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THE FINANCIAL FORMULA

Giving You The Financial Information You Need

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The holidays are coming! Hello everyone...I hope you enjoy this month's newsletter. Please let me know if you have any questions - thanks!

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In This Issue

Understanding the Affordable Care Act: Essential Health Benefits

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Beginning in 2014, the Affordable Care Act (ACA) will greatly expand the health care benefits for the millions of Americans with no health coverage or who are underinsured.

The ACA has identified 10 "essential health benefits," which must be covered by non-grandfathered health plans. Even those with "full" insurance are expected to benefit from the act, as only 2% of insurers currently provide all 10, but more are expected to expand their coverage.[1]

The 10 essential benefits are:

1. Ambulatory patient services, also known as outpatient care. However, details about the plans' networks and access to doctors will vary on a state-by-state basis.
2. Emergency services. Emergency room visits will no longer require preauthorization, and you can no longer be charged for going out of network.
3. Hospitalization. Your insurer must cover your hospitalization, although you could be required to pay up to 20% of the bill if you haven't reached your out-of-pocket limit.
4. Maternity and newborn care. Insurers will now have to provide prenatal care, childbirth, and care for the newborn infants as part of their standard coverage.
5. Mental health and substance use disorder services. Many plans do not currently cover these services. In some states, coverage may be limited to a certain number of visits.
6. Prescription drugs. All individual and small-group plans will cover at least one drug in every category and class in the United States Pharmacopeia. Drugs will also be counted toward your annual out-of-pocket maximum limits.
7. Rehabilitative and habilitative services. The law is a boon to those with chronic diseases, who will now be covered for therapies to help them overcome their long-term disabilities. It also requires the coverage of rehab therapies as well as medical equipment, such as walkers and wheelchairs.
8. Laboratory services. This includes prostate exams and Pap smears. You can still be billed for partial costs of diagnostic lab tests as well as more extensive screenings, such as an MRI.
9. Preventive and wellness services. The law requires insurers to cover all of the 50 preventive services recommended by the U.S. Preventive Services Task Force at no extra cost. Those services include diabetes screening, high blood pressure screening, mammograms, and colorectal cancer screening.
10. Pediatric services, including oral and vision care. Dental and vision care is considered an essential benefit for children aged 18 and younger whose parents or guardians get insurance through the individual or small-group plans.

Additionally, most plans -- obtained through an employer or on the marketplace -- cannot deny coverage or charge more because of a pre-existing health condition.

Out-of-Pocket Spending Limits Delayed on Some Plans

The amount of money people will have to pay out-of-pocket each year for medical and prescription drug costs will be capped at $6,350 for individuals and $12,700 for a family. But these limits will not be in effect until 2015 for plans that use more than one service provider to give insurers and employers more time to comply.

[1]*Source: HealthPocket, August 2013.*

Financial Planning Tips for Singles

You may need to direct a lawyer to draft a health care proxy in which you designate a loved one to make medical decisions on your behalf if you are not able to do so yourself.

Living the single life no longer is an anomaly: According to the U.S. Census Bureau, nearly 40% of households nationwide are maintained by a single person.[1] Being single affects many areas of financial planning, including retirement, financing health care later in life, and other key issues.

If you are single, or expect to be as a result of a pending divorce, consider the following as you plan your finances.

Retirement

An increasing percentage of preretirees are planning for retirement on their own. What steps should solo planners take to shore up their finances for a comfortable retirement?

- **Set long-term retirement savings goals.** If you have access to an employer-sponsored retirement plan, contribute as much as you can afford. For 2013, the maximum employee contribution is $17,500, and workers aged 50 and older can contribute an additional $5,500 catch-up contribution.
- **Consider funding an IRA.** For 2013, the maximum contribution is $5,500, and investors aged 50 and older can contribute an additional $1,000.
- **Invest as much as you can.** Investing as much as you can afford for retirement over the long term is beneficial because you will not have the luxury of falling back on a partner's pension. In addition, your household will have one Social Security check to fund retirement expenses.

Parenting

- **Fund for your children, but don't forget yourself.** If you have children, your financial planning could be especially challenging because you may be required to fund tuition, child care, and other costs on one salary. As you raise your family, be sure not to shortchange your needs. Put away something for retirement, even if it is only a small amount each week. Over time, this amount may compound and serve as the basis of your retirement nest egg. Be sure to appoint a guardian for your children in the event that you are not able to care for them.

Insurance and Health Care

- **Review your options for disability insurance and long-term care insurance.** It is critical to purchase these types of insurance while you are healthy and the premiums are affordable. These insurance purchases increase the chances that you will have adequate cash flow if you are not able to work because of a disability, or if you require assistance with activities of daily living later in life.
- **Prepare for health care expenses.** You may need to direct a lawyer to draft a health care proxy in which you designate a loved one to make medical decisions on your behalf if you are not able to do so yourself.

Housing

- **Think carefully about the type of housing situation that suits your needs.** Carrying a single-family home, especially in an expensive housing market, frequently is difficult on one income. Be sure that your home is affordable enough to permit you to invest for retirement and other financial goals.

Your situation may present additional considerations, but the suggestions mentioned here may help you manage your finances successfully.

[1]*Source: U.S. Census Bureau, America's Families and Living Arrangements, August 2013.*

Retirement Planning Tips for Fifty-Somethings

Many preretirees falsely believe that there is nothing they can do to build retirement assets, and as a result, do nothing.

Entering your 50s and behind in your retirement planning goals? Don't fret. You've still got time to get your financial plan back on track.

There are many steps that older investors can take to better prepare themselves financially for retirement. Here are six tips that may help you make the most of your final working years.

1. **Catch up.** If you have access to a 401(k) or other workplace-sponsored plan, make the $5,500 catch-up contribution that is available to participants aged 50 and older. Note that you are first required to contribute the annual employee maximum, $17,500 for 2013, before making the catch-up contribution.
2. **Fund an IRA.** Investors aged 50 and older can contribute $6,500 annually (the $5,500 annual contribution plus an additional catch-up contribution of $1,000). An investor in his or her 50s who contributes the maximum amounts to both a 401(k) and an IRA could accelerate retirement savings by more than $25,000 a year.
3. **Consider dividends.** If you do not have access to a workplace-sponsored retirement plan, or you already contribute the maximum to your qualified retirement accounts, consider stocks that offer dividend reinvestment.[1] Reinvesting your dividends may help to grow your account balance over time.
4. **Make little cuts.** Consider how you can trim expenses while continuing to enjoy life. Some suggestions for quick savings: Eliminate or reduce premium cable channels that you do not watch, memberships that you do not use regularly, and frequent splurges on dining out or coffee runs. An extra $100 a month saved today could make a big difference down the road.
5. **Review strategies for postponing retirement.** You may be able to learn new skills that could increase your marketability to potential employers. Even a part-time job could reduce your need to deplete retirement assets.
6. **Don't give up.** Many preretirees falsely believe that there is nothing they can do to build retirement assets, and as a result, do nothing. Remember that you control how much you invest, and in many areas, how much you spend. Make a plan -- and stick with it.

[1]*Investing in stocks involves risk, including loss of principal.*