CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

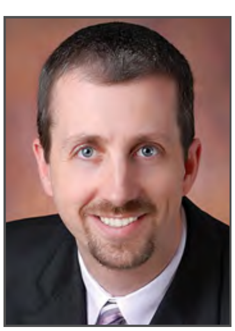
MONEYLINE

Get Ready For Obamacare

Courtesy of Craig Willeke, LUTCF, CLTC

Three and a half years after President Obama signed the Affordable Care Act into law, its major provisions are nearly ready for show time, though there is still some debate about funding in the congress. Here are some of the facts according to the website Healthcare.gov. Beginning January 1, insurers will no longer be able to reject people or charge higher rates because of preexisting conditions; the premiums they charge older people will be capped; most plans won't be able to impose annual or lifetime caps on coverage; and to control the cost of insuring the older and sicker, everyone — including the young and healthy — must have health insurance or face a penalty. In 2014 the penalty is 1 percent of annual income or $95 per person (whichever is higher); the penalty increases to 2.5 percent of income or $695 per person in 2016.

Each state will have an exchange (also called a marketplace) where you can buy health insurance and apply subsidies to reduce your premiums. The federal government is running the exchanges in 27 states, and 23 states plus the District of Columbia are running their own exchanges or operating them in partnership with the federal government. The insurers on the exchange, policy details, prices and networks will vary by state, no matter who runs the exchange. You can find links to your state's exchange at healthcare.gov.



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Consider collectibles insurance if you have items of special value.
Personal-property insurance is designed to cover clothing, furniture and similar items — not collectibles. Collectibles insurance comes as a rider, similar to riders for jewelry or art, and can cost from around $40 to thousands of dollars a year, depending on the value of your collectibles. The insurance usually does not have a deductible, but you can opt for one to save on costs. Have your collectibles professionally appraised. *Important:* The more safely you store collectibles, the lower your insurance premium will be. *Example:* If you have an alarm system and a safe, the cost will likely be reduced.
Source: Finance.Yahoo.com

Did you know that homes are selling in one day in hot markets?
These include some communities in Florida and California, where the inventory of homes is small and the prices are far below what they were in 2005 or 2006. In other markets, time to sale also is going down: in 22 markets studied, the percentage of homes under contract within two weeks rose by 39% in Q2, 2013, compared with one year earlier.
Source: ibisworld.com

"An investment in knowledge pays the best interest."
— Benjamin Franklin

Income For Life Starts With Better Assessment Of Personal Balance Sheet

By Elliot Raphaelson, Tribune Content Agency

An excellent way to learn more about long-term financial planning is through the work of Moshe Milevsky. A professor at the Schulich School of Business at York University in Toronto, Milevsky is especially gifted at taking complex financial topics and making them understandable. In particular, I recommend his book "Are You a Stock or a Bond?" (FT Press), revised in 2013.

Milevsky's aim is to cover the most important factors that will allow you to generate a lifetime of income you cannot outlive. The most important, in his view, is what he calls "human capital." This is the discounted value of all the salary, wages and income you will earn over the course of your working life. Although the precise numerical value might be difficult to calculate, it's the most precious asset you have until well into middle age.

Moreover, your human capital has financial risk and reward characteristics, just like a stock or bond. Hence the title of the book. Making the best use of your human capital requires a basic understanding of the risks and rewards it carries. Is your career likely to be remunerative but volatile, like a stock, or staid and predictable, like a bond?

This concept is critical to understanding Milevsky's philosophy. He recommends that your personal balance sheet should reflect human capital as well as financial capital. In order to make the best financial decisions over the course of your life, you have to take human capital into account.

The riskier your human capital — the more it resembles a stock — the fewer stocks you should have in your investment portfolio, and vice versa. Milevsky often points to himself as an example. As a tenured professor with the job security and the pension that goes with the position, his professional life looks exactly like a bond: safe and predictable. Consequently, his investment portfolio can handle more risky investments, such as stocks.

Similarly, someone with a highly technical skill, in high demand but limited supply, such as a petroleum engineer, would be able to take more risks with common stocks in an investment portfolio earlier in his or her career, as investment losses could be made up by working longer.

Someone working in the financial industry, however, would do well to skew his or her portfolio toward bonds, as prolonged adversity in equities markets could easily lead to a job loss and a portfolio loss.

Milevsky argues that investors spend too much effort in what he calls "short-term investing-by-speculating." He emphasizes long-term investing-by-hedging or investing-by-protecting.

Part of that is hedging against loss of human capital — death — with life insurance. You also need to protect yourself against inflation and make sure you do not run out of capital before you die. Milevsky devotes a chapter to the useful role annuities can play in a retirement plan to ensure this. He is more knowledgeable regarding the advantages and disadvantages of annuities than any financial writer I know. You can benefit from his experience.

