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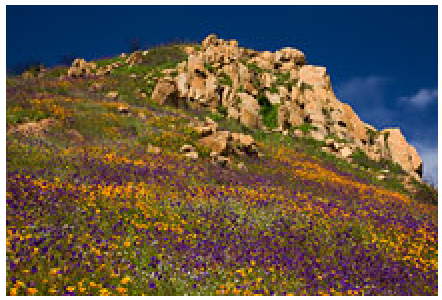
"Real People provide Real Service"

June, 2014



Summer has arrived in the Midwest…..

Brace yourself. The U.S. economy looks like it went on a roller-coaster ride at the start of the year.

Revised numbers released Thursday show the economy shrank in the first quarter, marking the first downturn since early 2011. Gross domestic product, the broadest measure of economic growth, fell at a 1% annual pace, according to the Bureau of Economic Analysis.

A slump was entirely expected, and economists aren't too worried. They forecast a bounce back in the spring.

Take for example Joseph Lavorgna, chief U.S. economist at Deutsche Bank. He predicts the economy will rev up, growing at more than a 4% pace in April through June. In a note to clients this week, he cautioned investors not to worry if the first quarter numbers were lousy.

The January through March period tends to be the slowest for growth, he noted, and this year, colder than usual weather stunted retail sales, international trade and the housing market.

Businesses also cut back on investments in new equipment and buildings, and state and local governments reduced their spending.

The downward GDP revision came primarily from a decline in business inventories, meaning companies weren't quick to re-stock their shelves or stockpile goods to prepare for future sales. Stuart Hoffman, chief economist for PNC Bank, points to the auto sector as an example.

When snow and ice kept customers away from auto lots in the winter, automakers slowed their production lines.

"There were too many unsold cars on the lot, so they cut production, and that holds the economy back," Hoffman said. "Now those cars are selling again and production will come back."

Indeed, data released in the last few months now shows auto sales are booming, both the manufacturing and services sectors are improving, and job growth is solid.

"The first quarter was disappointing, but rather than view that as an omen of a recession or the first of a down leg in the economy, I see the seeds of a big bounce back in spring," Hoffman said.

It's important to remember that the first quarter GDP numbers aren't final. They will be revised by the government at least two more times over the next couple of months. The government initially said first quarter GDP grew at a 0.1% annual rate.

THE MONTHLY INDEX REPORT FOR MAY 2014

Index	May 2014	QTD	YTD	Description
S&P 500 Index	2.3%	3.1%	5.0%	Large-cap stocks
DJIA	1.2%	2.1%	1.9%	Large-cap stocks
Nasdaq Comp	3.3%	1.3%	2.1%	Large-cap tech stocks
Russell 1000 Growth	3.1%	3.1%	4.3%	Large-cap growth stocks
Russell 1000 Value	1.5%	2.4%	5.5%	Large-cap value stocks
Russell 2000 Growth	1.0%	-4.2%	-3.8%	Small-cap growth stocks
Russell 2000 Value	0.6%	-2.0%	-0.2%	Small-cap value stocks
EAFE	1.8%	3.3%	4.1%	Europe, Australasia & Far East Index
Barclays Capital U.S. Aggregate	1.1%	2.0%	3.9%	U.S. Government Bonds
Barclays Capital U.S. High Yield	0.9%	1.6%	4.6%	High Yield Corporate Bonds
Newedge CTA Index*	2.0%	2.3%	0.1%	Managed Futures
3-month Treasury Bill	0.0%	0.0%	0.0%	

All returns are estimates as of 05/31/14; Return numbers include reinvestment of dividends.
**Returns are estimates as of 05/29/14*

Bidding for Medicare Savings

By: Bill Hogan
AARP Bulletin/Real Possibilities

Get ready for the next big thing in Medicare: competition.

Starting July 1, a bidding program for some medical equipment and supplies will expand from nine metro areas to an additional 91, including New York and Chicago.

Savings during the program's first year of operation in 2011: more than $202 million.

Disposable diabetic test strips are an example of the huge savings: Under a new national mail-order program, the average Medicare-allowed monthly payment to providers will fall to $22.47 from $77.90; beneficiaries will pay $4.50 instead of nearly $16. Prices for other items are expected to average 45 percent less, including oxygen equipment and wheelchairs.

Medicare estimates that competitive bidding, expanded under the health care law, will save taxpayers $25.7 billion over 10 years, and beneficiaries $17.1 billion.

"As long as quality is safeguarded, you've got a win for the Medicare program and a win for the Medicare beneficiary," says Stuart Guterman, executive director of the nonprofit Commonwealth Fund's Commission on a High Performance Health System.

Mail delivery to the door could become a thing of the past for many.

Currently, 37 million American homes and businesses get mail delivered to their doors. Now, about 15 million of them are at risk of losing home delivery if House Republicans have their way.

Already, the U.S. Postal Service has been moving residents and businesses away from doorstep deliveries to cheaper options.

Last year, the postal service stopped giving new housing developments the choice of at-home delivery and instead gave them mail boxes clustered in a common area, where residents could collect their mail.

The agency has also been trying to end door delivery for companies, said postal spokeswoman Sue Brennan.

