marrick wealth monthly

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Key Retirement and Tax Numbers for 2017

Growth, Value, or Both

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

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.

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		

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"I always say if you aren't investing for value, what are you investing for? And the idea that value and growth are two different things makes no sense.... Growth is part of the value equation."

—Warren Buffett

Growth, Value, or Both

The terms growth and value are often used to describe two different investment strategies, yet many investors may want both qualities in an investment. Famed investor Warren Buffett put it this way in a 2015 interview: "I always say if you aren't investing for value, what are you investing for? And the idea that value and growth are two different things makes no sense.... Growth is part of the value equation."[1]

Even so, analysts may look at specific stocks as offering more growth potential than value, and vice versa. And these concepts are used to construct many mutual funds and exchange-traded funds (ETFs). So it's helpful to understand the opposing ideas, even if you want the best of both in your portfolio.

Poised to grow?

As the name suggests, growth stocks are associated with companies that appear to have above-average growth potential. These companies might be on the verge of a market breakthrough or acquisition, or they may occupy a strong position in a growing industry.

Growth companies may place more emphasis on reinvesting profits than on paying dividends (although many large growth companies do offer dividends). Investors hope to benefit from future capital appreciation of growth stocks, which tend to be considered higher risk than value stocks. However, it's equally important for growth and value stocks to have strong fundamentals.

Undervalued?

Value stocks are associated with companies that appear to be undervalued by the market or are in an industry that is currently out of favor. Unlike growth stocks, which might seem expensive and overvalued, value stocks may be priced lower in relation to their earnings, assets, or growth potential.

Established companies are more likely than younger companies to be considered value stocks, and these firms may emphasize paying dividends over reinvesting profits. An investor who purchases a value stock typically expects the broader market to eventually recognize the company's full potential, which may result in rising share prices. One risk with this approach is that a stock considered to be undervalued because of legal or management difficulties or tough competition might not be able to recover from the setback.

Focused funds

Identifying specific growth or value investments requires time, knowledge, and experience to analyze stock data. A more convenient and accessible way to add growth or value stocks to your portfolio may be through mutual funds or ETFs that focus on these categories. Such funds often have the word "growth" or "value" in their names. However, there could be a wide variety of objectives and stock holdings among funds labeled growth or value.

Also keep in mind that you might find growth, value, or both in a broad range of investments that do not employ growth or value strategies.

Diversification

Holding growth and value stocks and/or funds is one way to diversify the stock portion of your portfolio. Over the past 20 years, the average annual return for value stocks was about 1.5 percentage points higher than that of growth stocks (8.54% versus 7.02%). Yet growth stocks outperformed value stocks in eight of those years — in some years by large margins. This suggests that growth and value stocks may respond differently to varying market conditions.[2]

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

The return and principal value of stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1 CNBC.com, March 2, 2015

2 Thomson Reuters, 2016, for the period 9/30/1996 to 9/30/2016. Growth stocks are represented by the Russell 3000 Growth Index. Value stocks are represented by the Russell 3000 Value Index. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is not a guarantee of future results.

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

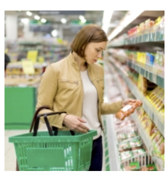
Probably. Getting paid less than you should when starting a new job can affect not only your current paycheck but also your long-term asset accumulation. For example, the less money you earn, the less you have available to contribute to your retirement plan, and potentially the lower the amount of matching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



What is the most important component of GDP in the United States?

We often hear in the media that consumer spending is crucial to the overall health of the U.S. economy, but exactly *how* important is it? Representing approximately two-thirds of overall GDP, consumption--the almighty consumer--is the largest driver of economic growth in the United States. Of the nearly $18 trillion in U.S. GDP (2015), American shoppers are responsible for a piece of the pie worth about $12 trillion.

Consumption is tracked by the Bureau of Economic Analysis, and is reported as Personal Consumption Expenditures (PCE) in its monthly "Personal Income and Outlays" news release. Since the late 1960s, PCE as a percentage of overall GDP has crept up from a low of approximately 58% to nearly 70% today.

PCE is divided into goods and services. The services category typically represents the largest part of PCE, accounting for more than 65% over the past two years. Examples of services include health care, utilities, recreation, and financial services.

Goods are broken down further into durable and nondurable goods. Durable goods are those that have an average life of at least three years. Examples include cars, appliances and furniture. Nondurable goods are those with an average life span of less than three years and include such items as clothing, food, and gasoline.

Durable goods represent approximately 10% of total PCE, while nondurable goods make up about 20%.

So the next time you're out shopping, for anything from a bottle of ketchup to a new car, consider that you're doing your part to fuel our nation's growth.

Sources: World Bank.org, accessed June 2016; Federal Reserve Bank of St. Louis, 2016; Bureau of Economic Analysis, 2016

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