Focus on Financial Freedom

Maintaining Your Financial Health

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?

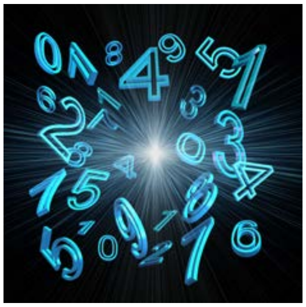
Most long-term care isn't medical care, but rather help with basic personal tasks of everyday life, called custodial care. Medicare does not pay for custodial care. However, Medicare may pay for skilled care (e.g., nursing, physical therapy) provided in a Medicare-certified nursing facility for up to 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.

Dolan Financial Services
Charlene K. Dolan, CFP® AIF®
Danielle S. Holmes, CRPC® AIF®
108 Main St., Amesbury, MA
978-388-3468
978-465-3468
plan@dolanfinancialservices.com
DolanFinancialServices.com

DOLAN FINANCIAL 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		

Tax Credits and Deductions for College

Education tax credits and deductions can help defray some of the costs associated with college or graduate school. Do you or your child qualify for one of these federal tax benefits?

College students and their parents need all the help they can get to pay for college. Here are four college-related federal tax benefits that might help put a few more dollars back in your pocket when you file your 2016 tax return.

American Opportunity credit

The American Opportunity Tax Credit is worth up to $2,500 per year for a student's first four years of college. The credit applies only to qualified tuition and fees (room and board expenses aren't eligible) and is calculated as 100% of the first $2,000 of qualified tuition and fees plus 25% of the next $2,000 of such expenses.

There are two main eligibility restrictions. First, the student must be enrolled at least half-time. Second, a parent's modified adjusted gross income (MAGI) must be below a certain level. In 2016, a full tax credit is available to single filers with a MAGI of $80,000 or less and joint filers with a MAGI of $160,000 or less; a partial credit is available to single filers with a MAGI between $80,000 and $90,000 and joint filers with a MAGI between $160,000 and $180,000.

The American Opportunity credit can be claimed on behalf of multiple students on a single tax return in the same year, provided each student qualifies independently. For example, if Mom and Dad have triplets in college and each meets the credit's requirements, then Mom and Dad can claim a total credit of $7,500 ($2,500 x 3).

Lifetime Learning credit

The Lifetime Learning credit is another education tax credit that's worth up to $2,000 per year per tax return. As its name implies, the Lifetime Learning credit is for courses taken throughout one's lifetime, whether to acquire or improve job skills. As such, it is broader than the American Opportunity credit; for example, it's available to graduate students and to students enrolled less than half-time. The Lifetime Learning credit is calculated as 20% of the first $10,000 of qualified tuition and fees (again, room and board expenses aren't eligible).

There are also income restrictions. In 2016, a full credit is available to single filers with a MAGI of $55,000 or less and joint filers with a MAGI of $111,000 or less; a partial credit is available to single filers with a MAGI between $55,000 and $65,000 and joint filers with a MAGI between $111,000 and $131,000.

One disadvantage of the Lifetime Learning credit is that it's limited to a total of $2,000 per tax return per year, regardless of the number of students who qualify in a family in a given year. So, in the example above, Mom and Dad would be able to take a total Lifetime Learning credit of $2,000, not $6,000, in 2016. Also, the American Opportunity credit and the Lifetime Learning credit can't be taken in the same year for the same student — you have to pick one or the other.

Tuition and fees deduction

Undergraduate and graduate students (or their parents) may be able to deduct qualified tuition and fees paid in 2016. A $4,000 deduction is available to single filers with a MAGI of $65,000 or less and joint filers with a MAGI of $130,000 or less, and a $2,000 deduction is available to single filers with a MAGI between $65,000 and $80,000 and joint filers with a MAGI between $130,000 and $160,000. An important note: you can't use the same education expenses to qualify for both a tuition deduction and an education tax credit.

Student loan interest deduction

The student loan interest deduction lets undergraduate and graduate borrowers deduct up to $2,500 of interest paid on qualified student loans during the year, provided income limits are met. In 2016, a full deduction is available to single filers with a MAGI of $65,000 or less and joint filers with a MAGI up to $130,000; a partial deduction is available for single filers with a MAGI between $65,000 and $80,000 and joint filers with a MAGI between $130,000 and $160,000.

