MarketWatch

Time to start on next year's tax return

By Joseph Clemens

Congratulations. If you haven't officially filed, hopefully you've filed an extension and made an estimated payment. Now that April 15th is behind you, it's time to start working on your 2015 taxes.

For many retirees, and individuals in general, the single largest expense they have is taxes. And because those taxes are often paid in the form of withholdings, they often get ignored until the time for actually doing them comes. By then, there's usually very little most individuals can do to lower their tax liability. Tax planning takes the proactive approach, as apposed to tax preparation, which tends to be more reactive. Analyzing the data on the return you recently filed while it is still top of mind will put you in a position to make any adjustments to lower your household's biggest outflow. Let's take a look at a few items that take a little more planning.

Stock gifting

For the charitably inclined, gifting stock from a brokerage account is one of the best long-term tax strategies to lowering your overall tax liability. The strategy is essentially used to replace one's cash gifting with stock that has embedded long-term gains. Then the cash that would have been gifted is used to repurchase the same stock (or ETF, mutual fund, and the like).

As an example, let's say Jane Smith bought 100 shares of the S&P 500 index ETF fund (NAR:SPY) , for $100 and today it's $200. Jane also normally gives $250 a month to her favorite charity as part of her value mission. If Jane plans ahead, she can turn off the autocontribution to her charity, and instead give (or plan to give) an equal amount of the appreciated fund instead. Jane can have the autocontribution go to her brokerage account, where she can repurchase the fund with the cash she would have given to the charity. In the end, Jane gets the same deduction, owns the same position, and the charity gets the same gift. The difference is, Jane also gifted away her embedded gains, which the qualified charity pays no tax on when they sell. Repurchasing the stock increases her paper cost in the asset, thus avoiding capital gains on $100 a share.

Your personal residence and rental properties

Real-estate transactions can throw a taxpayer's normal situation into a tax nightmare. By paying attention to the calendar and doing some projections for future years, the tax burden can be minimized. For those who plan on moving, remember that you can exclude up to $250,000 worth of capital gains ($500,000 if married) if you own and use the property as your principal residence for two out of the past five years. The calendar can make a big difference when you decide to move to your vacation home as your new principal residence, or if you decide to rent out your former residence. Assuming you met the two out of five-year rule for the first residence, you have three more years to sell it and be eligible for the full gain. Even if you decide to rent the property after moving out, the exclusion benefit is still available. You'll have to pay back any depreciation taken at a flat rate of 25%, but you can exclude the capital gain as long as it's sold within three years after moving out, even if most of those gains are attributed to the time it was rented. In the case of converting your vacation home to your primary residence, the same three years applies to sell the old residence if you want to keep the tax collector from taking a cut on your first residence.

For individuals who rent properties to produce income, timing of transactions also matters. Projecting your income out a few years can help determine if selling a property is worth the potential tax liability. Let's take a look at an example:

John Smith had a longtime rental property that he purchased for $200,000 in 1988. He is thinking about selling the property, and thinks he can get $300,000. He is thinking he'll pay capital gains on the $100,000 gain, but he'll actually owe taxes on the entire amount to pay back the $200,000 of depreciation he will likely have taken by the time the property sells. While this depreciation is taxed at a flat 25%, there are a lot of "unintended consequences" of selling this property, such as potentially putting him into a higher capital gains tax rate on his other investments or paying the additional 3.8% Medicare surtax. By projecting his income out, John can decide if he should limit his income from other sources, such as reducing his IRA withdrawals, selling in a year he thinks he will have capital losses from other investments, or defer the tax with a like-kind exchange.

Dynamic withdrawal strategy

If you have assets in different types of accounts, planning ahead can make a big tax difference. Use your traditional (IRA, pension, 401(k), etc.) income to fill up your deductions and lower tax brackets. From there, you can supplement needed income from Roth income or liquidate proceeds from investments with low or tax-favorable gains. Paying attention to your income sources can have benefits across tax brackets. If you are in a lower tax bracket, pay attention to the income limits to keep you Social Security benefits tax-free. If you are in a median tax bracket, pay attention to keeping your income below credit or deduction phase-outs that may apply to your situation. If you are in a high bracket, focus on avoiding Medicare surtax if possible.

