HAAS Fydroski Financial Services, Inc.

Investments - Planning - Education

IPE Insights

March 2015

James H. Fydroski CFP® , President, Haas Financial Services Inc.

News & Updates for 2015

Jim's Journal

There are a number of important news items and updates that could have a significant impact on your life and financial well-being in 2015. I would like to devote this March newsletter to several of the more important items that may help you in your journey through this year:

Social Security

- In 2015, Social Security tax is no longer taken out of your paycheck after your salary or self-employment income passes $118,500 The tax is 6.2% until that time.
- The cost of living adjustment (COLA) for Social Security benefits in 2015 is 1.7%. The 2014 COLA adjustment was 1.5%.
- Known as the earnings test - if you make more than $15,720 in 2015 and are collecting Social Security benefits prior to your full retirement age - for every $2 you earn over that limit, you will lose $1 of benefits. In the year that you reach full retirement age, you will lose $1 for every $3 in earnings over $41,880. There is no earnings test in the month that you reach full retirement age.
- A paper statement showing your estimated Social Security benefits will, once again, be sent to workers every five years beginning at age 25 and then every year after age 60 unless you have set up an online account. Online accounts can be set up at www.ssa.gov/myaccount/

Medicare

- In 2015, Medicare Part B (doctor visits/outpatient costs) coverage costs $104.90 per month. There is no premium charge for Part A (hospitalization) if you paid into the Social Security system for at least ten years. Please remember that a Medicare supplement policy is also usually needed since not all costs are covered by Part A and B.

Retirement Contributions

- You may contribute up to $18,000 in 2015 to a 401(k), 403(b), 457 (b) or federal government Thrift Savings Plan plus an additional $6,000 if you are age 50 or older. The additional contribution is known as a catch-up contribution.
- Contribution limits for traditional and Roth IRAs are $5,500, plus an additional $1,000 if you are 50 or older.
- If a school district offers a 457 plan in addition to a 403(b) plan, you are allowed to invest the maximum of $18,000 (plus the additional $6,000 if over are 50) in both plans.
- Military men and women who are deployed can contribute up to $53,000 of tax-exempt combat pay in a Thrift Savings Plan.
- Self-employed individuals may contribute up to 20% of income to a Simplified Employee Pension (SEP), or $53,000- whichever is less.
- Individual 401(k) holders can contribute up to $53,000 plus an additional $6,000 catch-up if over age 50.

Retirement Planning

- You may still qualify for a tax deduction with a traditional IRA even if you are covered by a company retirement plan. Modified Adjusted Gross Income (MAGI) must be less than $61,000 for singles and $98,000 for marrieds to qualify. If only one spouse is covered by a company plan, the other spouse can deduct the entire amount of the IRA contribution from income tax if MAGI is under $183,000.
- A partial Roth IRA contribution can only be taken if modified adjusted gross income is between $116,000 and $131,000 for singles and $183,000 and $193,000 for marrieds. No Roth contributions allowed if MAGI is above these amounts.
- A new Treasury Department rule in 2015 allows both IRA owners and 401(k) participants to invest up to 25% of their account balance or $125,000- whichever is less- in a deferred income annuity. If invested in this type of annuity, required minimum distributions do not have to be taken at 70 ½.

Pensions

- In the event that your company goes bankrupt and your pension is underfunded, the government- backed Pension Benefit Guaranty Corp. will pay you up to $5,011 a month if you are 65 when you start receiving benefits.

Hopefully, at least a few of these update items will be relevant to your financial life in 2015. In my January newsletter I wrote that "According to the Stock Trader's Almanac, every down January on the S&P500 since 1950, without exception, preceded a new or extended bear market, a flat market or a 10% correction." As we look back to January 2015, the DOW, S&P500 and NASDAQ all ended the month down between 2 and 3 percent. Thus, historical market data is not on our side here, but only time will tell what really happens in 2015. Volatility has been extreme over the last three months and, if the Almanac is correct, the prospects for 2015 may be challenging. There are no 100% probabilities in the stock market but extra caution seems to be warranted now since the calming effects of the Federal Reserve stimulus packages are gone and the U.S. markets must now stand on their own. As the weather warms up a bit, I am looking forward to some tree planting in April after this long cold winter. Take good care!!!

