



Navigate Financial

Nancy LaPointe,
CFP®ChFC®,CLU®, RICP®
Financial Planner,Wealth Manager
3663 College St. SE, Ste. B
Lacey, WA 98503
360-628-8175
nancy@navigatefinancialnw.com
navigatefinancialnw.com

2017. A new year is here. Cheers!

The only constant in life is change. It is best to embrace change and the growth it brings. Learn from your past joys and successes as well as your missteps. Life is for learning and growing. For me, winter is often a time of reflection and preparation for the next year and some long term planning. I review the previous year and seek to develop an action plan to be better as a person, by striving to achieve my goals and being a positive part in my community. There is so much living to do. I want to relish and cherish my work, my friends, my family and do everything! To be even remotely successful, I have to plan, prioritize and focus my efforts. It is a reality that it takes work in order to have the time to sit on a beach and do nothing or to go on a hike with friends, or to attract and address client needs or hire an additional associate. The effort is worth it and the journey is what makes life worth living. LIFE IS GOOD! LIVE IT!

January 2017

Key Retirement and Tax Numbers for 2017
What It Means to Be a Financial Caregiver for Your Parents

Cartoon: Money Monsters

Should I pay off my student loans early or contribute to my workplace 401(k)?

Navigate Financial

Charting Your Journey

Medicare and Medicaid: What's the Difference?



It's easy to confuse Medicare and Medicaid, particularly since they're both government programs that pay for health care. But there are important differences between each program. Medicare is

generally for older people, while Medicaid is for people with limited income and resources.

What is Medicare?

Medicare is a federal health insurance program that was enacted into law to provide reasonably priced health insurance for retired individuals, regardless of their medical condition, and for certain disabled individuals, regardless of age. It is managed by the Centers for Medicare & Medicaid Services, a division of the U.S. Department of Health and Human Services.

What is Medicaid?

Medicaid is a health insurance program that is jointly administered by state and federal governments. Medicaid serves financially needy individuals who are also elderly, disabled, blind, or parents of minor children.

Who is eligible for Medicare?

Most people become eligible for Medicare upon reaching age 65. In addition, Medicare coverage may be available for disabled individuals and people with end-stage renal disease.

Who is eligible for Medicaid?

States set their own Medicaid eligibility standards within broad federal guidelines. However, federal law requires states to cover certain groups of individuals. Low-income families, qualified pregnant women and children, and individuals receiving Supplemental Security Income (SSI) are examples of mandatory eligibility groups. In addition, a financial eligibility requirement must be met. The individual must be financially needy, which is determined by income and asset limitation tests.

What does Medicare cover?

Currently, Medicare consists of four parts:

Medicare Part A, generally called "hospital insurance," helps cover services associated with inpatient care in a hospital, skilled nursing facility, or psychiatric hospital. Medicare Part B, generally called "medical insurance," helps cover other medical care such as physician services, ambulance service, lab tests, and physical therapy. Medicare Advantage (Part C) enables Medicare beneficiaries to receive health care through managed care plans such as health maintenance organizations (HMOs), preferred provider organizations (PPOs), and others. Medicare Part D helps cover the costs of prescription drugs.

What does Medicaid cover?

Each state administers its own Medicaid program within broad federal guidelines. Thus, the states determine the amount, duration, and types of benefits that Medicaid will provide. Typical Medicaid programs cover inpatient and outpatient hospital services, physician and surgical services, lab tests and X rays, family planning services, and services for pregnant women. There are also numerous optional benefits that states may choose to provide for Medicaid recipients.

What about long-term care?

Most long-term care isn't medical care, but rather help with basic personal tasks of everyday life, called custodial care. Medicare does not pay for custodial care. However, Medicare may pay for skilled care (e.g., nursing, physical therapy) provided in a Medicare-certified nursing facility for up to 100 days. In addition to skilled nursing facility services, Medicare also may pay for part-time skilled nursing care, physical therapy, medical social services, and some medical supplies such as wheelchairs and hospital beds.

The states have considerable leeway in determining benefits offered and services provided by their respective Medicaid programs. Generally, if you meet your state's eligibility requirements, Medicaid will cover nursing home services, home and community-based services, and personal care services.



Key Retirement and Tax Numbers for 2017

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2017.

Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$18,000 in compensation in 2017 (the same as in 2016); employees age 50 and older can defer up to an additional \$6,000 in 2017 (the same as in 2016).
- Employees participating in a SIMPLE retirement plan can defer up to \$12,500 in 2017 (the same as in 2016), and employees age 50 and older will be able to defer up to an additional \$3,000 in 2017 (the same as in 2016).