Instead of focusing so much time on events out of your control, such as stock markets and interest rates, spend your time on increasing probabilities of retirement success by focusing on items you can control, such as spending. A little bit of tax planning now to reduce your biggest expense can pay dividends years into the future.

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Women should think — and talk — more about retirement

By Mary Helen Gillespie

One out of every two unmarried American women over 50 says she does not have a retirement plan and that she cannot afford to retire. If and when she does, she fully expects to see her quality of life disintegrate. Nearly the same number of women say they expect to rely solely

on Social Security for their primary source of income to cover their expenses after they retire.

Those are the results in the recently released 15th annual Transamerica Retirement Survey conducted online by Harris Poll on behalf of the Los Angeles-based Transamerica Center for Retirement Studies. Of those polled, unmarried women over 50 said they had saved an estimated median savings of $35,000 to date in all their retirement accounts. Married woman over 50, by contrast, reported an estimated median of $153,000 while married men over 50 reported $176,000.

Meanwhile, it appears that the traditional 4% rule — that retirees should plan to drawdown 4% of their retirement savings annually to cover living expenses — is not really a rule, but rather a starting point, according to a new study published by the Retirement Income Industry Association. Indeed, higher levels of consumption toward the beginning (say for luxury travel) and the end of retirement (health care or assisted living costs) blow out the 4% guideline for all income levels. But, the March 2015 study says that generally speaking, the 4% rule will most likely apply only to wealthy households who are better prepared for retirement thanks to “comfortable levels of asset ownership,” access to better quality health care, plus superior preventive care and remarkably low nondiscretionary expenses.

But Catherine Collinson, the director of the Transamerica Center, doesn’t just offer up numbers. She also offers hope.

“There is still a lot unmarried women over 50 can do to help improve their retirement outlook. For one thing, women are not talking about it enough. There are very few problems we can’t solve when we talk about them,” Collinson says. “Women need to know they are not alone. This is the important first step.”

“Take a long, hard naked look in the mirror without any denial about what your financial picture looks like. Calculate your savings needs, and expect it to be a big, scary number,’’ she says.

Collinson adds: “Expect it to be that bad.”

“But avoid getting overwhelmed. Avoid being hard on ourselves. We’re at where we’re at and we can move forward.”

Collinson lists the following steps that unmarried women over 50 can and should begin to use to stabilize their financial security in retirement:

- Understand your Social Security statement. Learn everything you can about your rights and options to benefits, especially if divorced or widowed.
- Start building a better nest egg by spending less and saving more. Consider housing options from downsizing to roommates to tenants to reduce expenses. “Some may not sound palatable, but consider the future.” Ensure legal agreements are in place to protect yourself financially and legally if the housing arrangements need to be dissolved.
- Evaluate your employment situation. Take a second or part-time job to boost savings. Keep your skills marketable through training or classes. Recognize that while age and gender discrimination exists in the U.S. job market, an experienced woman with an updated resume has more options for positions that offer higher compensation.
- Investigate if you qualify to take a Saver’s Tax Credit on your federal tax return for making eligible contributions to your IRA or employer-sponsored retirement plan — an often-overlooked bonus for low-to-middle income Americans. (See the instructions on Form 8880 .)
- Take advantage of catch-up contributions to 401(k), 403(b) and 457 plans and IRAs.
- Align investments with the help of a certified financial planner who can advise tools and resources to match your risk appetite.
- Don’t automatically take a caregiving role for a parent or a spouse that removes you from employment, or causes you to work less hours. Ask other family members to contribute to the care or contribute to your savings account.

Unmarried women over 50 must believe in their own ability to create a path to retirement that provides them with the resources they need to live the lives they want and deserve.

“We can do this,” Collinson says. “Have confidence in yourself.”

Send story ideas and comments to maryhgillespie@gmail.com .

New investments for retirement

By Robert Powell, MarketWatch

Global X Funds is bringing to the U.S. retail market an exchange-traded fund that buys stocks of Pakistan’s biggest publicly traded companies. The Global X MSCI Pakistan ETF is linked to the MSCI All Pakistan Select 25/50 Index. (SmartBrief/ 24/7 Wall St.)