Comparison chart: 2016 figures

	Maximum Credit / Deduction	**Income Limits for Maximum**
American Opportunity credit	$2,500	$80,000 or less single; $160,000 or less joint filer
Lifetime Learning credit	$2,000	$55,000 or less single; $111,000 or less joint filer
Deduction for tuition and fees	$4,000	$65,000 or less single; $130,000 or less joint filer
Deduction for student loan interest	$2,500	$65,000 or less single; $130,000 or less joint filer

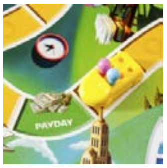
For more information, see IRS Publication 970, *Tax Benefits for Education.*

DOLAN FINANCIAL SERVICES

Dolan Financial Services
Charlene K. Dolan, CFP® AIF®
Danielle S. Holmes, CRPC® AIF®
108 Main St., Amesbury, MA
978-388-3468
978-465-3468
plan@dolanfinancialservices.com
DolanFinancialServices.com

Securities and Advisory Services offered through Commonwealth Financial Network® , member FINRA/SIPC, a Registered Investment Adviser. Fixed insurance products and services offered through CES Insurance Agency.

Commonwealth does not provide legal or tax advice. Please consult with a legal or tax professional regarding your individual situation.



What should I evaluate when considering a new job offer?

Today, few people stay with one employer until retirement. Instead, it's likely that at some point during your career, you'll be searching for a new job. You may be looking for more money, greater career opportunities, or more flexibility. Or you may be forced to look for new employment if your company restructures. Whatever the reason, at some point in your working life you might be faced with a new job offer. Should you take it? Here are some things to evaluate.

Salary: How does the salary offer stack up against your previous job? If the offer is less than you expected, find out when you can expect performance reviews and/or pay increases (a typical company will review your salary at least annually). You can compare your salary offer to the salary range for others working in the same industry by looking at salary-related websites. In addition, consider the availability of bonuses, commissions, and/or profit-sharing plans that can increase your total income, and find out whether they're dependent on your own job performance, the company's performance, or a combination of both.

Employee benefits: What benefits does the company offer, and how much of the cost will you bear as an employee? A good employee benefits package can add the equivalent of thousands of dollars to your base pay. Benefits may include a retirement plan (hopefully with employer matching contributions); health, dental, and vision insurance; disability, life, and long-term care insurance; vacation time and sick leave; flexible spending accounts for health and dependent care expenses; tuition reimbursement; student loan assistance; child-care programs; transit programs; counseling services; pet insurance; and other miscellaneous benefits.

Personal and professional consequences: Will you be better off financially if you take the job? Is there schedule flexibility? Will you need to work a lot of overtime? Travel extensively? Consider any related costs of taking the job, such as transportation and day care. Also take a close look at the company's work environment and culture. You may be getting a good salary and great benefits, but if the work environment doesn't suit you, you may want to think twice.

I received a new job offer but the salary is low. Should I make a counteroffer?

Probably. Getting paid less than you should when starting a new job can affect not only your current paycheck but also your long-term asset accumulation. For example, the less money you earn, the less you have available to contribute to your retirement plan, and potentially the lower the amount of matching employer contributions you'll receive if they are offered.

In addition, because your current salary is typically the benchmark for future pay increases and bonuses (which are often expressed as a percentage of your salary), the effect of a pay gap is cumulative. Unless corrected, pay disparities may widen over the course of your career. For example, a low starting salary at job #1 could serve as a benchmark for your salary at job #2, which could serve as a benchmark for your salary at job #3, and so on.

To determine whether the salary offer is competitive, research and compare salaries based on industry or company standards. You can look at salary-related websites to get an idea of a typical salary range for someone in the same occupation, in your geographical location, with your education, experience, and skills.

If the salary offer is low, go back to the company and articulate your strengths. What skills and qualities will you bring to the table? State the amount of money you want. Make it clear that if the company accepts your terms, you are willing and able to accept its offer immediately.

What happens next? There are three possible scenarios. First, the company might accept your counteroffer. Second, it may reject your counteroffer, either because company policy does not allow negotiation or the company is unwilling to move from its original offer. If so, you'll have to decide whether to accept the original offer. Third, the company may make you a second offer, typically a compromise between its first offer and your counteroffer. Again, the ball is back in your court. If you need time to evaluate the latest offer, ask for a day or two to think about it. If the company isn't able or willing to give you more money, it might be able to offer you job flexibility, such as telecommuting or flex scheduling, that might make up for the lack of a salary increase.

Prepared by Broadridge Investor Communication Solutions, Inc. Copyright 2016