IRAs

The limit on annual contributions to an IRA remains unchanged at \$5,500 in 2017, with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2016	2017
Single/head of household (HOH)	\$61,000 - \$71,000	\$62,000 - \$72,000
Married filing jointly (MFJ)	\$98,000 - \$118,000	\$99,000 - \$119,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2017 phaseout range is \$186,000 - \$196,000 (up from \$184,000 - \$194,000 in 2016) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals making contributions to a Roth IRA are:

	2016	2017
Single/HOH	\$117,000 - \$132,000	\$118,000 - \$133,000
MFJ	\$184,000 - \$194,000	\$186,000 - \$196,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion remains at \$14,000.
- The gift and estate tax basic exclusion amount for 2017 is \$5,490,000, up from \$5,450,000 in 2016.

Personal exemption

The personal exemption amount remains at \$4,050. For 2017, personal exemptions begin to phase out once AGI exceeds \$261,500 (single), \$287,650 (HOH), \$313,800 (MFJ), or \$156,900 (MFS).

Note: These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2016 threshold amounts were \$259,400 (single), \$285,350 (HOH), \$311,300 (MFJ), and \$155,650 (MFS).

Standard deduction

These amounts have been adjusted as follows:

	2016	2017
Single	\$6,300	\$6,350
HOH	\$9,300	\$9,350
MFJ	\$12,600	\$12,700
MFS	\$6,300	\$6,350

Note: The 2016 and 2017 additional standard deduction amount (age 65 or older, or blind) is \$1,550 for single/HOH or \$1,250 for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

Alternative minimum tax (AMT)

AMT amounts have been adjusted as follows:

	2016	2017
Maximum AMT exemption amount		
Single/HOH	\$53,900	\$54,300
MFJ	\$83,800	\$84,500
MFS	\$41,900	\$42,250
Exemption phaseout threshold		
Single/HOH	\$119,700	\$120,700
MFJ	\$159,700	\$160,900
MFS	\$79,850	\$80,450
26% on AMTI* up to this amount, 28% on AMTI above this amount		
MFS	\$93,150	\$93,900
All others	\$186,300	\$187,800

*Alternative minimum taxable income

What It Means to Be a Financial Caregiver for Your Parents



A large majority of caregivers provide care for a relative (85%), with 49% caring for a parent or parent-in-law.

Source: Caregiving in the U.S. 2015, National Alliance for Caregiving

If you are the adult child of aging parents, you may find yourself in the position of someday having to assist them with handling their finances. Whether that time is in the near future or sometime further down the road, there are some steps you can take now to make the process a bit easier.

Mom and Dad, can we talk?

Your first step should be to get a handle on your parents' finances so you fully understand their current financial situation. The best time to do so is when your parents are relatively healthy and active. Otherwise, you may find yourself making critical decisions on their behalf in the midst of a crisis.

You can start by asking them some basic questions:

- What financial institutions hold their assets (e.g., bank, brokerage, and retirement accounts)?
- Do they work with any financial, legal, or tax advisors? If so, how often do they meet with them?
- Do they need help paying monthly bills or assistance reviewing items like credit-card statements, medical receipts, or property tax bills?

Make sure your parents have the necessary legal documents

In order to help your parents manage their finances in the future, you'll need the legal authority to do so. This requires a durable power of attorney, which is a legal document that allows a named individual (such as an adult child) to manage all aspects of a person's financial life if he or she becomes disabled or incompetent. A durable power of attorney will allow you to handle day-to-day finances for your parents, such as signing checks, paying bills, and making financial decisions for them.

In addition to a durable power of attorney, you'll want to make sure that your parents have an advance health-care directive, also known as a health-care power of attorney or health-care proxy. An advance health-care directive will allow you to make medical decisions according to their wishes (e.g., life-support measures and who will communicate with health-care professionals on their behalf).

You'll also want to find out if your parents have a will. If so, find out where it's located and who is named as personal representative or executor. If the will was drafted a long time ago, your parents may want to review it to make sure their current wishes are represented. You should also ask if they made any dispositions or

gifts of specific personal property (e.g., a family heirloom to be given to a specific individual).

Prepare a personal data record

Once you've opened the lines of communication, your next step is to prepare a personal data record that lists information you might need in the event that your parents become incapacitated or die. Here's some information that should be included:

- **Financial information:** Bank, brokerage, and retirement accounts (including account numbers and online user names and passwords, if applicable); real estate holdings
- **Legal information:** Wills, durable powers of attorney, advance health-care directives
- **Medical information:** Health-care providers, medication, medical history
- **Insurance information:** Policy numbers, company names
- **Advisor information:** Names and phone numbers of any professional service providers
- **Location of other important records:** Social Security cards, home and vehicle records, outstanding loan documents, past tax returns
- **Funeral and burial plans:** Prepayment information, final wishes

