



Health Matters

www.searcyfinancial.com

913.814.3800

How The New Health Law Affects Business Owners

The massive new health care legislation passed last spring—the Patient Protection and Affordable Care Act of 2010—will have a long-lasting impact on businesses. Most companies will soon have to provide health insurance for employees, though some small businesses will be able to use tax credits to offset the cost of this benefit. And while some provisions take effect right away, others will be phased in over the next few years. Here are the likely new rules in several important areas.



Coverage requirements. After 2013, employers with 50 or more full-time employees will be subject to “play or pay” rules—if the companies don’t provide “minimum essential coverage” to full-time employees, companies will have to pay a penalty. For this purpose, a full-time employee is anyone who works at least 30 hours a week. The monthly penalty will be based on an annual amount of \$2,000 for every full-time employee, not just the ones without coverage, though the first 30 employees will be subtracted from the calculation.

Help for owners of small businesses. From 2010 through 2013, a business with 10 or fewer employees and average annual wages of less than \$25,000 can claim a tax credit to offset the cost of mandated health coverage. A smaller credit applies to companies with as many as 25 employees and average annual wages of up to \$50,000.

Health insurance exchanges. Beginning in 2014, state-based insurance

exchanges and the Small Business Health Options Program (SHOP) will offer coverage to individuals and small businesses with up to 100 employees. States may allow companies with more than 100 employees to purchase

coverage in the SHOP exchange after 2016.

Free-choice vouchers. Also starting in 2014, employers that provide minimal essential coverage must offer qualified employees a free-choice voucher to enroll in a state health insurance exchange.

Qualified employees have

household incomes that don’t exceed 400% of the federal poverty level and a required contribution for health insurance premiums of between 8% and 9.5% of household income. The amount of the voucher, provided in lieu of a company’s normal coverage, would equal what the employer would otherwise have to pay for an employee’s insurance.

Automatic enrollment.

Eventually—it’s not clear when this provision will take effect—an employer with more than 200 employees will have to automatically enroll full-time employees in its health plan, though workers will be able to opt out of the coverage.

Minimum coverage. Effective in 2014, a health benefits package will have to provide a comprehensive set of services, cover a minimum of 60% of the actuarial value of benefits and limit

(Continued on page 4)

Around the Office...

Community Involvement

We were fortunate to be involved in two great philanthropy events this quarter: the St. Joseph Institute for the Deaf Martini Alley fundraiser and Johnson County Christmas Bureau holiday shop. St. Joseph’s is committed to the auditory-oral education, spiritual and emotional growth, and personal development of hearing-impaired children and young adults. For more information, please visit their website at <http://www.sjid.org>. The Johnson County Christmas Bureau collects donations of food, clothing, personal items and toys throughout the year and each participating family pays a dignity fee to shop for these items. All gifts in the “store” are new, with the exception of gently used winter coats. For more information, visit their website at <http://www.jccb.org/>.

National Save for Retirement Week

In October, we celebrated National Save for Retirement Week by sharing tips and articles via social media on protecting yourself, your employees and your retirement. Both the Senate and the House signed bipartisan resolutions to officially name this week in order to promote issues with retirement and pension related matters. It is a great week to promote a culture of saving with your employees and family. Did you know that we offer a resource center of articles and tips on our website? Browse around and let us know if there are any topics you would like to see covered.

Check it Out

Check out this book: AARP Guide to Revitalizing Your Home: Beautiful Living for the Second Half of Life. The AARP book shows you how to remodel your home to promote lifelong safety and independence without sacrificing beauty and style. The best

(Continued on page 4)

Do You Know Estate Planning Basics?

With the future of the estate tax up in the air, you may be tempted to neglect estate planning. The federal tax on inherited wealth is currently scheduled to be repealed in 2010, only to return in 2011 under less favorable terms. Congress will most assuredly resolve this issue before year-end, perhaps exempting all but the wealthiest families from estate tax liability. Yet whatever the fate of the law, having a thoughtful, effective estate plan will continue to be crucial.

At a minimum, you need a legally enforceable will that lays out how you want your assets to be distributed. An accompanying, non-binding letter of instruction could further spell out your wishes. You may also want to establish one or more trusts designed to minimize taxes, manage assets for minors, provide asset protection for heirs, implement philanthropic plans, or protect assets from creditors. And a living will (or health care proxy) could provide valuable direction on end-of-life health care.

Are you familiar with estate planning basics? Use this quiz to test your knowledge.

1. Which of the following is true?

- a) A will is legally valid only if drafted by an attorney.
- b) You can transfer jointly owned

property through a will.

- c) A will may appoint a guardian for minor children.
- d) Your property must go through probate if you don't have a will.

