HAAS Financial Services Inc.
Investments - Planning - Education

IPE Insights

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Social Security Basics...and More

JIM'S JOURNAL

"Who's this FICA guy, and why is he getting all my money?" Rachel Green, waitress in the television series, "Friends"

Rachel probably asks the same question that many of us wonder about as we see this deduction being taken out of our paychecks during our entire working career. The answer is that Social Security payroll taxes are collected under the authority of the Federal Insurance Contributions Act (FICA). The payroll taxes are sometimes even called FICA taxes.

But what is FICA? In the original 1935 law, the benefit provisions of Social Security were provided under Title II of the Social Security Act (which is why we sometimes call Social Security the Title II program). The taxing provisions were under a separate title, Title VIII. As part of the 1939 Amendments, the Title VIII taxing provisions were taken out of the Social Security Act and placed under the Internal Revenue Code. Since it wouldn't make any sense to call this new section of the Internal Revenue Code Title VIII, it was renamed the "Federal Insurance Contributions Act." The payroll taxes collected for Social Security are taxes, but they can also be described as contributions to the social insurance system that is Social Security. Hence, the name Federal Insurance Contributions Act. So, FICA is nothing more than the tax provisions of the Social Security Act, as they appear in the Internal Revenue Code.

Social Security accounts for about 90% of retirement income for over 40% of Americans. These individuals have very little, if any, investable assets and need Social Security to maintain a standard of living. However, this may surprise you—Social Security accounts for about one-third of all discretionary income for the highest income households – those couples earning $500,000 or singles earning $250,000 before retirement. Consequently, even people with a larger asset base do gain significant benefits from Social Security.

The rules for claiming Social Security retirement benefits are complex and overwhelming. You cannot depend upon the Social Security Administration to be your personal advisor; SSA employees usually do not give case specific advice. According to Alicia Munnell, director of the Center for Retirement Research at Boston College, there are more than 300 ways for a married couple to take Social Security benefits. As the "silver wave" has hit our country with large numbers of Baby Boomers approaching Social Security claiming age, there is a huge void of information on how to maximize benefits.

When to begin Social Security benefits is one of the most important financial decisions of retirement. With hundreds of ways to claim benefits, the difference between claiming early, as most Americans do, and an optimum claiming strategy can be worth tens, if not hundreds, of thousands of dollars in benefits over a client's lifetime.

In an attempt to fill the Social Security information void, Haas Financial Services (HFS) will offer a new service to you beginning in mid to late October: Social Security benefit analysis and income planning. HFS has partnered with a leading expert in Social Security claiming strategies, Social Security Solutions, Inc., and can now analyze your options, recommend the best strategy for claiming benefits and show you side-by-side comparisons of various strategies. Our software will produce a report with straightforward educational text about your benefits and specific claiming details so that you can take advantage of the best strategy for your situation. Bottom line: our goal will be to make the complex simple and help you make a sound decision.

This new service will be a complement to the Haas Financial Money Management Program in devising a total return strategy for your retirement. It will be most valuable to clients over age 55 who have not yet started receiving Social Security payments. However, there are also strategies that may benefit clients who have recently started taking payments as well as strategies for widows/widowers and divorced individuals. Details for the program will follow in future newsletters.

Our guest article for this month is written by John MacInnis. John is a member of my Detroit/Novi Catholic Central networking group and will discuss natural gas deregulation. Hope that you enjoy his article and that you can save some money on your heating bill as the weather turns colder. On a personal note, I was honored to be chosen as a participant for the Financial Planning Association of Michigan investment panel held at the Michigan State Education Center in Troy on September 20th. I have included some pictures from the event. Last but not least, I will be moving my office on October 1st to 21415 Civic Center Drive, Suite 117A, Southfield, MI 48076 The new phone number is 248-728-0028 (fax the same 248-499-1972) All current clients will receive a personal letter from me next week regarding the move.

Take good care!!!

Government Deregulation of Natural Gas

By: John R. MacInnis

Twenty-eight State governments have deregulated their energy industries since 1978 when Congress passed the 'Natural Gas Act". This eliminated governmental price controls at the well-head and let the market determine pricing. It also encouraged oil companies to drill new natural gas wells thereby eliminating shortages.

"The next major step was initiated by Marvin White during his tenure as CEO of Columbia Distribution Companies. Marvin White worked with Ohio natural gas customers and suppliers to develop the very first "self-help" program in the United States, which was the beginning of the current deregulated transportation and "Choice" programs as we know them today.

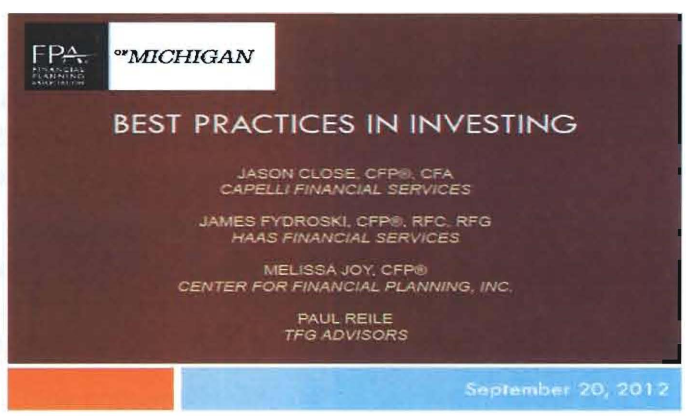
"Throughout the 1980s and 1990s, "self-help" transportation programs for commercial and industrial customers were introduced throughout the country which allowed customers the ability to contract with third party marketers for their supply of the natural gas commodity. In the late 1990s, "Choice" programs were made available to residential and small commercial customers which allowed them to do the same." (Ref: IGS history.)

The Michigan Public Services Commission approved the first 'Choice' program as a test for customers of Consumers Energy, MichCon, and Semco, in 2001. One year later the MPSC gave final approval to 'Choice' programs. These companies distribute the gas through their infrastructure of pipelines and meters and take care of maintenance. Many companies supply gas to them. Customers still pay the same utility company and keep the same payment plan but pay a lower price for the gas. The utility company pays the supplier. Some 'Choice' programs have no sign-up fee and no cancellation charge for residential and small commercial accounts. (Industrial and commercial accounts using large amounts of gas do have a contract and an amortized early cancellation fee because gas contracts are purchased for large users on the commodities market.) The industry is regulated by the Michigan Public Service Commission.

In my own case, I worked in the asphalt paving industry. We used large amounts of Natural gas. Some months we used 10,000 MCF per month. In the mid 1980's our supplier, MichCon, informed us that it would be less expensive to use a "Transportation Gas" program for our supply of gas. Since it was a brand new concept, I was hesitant. After getting over the initial concerns I became comfortable with the Transportation Gas program. I was able to choose the supplier with the best price for natural gas. When I retired in 2003 I decided to use my experience for other end users.

John MacInnis became a broker for the 'Choice" program offered through alternate gas provider CCM in 2010. CCM has over 750,000 customers in 28 deregulated states. They save money on natural gas as well as other services that households and businesses use every month. John may be reached at 248-756-2977 or jmacinnis@mi.rr.com

Jim Fydroski - Paul Reile—Jason Close



Moderator—Melissa Joy

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