financial condition of Social Security, but how heavily should you weigh this information when deciding when to begin receiving benefits? While it's very likely that some changes will be made to Social Security (e.g., payroll taxes may increase or benefits may be reduced by a certain percentage), there's no need to base your decision about when to apply for benefits on this information alone. Although no one knows for certain what will happen, if you're within a few years of retirement, it's probable that you'll receive the benefits you've been expecting all along. If you're still a long way from retirement, it may be wise to consider various scenarios when planning for Social Security income, but keep in mind that there's been no proposal to eliminate Social Security.

If you're divorced, can you receive Social Security retirement benefits based on your former spouse's earnings record?

You may be able to receive benefits based on an ex-spouse's earnings record if you were married at least 10 years, you're currently unmarried, and you're not entitled to a higher benefit based on your own earnings record. You can apply for a reduced spousal benefit as early as age 62 or wait until your full retirement age to receive an unreduced spousal benefit. If you've been divorced for more than two years, you can apply as soon as your ex-spouse becomes eligible for benefits, even if he or she hasn't started receiving them (assuming you're at least 62). However, if you've been divorced for less than two years, you must wait to apply for benefits based on your ex-spouse's earnings record until he or she starts receiving benefits.

If you delay receiving Social Security benefits, should you still sign up for Medicare at age 65?

Even if you plan on waiting until full retirement age or later to take your Social Security retirement benefits, make sure to sign up for Medicare. If you're 65 or older and aren't yet receiving Social Security benefits, you won't be automatically enrolled in Medicare Parts A and B. You can sign up for Medicare when you first become eligible during your seven-month Initial Enrollment Period. This period begins three months before the month you turn 65, includes the month you turn 65, and ends three months after the month you turn 65.

The Social Security Administration recommends contacting them to sign up three months before you reach age 65, because signing up early helps you avoid a delay in coverage. For your Medicare coverage to begin during the month you turn 65, you must sign up during the first three months before the month you turn 65 (the day your coverage will start depends on your birthday). If you enroll later, the start date of your coverage will be delayed. If you don't enroll during your Initial Enrollment Period, you may pay a higher premium for Part B coverage later. Visit the Medicare website, www.medicare.gov to learn more, or call the Social Security Administration at 800-772-1213.

Will a retirement pension affect your Social Security benefit?

If your pension is from a job where you paid Social Security taxes, then it won't affect your Social Security benefit. However, if your pension is from a job where you did not pay Social Security taxes (such as certain government jobs) two special provisions may apply.

The first provision, called the government pension offset (GPO), may apply if you're entitled to receive a government pension as well as Social Security spousal retirement or survivor's benefits based on your spouse's (or former spouse's) earnings. Under this provision, your spousal or survivor's benefit may be reduced by two-thirds of your government pension (some exceptions apply).

The windfall elimination provision (WEP) affects how your Social Security retirement or disability benefit is figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit is modified, resulting in a lower Social Security benefit.

Useful Links

AARP's online website – Useful information from health to travel to health information

www.aarp.com

On this site you will find resources for caregivers, consumer protection information, education, jobs and volunteer information.

www.USA.gov

There's An App For That!

BugMe! Stickies Pro
Ink Notepad & Alarms
Get the ultimate quick note app for your iOS device! Replace those paper sticky notes with handwritten or text notes on your iPhone, iPad or iPod touch. Pin them to a virtual cork board within the app and set alarms and alerts, or "Stick" your note on your launcher screen for that extra visual reminder!

food for thought...

Eat This Instead of That...

Making Healthy Choices

Changing your diet to improve health does not have to be overwhelming. Take small steps by choosing wisely as you prepare meals and select snacks. Here are some ideas:

1. **Blueberries vs. Cereal Bar** - Blueberries have 80 calories per cup and no fat. They boost brain power and fight inflammation. A typical cereal bar has 130 calories and little nutritional value.
2. **Whole Wheat vs. White Bread** - Whole wheat or whole grain in bread helps maintain healthy cholesterol and blood sugar levels. The refined flour in white bread provides fewer benefits.
3. **Nuts vs. Crackers** - Nuts lower the odds of heart attacks and reduce "bad" cholesterol. They are relatively high in calories, so eat sparingly.
4. **Dark vs. White Chocolate** - Dark chocolate has been shown to fight high blood pressure and may help remove plaque (fatty deposits) from arteries. It has a low glycemic index, meaning it is absorbed into the bloodstream slowly, curbing appetite and reducing hunger.
5. **Olive Oil vs. Butter** - Olive oil has monounsaturated fat, which is thought to lower "bad" cholesterol and to reduce the risk of heart disease.

Upcoming Events >>>

May 4, 2013 at 10:00 a.m.

Keys to Optimizing Your Social Security Benefits

New Office Location

1463 Lancaster Road

Manheim PA 17545

Call 717-431-8131 To Register

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