The Lure Of Retiring Abroad

By Sandra Block, Kiplinger's Money Power

For many seniors with a sense of adventure and an updated passport, the ideal retirement destination lies outside the U.S. Attracted by a lower cost of living, high-quality health care and an exotic locale, retirees are putting down roots across the border and around the globe.

While Central and South America's low costs and proximity to the U.S. have long attracted expats, intrepid retirees are also pursuing the good life in places as far-flung as Malaysia, Thailand and the Philippines. Even Western Europe, once considered out of reach for most retirees, has become more affordable in the wake of the economic downturn.

Even if you're convinced the expat lifestyle is for you, consult the experts before you venture outside the U.S. You can find a wealth of online resources at internationalliving.com, topretirements.com and expatinfodesk.com.

Once you've settled on a country, try it out. Rent a home or apartment before you buy. In many countries popular with expats, rental properties are plentiful and cheap. In Costa Rica, for example, you can rent a three-bedroom home for $500 a month. Renting will also permit you to get a realistic estimate of your personal cost of living before you make a long-term financial commitment.

You'll also pay a premium for gas in most countries — sometimes, a very big one. That's not a problem for Daniel Prescher, 59, special projects editor for International Living (internationalliving.com), who lives in Cotacachi, Ecuador, with his wife, Suzan Haskins, 57. "We had a car for years and thought we couldn't get by without one," Prescher says. "Public transportation is so cheap, we sold it."

Another option is to become a part-time expat. That alternative is popular with retirees who aren't comfortable living year-round in a foreign country but want to take advantage of better weather and a lower cost of living for at least part of the year.

Keeping a bank account in the U.S. is a good idea, particularly if you return frequently to the States. However, expats who no longer have a U.S. address could run into bureaucratic difficulties. Some banks have closed expat accounts, citing Patriot Act provisions designed to thwart financing of international terrorists, according to American Citizens Abroad, an advocacy group.

If you use a foreign bank account to pay bills and provide walking-around money, you'll probably have to file an annual Report of Foreign Bank and Financial Accounts (FBAR) with the U.S. Treasury. This form is mandatory if the total value of your foreign financial accounts exceeds $10,000 on any day during the calendar year. Failure to comply with this reporting requirement could trigger stiff penalties.

"Stocks rose sharply today on news that this sort of thing still happens once in a while."

Investor alert: "Pump-and-dump" stock scams are rampant now, we hear from Lori Schock, JD. Fraudsters promote stocks of tiny companies via e-mail and social-media sites such as Facebook and Twitter. They try to create a buying frenzy so that the shares they already own will soar, allowing them to cash in, or "dump," the shares. Often they claim to have "inside" information about an impending development or an "infallible" timing system to pick winners. *What to do:* Never respond to such e-mails or social-networking come-ons no matter how curious you are.
Source: IRS.gov

Old stock certificates may still have value. If you find one, be sure it actually was issued to someone, not just a sample copy—it will have a person's name on it, not the word "specimen". Be sure that it has not been canceled—if it was, it will be stamped "canceled" or have holes punched in it. *Caution:* A registered security is issued to a specific owner—even if it does have value, you have to prove that you are entitled to it through a will or other document. A bearer certificate, however—stock or bond—can be redeemed by anyone holding it.
Source: ipl.org

"He who rejects change is the architect of decay."
— Harold Wilson

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DIGEST

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Digging Into The Mailbag

By Jill Schlesinger, Kiplinger's Money Power

Q: *I offered to help my son and his wife with the downpayment on their home. When they went through the mortgage application process, the bank asked for my bank statement. Is that customary? I don't feel comfortable sending the details of my finances. — John*

A: The mortgage process has changed dramatically since the housing boom and bust. Not only do borrowers have to provide lots of information, but when a gift is involved, the lender is likely to ask for a donor letter/affidavit and could require the donor's account statements to verify the source of funds. According to mortgage brokers, this new twist has more to do with rules to prevent money laundering than for underwriting purposes. Bottom line: If you want to help your kids, you need to comply with the new rules.

Q: *I have run the numbers and have determined that with my pension and retirement savings, I can probably retire as early as age 55, though I was planning to keep working until 59 1/2 so I could tap my 401(k) account without penalties. Recently, a co-worker told me that I could use something called Rule 72-T to get the money earlier. Is that true? — Jerome*

A: IRS Rule 72(t) allows for penalty-free withdrawals from a retirement account before age 59 1/2, as long as distributions are made as part of a series of substantially equal periodic payments over your life expectancy. The account owner must take at least five substantially equal periodic payments, and the amount depends on the account owner's life expectancy calculated with various IRS-approved methods. If you want to take advantage of Rule 72(t), you must separate from service with the employer maintaining the plan before the payments begin.