2. When can a will be changed and remain legally enforceable?

- a) Only if the changes are recorded by an attorney
- b) Only when the heirs named in the will provide their consent
- c) Any time before your death or mental incompetence
- d) Never

3. In 2009, the federal estate tax exemption was:

- a) \$1 million
- b) \$2 million
- c) \$3.5 million
- d) Zero

4. In 2010, the annual gift tax exclusion shelters gifts to individuals of up to:

- a) \$10,000
- b) \$13,000
- c) \$1 million
- d) Zero

5. For estate tax purposes, the value of assets is based on:

- a) Their fair market value on the date of the owner's death (or six months from that date)
- b) The amount received from the sale

of those assets

- c) The assets' original cost
- d) The value stated in the owner's will

6. A "power of attorney" is best described as:

- a) A bequest in a legally validated will
- b) A document authorizing an agent to act on your behalf
- c) A document allowing life support systems to be shut down
- d) The use of a lawyer in estate planning matters

7. Which of the following is not true?

- a) The value of your principal residence is excluded from your estate.
- b) The value of property transferred to your spouse is exempt from estate tax at your death.
- c) A testamentary trust takes effect when you die.
- d) A will normally determines who will care for minor children.

If you have questions about estate planning or need to refine your plan, please give us a call. We can work with you and your attorney to make sure all of your needs are met. ●

Answers: 1-c; 2-c; 3-c; 4-b; 5-a; 6-b; 7-a

Take Out Umbrella Insurance For A Rainy Day

Into each life some rain must fall. That's why it makes sense to acquire "umbrella" insurance.

Homeowner's insurance covers a multitude of ills involving your principal residence. Similarly, auto insurance will pay to fix a damaged bumper—and the dent in the car you ran into—after you've kicked in a deductible. But each of these policies is usually limited to no more than \$500,000 in coverage for losses that you suffer or cause.

An umbrella insurance policy, also known as excess liability coverage, extends your personal liability coverage beyond normal policy limits.

It's really protection against worst-case scenarios, unlikely but possible events that could wipe you out financially. Here are answers to common questions about this insurance.

Who needs excess liability coverage? An umbrella policy is a good idea for most affluent individuals, especially those who own a home, frequently drive a vehicle or have teenage children who are driving; operate a home-based business or serve on boards of nonprofit organizations; employ domestic staff; or maintain a high public profile.

How much coverage do you need? Though this depends on your

personal circumstances, an umbrella policy of at least \$1 million is probably a good idea. Consider the following when determining how much coverage you need: 1) physical assets 2) investable assets 3) future earnings 4) potential inheritance 5) the legal environment 6) risk profile and 7) potential for loss.

Most top property and casualty (P&C) insurers will provide coverage of up to \$5 million, and if you're particularly worried about personal liability claims, you can get higher policy limits (up to \$100 million) from a handful of firms.

What does it cost? Umbrella

A Good Time To Reassess Your Risk Profile

The recent past has given investors an invaluable lesson in risk, which makes now an ideal time to reconsider your “risk profile,” the amount of volatility you’re willing to accept. From the happy heights of late 2007, the Standard & Poor’s 500 stock index lost 55% of its value by March 2009, and much of the damage came sickeningly fast, with a 40% freefall between September and November of 2008. Then came a dizzying recovery, as the S&P rallied 60% between March and December 2009. Yet even after the comeback, the large-company index remained some 30% below its record high.

How your portfolio has fared during this remarkable period depends on how much risk was built into your investments, and on how you responded when conceptual risks became all too real. Many investors, lured into volatile areas of the market when most investments were rising, were shocked when numerous sectors suddenly dropped by more than half. Some of these investors watched helplessly, unable to sell as holdings kept plummeting, while others got rid of everything, determined to stick with cash for the foreseeable future.

Neither predicted outcome was good or anticipated. The purpose of determining your risk profile is to use it

to build a portfolio that minimizes disruptive surprises. If you think you can handle a 15% annual loss but would be apoplectic if your investments dropped twice that much, then you need a portfolio that, in most economic and market scenarios, wouldn’t dip by much more than that “comfortable” 15%.

But markets don’t always behave as predicted. The recent financial crisis highlighted the reality that assets under duress can move together. All manner of stocks—from shares of enormous, normally rock-solid companies to those of small, fast-growing firms and stocks in once-hot emerging markets—headed down together. And while some bonds fared a little better, Treasuries fared the best as safety-obsessed investors bid up prices and caused yields to decline considerably. And alternative investments, including real estate, commodities, and hedge funds, had major issues of their own.

As a result, most investment portfolios did worse than expected, and that exacerbated the problems of investors who had taken on too much risk. Panicking, many sold when investment values were at their lowest point, and with losses locked in, they’ve missed out on stocks’ historic rally.

Reassessing your risk profile now,

and making appropriate portfolio adjustments, could help you prepare for the next financial upheaval. This process may involve several steps. The first is to understand how you really feel about risk. How did you react in September and October of 2008, when account balances slid lower almost every day? Were you able to take a long view, assuming that even this bear market would pass, or did you treasure safety above all else? Would you rather stick with less volatile investments even if that means accepting lower long-term returns?

Your answer to that last question depends in part on what you need your portfolio to achieve, and re-examining your financial needs is step two of this process. Perhaps the prospect of postponing retirement or spending a little less during your later years seems like a reasonable trade-off for the comfort of holding less volatile investments.