However, the postal service can't unilaterally change how it delivers mail for homeowners who are already getting it at their door, unless there's a problem, such as a dog biting a postal worker or a route is deemed unsafe for other reasons.

But Congress can give the agency broader power to reduce such deliveries. Republicans want to do just that -- a House panel passed a bill last week that will end delivery to 15 million doorsteps and companies gradually over the next 10 years.

Even though President Obama has endorsed a similar idea, the bill's fate is uncertain because it may not have support in the Senate.

Delivering mail is the agency's largest fixed cost -- $30 billion. Ending all door deliveries would save $4.5 billion a year. That's more than the agency would save from ending Saturday mail service, according to government reports.

Ending door deliveries is also controversial because postal letter carriers could have their hours cut be forced into retirement or even laid off.

That's a big reason why unions are no fans of these moves to cheaper delivery. The National Association of Letter Carriers said this week the House bill degrades the quality of mail service and will push customers away.

Unions oppose most efforts to cut mail service, saying the agency should focus on attracting more customers not turning off more people.

The biggest tax breaks in 2014 By Jeanne Sahadi @CNNMoney April 29, 2014: 9:25 AM ET

NEW YORK (CNNMoney)
Lambasting corporate tax "loopholes" makes for a rousing populist speech.

But when it comes to how much revenue Uncle Sam gives up every year because of tax breaks, the greatest amount by far goes to individual taxpayers.

And "by far," think close to 90%.

More than $1 trillion of the estimated $1.4 trillion in so-called tax expenditures this year will benefit individuals, according to a new analysis from the Tax Policy Center.

By contrast, just $148 billion in tax breaks will go to corporations.

That represents less than half the cost of health-related tax expenditures -- the No. 1 category, costing an estimated $383 billion.

The biggest player in this group is the exclusion for employer-sponsored health insurance, worth more than $300 billion. This is the tax-free compensation a worker enjoys when his employer pays for a portion of his health insurance policy.

Also in this group is the new premium assistance offered to low- and middle-income families under Obamacare, worth about $34 billion, according to the analysis, which was published in Tax Notes.

Housing is the next biggest category, accounting for $255 billion of the $1.4 trillion. Among the biggest players here are the mortgage interest deduction, the property tax deduction, and the tax-free treatment on the first $250,000 in capital gains ($500,000 for married couples) on the sale of a home.

Third up are the $160 billion in tax breaks offered for pensions and other types of income security, such as the deduction for 401(k) contributions and the tax-free treatment of Roth IRA withdrawals.

And fourth in line is the $117 billion tax break on investment income -- namely, capital gains and dividends, which are often taxed at a lower rate than ordinary income.

All told, the top 4 categories of tax expenditures account for more than 60% of the $1.4 trillion in forgone revenue.

And that $1.4 trillion is the equivalent of nearly half of the total federal revenue the government is likely to collect this year.

IRS: ONLY ONE IRA ROLLOVER PER YEAR

By: Ed Slott *InvestmentNews*

The U.S. Tax Court ruled that once per year means exactly that.

The rollover rule doesn't apply separately to each of a person's individual retirement accounts but to all of them in aggregate, the court said.

A person can do only one IRA-to-IRA rollover in a one-year period (365 days, not a calendar year) from all of a person's individual retirement accounts. This decision directly contradicts the Internal Revenue Service guidance in IRS Publication 590, in several private-letter rulings and in a proposed regulation.

In the wake of the Bobrow decision, on March 20, the IRS released Announcement 2014-15, which essentially makes the Bobrow decision the rule. The IRS will withdraw its proposed regulation and revise Publication 590 to make its new position clear.

But what if a financial adviser's client has already done multiple "legal" (according to IRS rules, before Bobrow) rollovers from separate IRAs within a year?

The IRS says not to worry. The new rollover rule change won't be effective until Jan. 1.

Prior to that, proper IRA rollovers from separate IRAs will be OK for everyone, except Mr. and Mrs. Bobrow, who are stuck with their Tax Court loss. Maybe they will appeal.

ROLLOVER DEFINITION

For the IRA once-per-year rollover rule, a rollover means a distribution from an IRA that is payable to the IRA owner who can then roll those funds over to the same or another IRA within 60 days. This is different than a direct transfer (aka a trustee-to-trustee transfer) of IRA funds to another IRA.

This applies only to rollovers that are limited to one per year (365 days).

By contrast, when funds are directly transferred, there is no limit on these transfers.

The once-per-year rule doesn't apply to direct transfers, so this new IRS guidance also doesn't apply to direct transfers, as the IRS reminds us in this statement contained in the new announcement: "These actions by the IRS will not affect the ability of an IRA owner to transfer funds from one IRA trustee directly to another, because such a transfer is not a rollover and, therefore, is not subject to the one-rollover-per-year limitation."

Mistakes will be costly, as they can't be fixed.

Services for Caregivers

They discuss—or even blow off steam about—"keeping your sanity dealing with 86-year-old Mother" or whether a woman "has any business" thinking about a trip with her son and hiring daily help for her partially paralyzed husband.