BEFORE YOU LEASE YOUR CAR ……

*My lease is up and its time to pick a new car. I personally like to lease because I like driving a dependable vehicle with minimal maintenance. Frankly, when I walk in a car dealership, I am rather intimidated. They throw around a lot of terms like "residual value", which yes, I understand the word, but how exactly does it apply to me. By the time they are done explaining, I am probably more confused. So this time, I pulled out the old reading glasses and jumped on internet for "simple explanations". There is, of course, plenty of information, but I narrowed the subject down to some basics. This time I am prepared! ....*Patricia Thompson

1) Are there any lease specials?
Many carmakers periodically offer highly discounted lease specials to pump up interest on slow-selling models. These specials could provide a shortcut to substantial savings for you. However, check the fine print of the lease ad to see if there are any additional expenses. Often, the quoted monthly payment does not include sales tax and fees and may require high drive-off fees (similar to a down payment when you buy a car).

2) What is the car's residual value?
A high residual value "gets you 80 percent of the way to a good deal. The residual value is how much the car will be worth at the end of the lease. This figure is an estimate, set by the leasing company and expressed as a percentage (for example, 55 percent of the original value) or a price (the car will be worth $20,000 three years later).

Here's why the residual value is important: When you lease a car, you are paying for the amount of the car's value you use. For example, if you lease a $30,000 car for three years, it will be worth about $18,000 three years later. That means you used $12,000 of the car's value. Divide that $12,000 by 36 months and you get $333, which is approximately your monthly payment (plus interest and taxes).

To demonstrate how significant the residual value is to the monthly payment, let's look at a $30,000 car and apply three residual values to it:

Residual Value	Depreciation	Base Monthly Payment
55%	$13,500	$375
50%	$15,000	$417
45%	$16,500	$458

Another way to think of this is to consider that a good residual value is 55 percent and a fair one is just 45 percent. The difference between the good and fair residual values is nearly $85 each month, or $3,000 over the three years of the lease. So when you're shopping for a lease, the first rule of thumb is to look for cars that hold their value: the ones that have high residual values. If you calculate your own lease payment, you will see how important the residual rate is to the monthly payment. You can always ask the dealer for the residual value of the car you are considering. He will probably give you a percentage between about 45 and 60 percent.

3. What is my interest rate?
The interest rate is called the "money factor" in leasing jargon. It's one of the few elements of a lease you can negotiate. The dealer converts the interest rate into a mysterious-looking decimal number. To convert the money factor back into an interest rate, multiply by 2,400. So if the money factor is 0.00125, multiply it by 2,400 to get 3 percent. Of course, the leasing company will give you an interest rate that is based, to some degree, on your credit. However, when manufacturers are trying to attract shoppers, low interest rate offers abound. Convert this to an interest rate and make sure it is the rate you deserve for your credit score.

4. How many miles does the lease include?
Sometimes, you hear about what sounds like a great lease deal, but learn (by asking) that the lease only includes 10,000 miles a year, rather than the 12,000 miles a year that's the industry standard. Now the lease isn't quite as good a deal as it appeared at first. First of all, if you exceed 10,000 miles a year (or 30,000 miles for three years), the dealer charges you from 15-20 cents per mile. So, if you don't ask how many miles are included, you could be in for a nasty surprise at the end of the lease. Also, quite simply, the lease has less value because you can't drive the car as far as with a normal lease.

5. What drive-off fees do I have to pay?
This is a great question to ask if you see a newspaper or TV ad offering a low monthly lease payment. You also want to ask the dealer this question if he offers you a "killer" lease deal. Drive-off fees are a combination of fees and a down payment. The effect of a bigger down payment is lower monthly payments. Ideally, though, you want to pay as little as possible up front, and never more than $2,000 down. The more you pay up front, the more you have to lose if you total the car shortly after you begin the lease.

6. What fees does the lease have?
Shoppers looking to improve their lease contracts might also have success if they ask for some fees to be reduced or removed from lease contracts. Nearly all contracts have acquisition and disposition fees that can't be negotiated out, but the security deposit can be waived. Furthermore, fee amounts are different from one lease company to the next. In recent years, fees have crept up from $300 to more than $650. Fees may be hard to remove, but it doesn't hurt to question them.

Source : Internet

I hope these Q & A's give you a little leg up, as well, when you walk into your next dealership.

21415 CIVIC CENTER DRIVE, SUITE 117A, SOUTHFIELD, MI 48076

HTTP://WWW.HAASFSI.COM/ PH 248-728-0028 Fax 248-499-1972 Jim@haasfsi.com