Once you’ve figured out how much risk you’re willing to accept, and how much you need to reach your goals, the third step of the process is to incorporate your readjusted risk profile into a formal “investment policy statement.” This document puts your strategy in writing and commits you to the discipline of a plan built around your financial objectives, risk profile, and investing timetable.

You’ll also need to rebalance your portfolio, selling some holdings and buying others, first to get in line with your new risk profile and then to keep allocations steady as markets fluctuate. Finally, it’s important to monitor your investments, periodically re-evaluating what you own in light of your evolving personal circumstances.

We have the tools, experience, and expertise to help investors successfully complete this crucial post-crash process, helping position investments for a potentially smoother ride through the next crisis and steady progress toward financial goals. If you would like to speak with us about your portfolio, please give us a call. ●

insurance is relatively inexpensive. Typically, you’ll pay between \$250 and \$500 a year for coverage of \$1 million. Every extra million may run you about \$150. That means, at the high end, you can probably figure on spending around \$1,100 a year to maintain a \$5 million policy.

What’s covered?

This differs from policy to policy, but umbrella insurance usually can fill in the cracks around other insurance. For example, your auto policy might not cover you for an accident overseas, but an umbrella insurance policy probably will. The policy might also provide protection



against sexual harassment claims and personal injury “torts” such as discrimination, libel, and slander. And if your car skids into a Rockefeller and you’re hit with a \$5 million judgment? Having this insurance could save your house, your savings, and your financial future.

Why isn’t it more prevalent?

Unlike homeowner’s or auto insurance, umbrella insurance traditionally has been viewed as a luxury, and it’s not mandated by law. But it is fast becoming essential in this litigious society. For an annual personal liability review, please call our office. ●

The New Health Law

(Continued from page 1)

employees' annual cost-sharing.

Provisions for "grandfathered" plans. Company-provided health coverage in effect on March 23, 2010, when health reform became law, is exempt from many requirements of the legislation. But these "grandfathered" plans must now extend dependent coverage to age 26, prohibit cancellation of insurance, eliminate waiting periods of more than 90 days, and stop excluding children with pre-existing conditions. The plans have until 2014 to get rid of annual and lifetime limits on coverage.

Retiree health insurance. Through 2013, an employer may offer a temporary health reinsurance program to retirees over age 55 that are not eligible

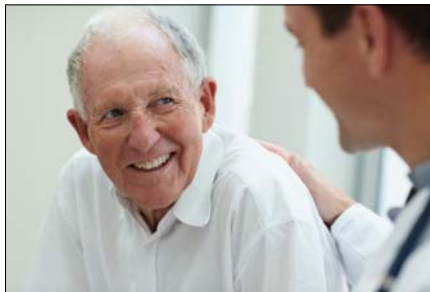
for Medicare.

Flexible spending accounts. Beginning in 2013, companies will have to limit annual contributions to flexible spending accounts (FSAs) for health care to a maximum of \$2,500. (Future increases to that cap will be indexed for inflation.)

Information reporting. Beginning in 2012, a business that provides minimum essential coverage to individuals will have to verify the terms of that insurance in annual information returns to the IRS. The information returns will identify who has insurance, the amount of coverage, and any

premiums paid by the covered individual.

These are just some of the many business-related provisions of the new law, and further details about how and when particular parts of the law will be phased in are still to come. But it's clear that most companies will now have to provide health insurance coverage to their employees, and you'll need to factor that major expense into your business plan. We can help you calculate the likely impact on your company and discuss strategies for minimizing the financial impact of the new requirements. ●



Around the Office...

(Continued from page 1)

time to figure out what you'll need to stay in your home is while you're in your 50's! The book is available at www.aarp.org/books.

Second FPA Career Day a Success

On Friday, October 1st, the Financial Planning Association - GKC hosted its second annual Career Day. Over 35 students from four surrounding universities attended. The day provided opportunities for students to learn more about the financial services industry as well as network with existing FPA members. Marc Shaffer was recently elected as Director of Careers. If you represent or know a school that would benefit from participation in the FPA Career Day event, contact marc@searcyfinancial.com for more information.



About Searcy Financial Services, Inc.

Searcy Financial Services, Inc. offers comprehensive wealth management to individuals, small businesses and corporations. We can help you design and implement your perfect plan to help you achieve your dreams and vision for your life. Because we have over 30 years of experience, we know that we need other specialists to assist us in order to achieve optimum results for our clients. We have experience in coordinating the efforts of those specialists and monitoring the implementation of your master plan, even as the plan evolves. Some of the services we provide, include:

- Business Planning, Personal Strategic Planning, and Personal Financial Planning
- Consulting Services, Situational Tax Planning, and Educational Seminars
- Portfolio Management, Asset Allocation Analysis, Investment Research and Selection
- Retirement Planning, Estate Planning, and College Funding Planning
- Liability Management, Insurance Analysis, and Life & Disability Insurance
- IRA, 401(k), 403(b), Pension and Profit Sharing Plan Establishment

Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as receipt of, or as substitute for, personalized investment advice from Searcy Financial Services, Inc.

The content of this letter does not constitute a tax opinion. Always consult with a competent professional service provider for advice on tax matters specific to your situation.