AARP's online coffee klatch is open around the clock for people with questions or frustrations about caring for a loved one. Others in similar situations offer advice, solace and sometimes humor. The AARP caregiving community is largely anonymous. People register but are assigned a random user name for privacy, "so people are freer to discuss very personal and emotional issues," said Amy Goyer, author of AARP's free ebook, *Juggling Work and Caregiving* (aarp.org/caregivingbook).

People who don't register can visit the site and read—but not comment on—others' posts at the AARP Caregiving Resource Center, aarp.org/caregiving. It also has tips and tools, including a way to find in-home care services, assisted living or hospice facilities, and adult day care. And AARP experts can answer questions online on almost any aspect of tending to a loved one, such as paying for in-home help or making the transition from living at home to living in a nursing facility.

Vitamin D and Blood Pressure

By: Nissa Simon
AARP Bulletin

Here's what we know: Research has linked high blood pressure with low levels of vitamin D. Older people have significantly higher rates of high blood pressure and lower levels of vitamin D. So do black adults in general. If you're both older and black, take note.

Recent studies suggest that vitamin D supplements may help. In one three-month study of 250 black adults ages 43 to 60, blood pressure dropped the most in those taking the highest dose of vitamin D. "The gains were modest, but significant," says lead author John Forman, M.D.

Should you take a supplement? More study is needed. For now, experts advise a heart-healthy diet and exercise.

What an Outrage Your Personal Information, Up for Sale (And not by the government, no less.)

By: Bill Hogan *AARP Bulletin/Real Possibilities*

Think your earnings are a matter between you, your employer and the IRS? Think again. That information may well be in the hands of Equifax, the credit-reporting giant. Its subsidiary, The Work Number, has amassed what may be the world's largest private database of personal financial information: 222 million employment and salary records from thousands of employers.

Companies pay The Work Number to verify information about potential employees and also give it access to their workers' human resources data, which could include Social Security numbers and information on health care providers.

And it's all for sale. The buyers include mortgage lenders, credit card companies and even debt collectors, according to a report by NBC News.

Equifax insists it's all legal, but some privacy experts worry that electronic warehousing of such data attracts hackers and identity thieves. Elizabeth De Armond, a professor at Chicago-Kent College of Law, says data breaches occur regularly and that "Equifax is not in the business of keeping valuable data secret—quite the opposite." Equifax paid $393,000 last year to settle charges filed by the Federal Trade Commission that it improperly sold information about homeowners who were late on mortgage payments.

Federal law allows you to review and dispute information in The Work Number's database: Go to theworknumber.com/employees, click "Help" and then "How to get your Employment Data Report." And you thought the NSA was a problem!

Closing Credit Card Accounts

Closing card accounts you don't use is a good idea because card issuers are expected to impose all kinds of fees – including inactivity fees – now that the new credit-card law limits their ability to hike interest rates. For example, Fifth Third Bancorp recently added a $19 inactivity fee if its credit card isn't used for a 12-month period.

But closing card accounts can lower your credit score because of the impact on your "credit-utilization ratio," which is the total of your credit-card balances divided by the credit limits on all of your cards. If you close cards you haven't used in a while but don't pay down the balances on your other cards, your score could drop because your total balance will account for a higher percentage of your overall credit limit.

The impact on your score depends on how much your credit utilization goes up. If your utilization ratio goes from, say, 7% to 15%, then your score will go down a modest amount, says John Ulzheimer, president of consumer education for Credit.com. But if it goes from 7% to 85%, then your score could drop from your current level of 800 into the low 700s or high 600s.

The best strategy is to pay down your balances before closing any card accounts so that you minimize the impact on your credit score. "A better long-term approach is to keep credit-card balances low," says Craig Watts, of FICO, which calculates the most widely used credit score. It's the balance on the date when the score is pulled that counts.

The IRS was in damage control mode Tuesday after an audit revealed that it paid bonuses to employees who were in trouble over tax issues themselves.

More than $2.8 million, plus thousands of hours of paid time-off, were doled out over two years to employees who had recently been disciplined for various types of misconduct, according to an audit report. About $1 million of that money was given as bonuses to 1,100 employees who were in trouble over tax related issues.

The report says that providing awards to employees who fail to pay taxes "appears to create a conflict with the IRS's charge of ensuring the integrity of the system of tax administration."

Although federal regulations do not require the IRS to consider tax compliance of employees when issuing bonuses, the agency says it will change the policy, as per the audit's suggestion.

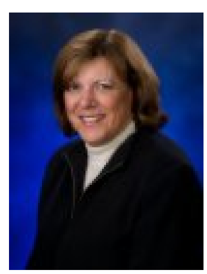
"We strive to protect the integrity of the tax system, and we recognize the need for proper personnel policies," the agency said in a statement.

Over the past four years, the IRS says it has not issued awards to any executives who were subject to disciplinary action. It is now considering extending that policy to all employees.

The audit report found that the IRS did reduce overall spending on bonuses, fully complying with new federal guidance issued in fiscal year 2011.

More to come on that topic for sure. Meanwhile, enjoy the weather, think of that person you know as Father, and be back here next month.

 Timothy T Fullerton, Sr.

 Mary Ahart