ALPS ETF Trust has filed with the Securities and Exchange Commission to launch an exchange-traded fund that would screen stocks in the Standard & Poor’s 500 (SNC:SPX) index for quality and growth characteristics. The ALPS Sector Leaders ETF would hold five stocks from each of the index’s nine sectors. (SmartBrief/ ETF.com)

ETF Issuer Solutions has filed for Securities and Exchange Commission approval of an exchange-traded fund that would invest in energy companies but avoid those with reserves that generate high carbon emissions. The FFI U.S. Large Cap Fossil Free ETF would be linked to an index by Fossil Free Indexes. (SmartBrief/ ETF.com)

Compass EMP has filed for Securities and Exchange Commission approval of seven exchange-traded funds that would use volatility weighting to screen investments. Four of them would focus on high dividends. The ETFs would trade on Nasdaq. (SmartBrief/ ETF.com)

Direxion Investments has brought to NYSE Arca a 200%-leveraged exchange-traded fund that buys Chinese A-shares. The Direxion 2x Daily CSI 300 China A Share ETF is designed to deliver 200% of the performance of the CSI 300 Index. (SmartBrief/ ETF Trends)

Robert Powell is editor of Retirement Weekly, published by MarketWatch. Follow his tweets @RJPIII . Got questions about retirement? Get answers.

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Retirement news: the week in review

By Robert Powell, MarketWatch

Law firm Proskauer issued an in-depth client alert that will be helpful reading for anyone looking to get caught up on the language of the Department of Labor's new fiduciary investment advice proposal. But even after putting together the informative rule summary, Russ Hirschhorn, senior counsel in the Employee Retirement Income Security Act (ERISA) practice center and the labor/employment law department of Proskauer, and other ERISA experts at Proskauer believe its "far too soon to know on net whether this is going to help things or hurt things overall," or if a strengthened fiduciary rule will truly protect retirement plan participants on the ground and bring more transparency and fairness to the financial system in the way the DOL is hoping. (PlanSponsor)

Using risk tolerance questionnaires may not be the best way to help retirement plan participants choose suitable plan investments. The problem, says Aaron Klein, chief executive of Riskaylze, is the very subjective nature of the questions and the questioner. "Psychological and qualitative questionnaires are subjective because someone is always tasked to weight the various answers into some kind of score or result, and that is inherently a judgment call on the part of the designer," Klein tells PLANSPONSOR. (PlanSponsor)

Initial bankruptcy filings among National Football League (NFL) players begin very soon after retirement and continue at a substantial rate through at least the first 12 years of retirement, according to a study published by the National Bureau for Economic Research (NBER). Researchers note that a career lasting six years, the median length, will provide an NFL player with more earnings than an average college graduate will get in an entire lifetime —plus a modest pension. (PlanSponsor)

A study concludes that retirement plan loan policy is economically meaningful in shaping participant borrowing. In "Borrowing from the Future: 401(k) Plan Loans and Loan Defaults," researchers say their administrative data set tracks several hundred plans over five years and shows 20% of retirement plan participants borrow at any given time, and almost 40% do at some point over five years. They estimate loan default "leakage" at $6 billion annually. According to the research report, when a plan sponsor permits multiple rather than only one loan, the probability of plan borrowing nearly doubles. (PlanSponsor)

Once again, President Barack Obama's budget — now for 2016 — includes an "Auto-IRA," or automatic individual retirement account, proposal. For retirement savings policy makers, one of the most pressing issues is how to get the "78 million working Americans" not covered by a workplace retirement plan to start saving. Pretty much everyone thinks doing so would be a good idea. Here are four reasons to think twice. (PlanSponsor)

In a significant number of American households, defined-contribution (DC) retirement plan participants' investment allocations occupy the extremes, finds an analysis from Towers Watson. About 15% of investors shy away from equities entirely, while roughly 22% invest everything in equities. In "Asset Allocations: How American Workers Are Investing Their Retirement Savings," Tusheng Huang and Gaobo Pang note that avoiding equity entirely forgoes opportunities for higher returns, and investing everything in equities poses the risk of major losses. However, according to the analysis, the extent of extreme investing declined from 2004 to 2013, suggesting that households are better diversifying their retirement portfolios.(PlanSponsor)