If your parents keep some or all of these items in a safe-deposit box or home safe, make sure you can gain access. It's also a good idea to make copies of all the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

Don't be afraid to get support and ask for advice

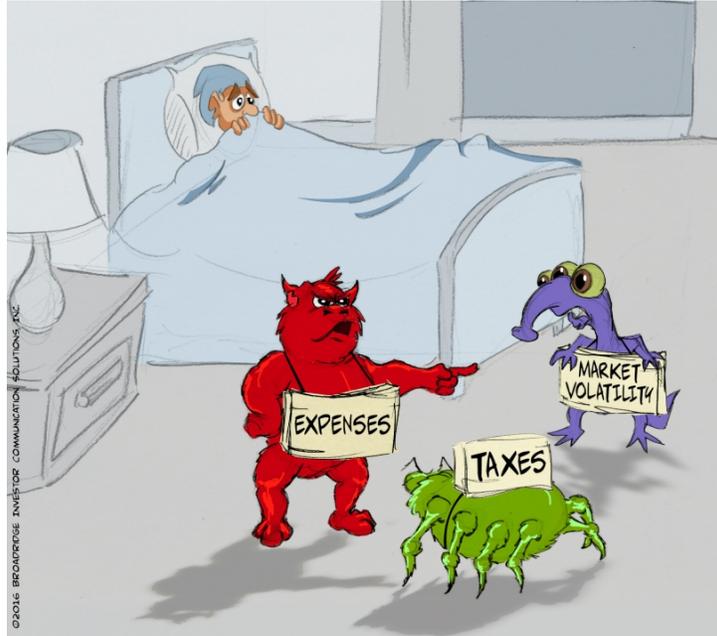
If you're feeling overwhelmed with the task of handling your parents' finances, don't be afraid to seek out support and advice. A variety of local and national organizations are designed to assist caregivers. If your parents' needs are significant enough, you may want to consider hiring a geriatric care manager who can help you oversee your parents' care and direct you to the right community resources. Finally, consider discussing the specifics of your situation with a professional, such as an estate planning attorney, accountant, and/or financial advisor.

Navigate Financial

Nancy LaPointe,
CFP®ChFC®, CLU®, RICP®
Financial Planner, Wealth
Manager
3663 College St. SE, Ste. B
Lacey, WA 98503
360-628-8175
nancy@navigatefinancialnw.com
navigatefinancialnw.com

The accompanying pages have been developed by an independent third party. Commonwealth Financial Network is not responsible for their content and does not guarantee their accuracy or completeness, and they should not be relied upon as such. These materials are general in nature and do not address your specific situation. For your specific investment needs, please discuss your individual circumstances with your representative.

Commonwealth does not provide tax or legal advice, and nothing in the accompanying pages should be construed as specific tax or legal advice. Securities and advisory services offered through Commonwealth Financial Network®, member FINRA/SIPC, a Registered Investment Adviser.



YOU IN THE CLOSET... YOU UNDER THE BED..
I'LL HIDE BEHIND THE CURTAINS



For young adults with college debt, deciding whether to pay off student loans early or contribute to a 401(k) can be tough. It's a financial tug-of-war between digging out from debt today and

saving for the future, both of which are very important goals. Unfortunately, this dilemma affects many people in the workplace today. According to a student debt [report](#) by The Institute for College Access and Success, nearly 70% of college grads in the class of 2014 had student debt, and their average debt was nearly \$29,000. This equates to a monthly payment of \$294, assuming a 4% interest rate and a standard 10-year repayment term.

Let's assume you have a \$300 monthly student loan payment. You have to pay it each month--that's non-negotiable. But should you pay more toward your loans each month to pay them off faster? Or should you contribute any extra funds to your 401(k)? The answer boils down to how your money can best be put to work for you.

The first question you should ask is whether your employer offers a 401(k) match. If yes, you shouldn't leave this free money on the table. For example, let's assume your employer

matches \$1 for every dollar you save in your 401(k), up to 6% of your pay. If you make \$50,000 a year, 6% of your pay is \$3,000. So at a minimum, you should consider contributing \$3,000 per year to your 401(k)--or \$250 per month--to get the full \$3,000 match. That's potentially a 100% return on your investment.

Even if your employer doesn't offer a 401(k) match, it can still be a good idea to contribute to your 401(k). When you make extra payments on a specific debt, you are essentially earning a return equal to the interest rate on that debt. If the interest rate on your student loans is relatively low, the potential long-term returns earned on your 401(k) may outweigh the benefits of shaving a year or two off your student loans. In addition, young adults have time on their side when saving for retirement, so the long-term growth potential of even small investment amounts can make contributing to your 401(k) a smart financial move.

All investing involves risk, including the possible loss of principal, and there can be no guarantee that any investing strategy will be successful.