Some industry groups have contended the new fiduciary investment advice rule from the Department of Labor (DOL) will result in higher costs for plan sponsors and participants, as well as the loss of some services, but others say it is too early to tell. Michael Davis, director of institutional client relationships at Calvert Investments, and a former Deputy Assistant Secretary of the DOL's Employee Benefit Security Administration, notes that the DOL itself lays out in the proposal situations that may be adjusted before a final rule is issued. (PlanSponsor)

An investment policy statement (IPS) is not a legally required document under the Employee Retirement Income Security Act (ERISA). Nevertheless, many plan sponsors believe that the adoption of an IPS is a best practice in the employee benefits community. While there are certainly reasons to have an IPS in place, the document can be a double-edged sword. (PlanSponsor)

Plan fiduciaries need a complete grasp of the vulnerabilities of their target-date strategies, and sources recommend tools and a documented process. The rapid adoption of target-date investment strategies by plan sponsors over the last few years took place in a risk-on, low volatility environment, says Josh Anderson, a financial adviser with Raymond James. "When the dust settles, it will be important for plan sponsors to have a documented process that supports their selection rationale," he tells PLANSPONSOR. (PlanSponsor)

The California Public Employees' Retirement System (Calpers) Finance and Administration Committee recommended the Board of Administration adopt new pension contribution rates for State of California and school employers that are less than originally projected, but up from the 2014-15 Fiscal Year (FY). The changes in the rates for the 2015-16 FY are driven primarily by payroll growth, salary increases, and retirees living longer. (PlanSponsor)

Recognizing that the fiduciary standard applies to myriad highly specific circumstances, the DOL tried with its new proposal not to disrupt relationships between retirement plan advisers and clients. While the industry is still absorbing the 120-page rule and the form of the prohibited transaction exemptions (PTEs) contained therein, some concern has emerged that enforcing and interpreting the PTEs will be a herculean task. Department of Labor (DOL) Secretary Thomas Perez seemed to reject such concerns outright during the conference call announcing the new rule language. He said the proposal includes "broad, flexible exemptions from certain obligations associated with a fiduciary standard that will help streamline compliance while still requiring advisers to serve the best interest of their clients." (PlanSponsor)

It's safe to put Congresswoman Ann Wagner (R-Missouri) in the camp that deeply disfavors the new fiduciary rule proposal from the Department of Labor (DOL). "Today's proposed rule from the Department of Labor potentially harms the very people that it claims to protect: low- and moderate-income Americans seeking advice for investing for their retirement," said Rep. Wagner, a member of the House Financial Services Committee. (PlanSponsor)

Sex with your wife or rape? Husband of Alzheimer's patient takes the stand: Memory problems may not necessarily hurt people's ability to make decisions, some experts say. (Lifehealthpro)

Six ways the Labor Department says its fiduciary rule is new, improved: A new best interest contract exemption represents what it says is an unprecedented departure from the department's approach over the past 40 years. (Lifehealthpro)

The new debate about Social Security: The costs to “fix” Social Security are now so large that reform is taking a new shape, changing what Social Security does, rather than who will pay for it. (Lifehealthpro)

Thirty-six percent of respondents to a recent survey said they expect to keep working after they turn 65, but the median retirement age has remained at 62 since 1991. More than half the respondents think they will be able to live on 70% or less of their pre-retirement income, but it’s likely they are not factoring in medical or long-term care expenses, study co-author Jack VanDerhei says. Sixty-nine percent conceded they could save an extra $25 each week, but half said they can’t afford to save more than they already do. (SmartBrief/ MarketWatch)

Renting is becoming popular among retiring boomers, who increasingly prefer the convenience and flexibility of apartment living to the burden of homeownership. (SmartBrief/ ThinkAdvisor)

This simple strategy can help you create strong passwords that are easy to remember. (SmartBrief/ Journal of Accountancy)

The U.S. Department of Labor’s proposed fiduciary rule for financial professionals who give retirement advice could encourage sales of low-cost index funds. “Facilitating investments in such high-quality, low-fee products would be consistent with the prevailing (though by no means universal) view in the academic literature that posits that the optimal investment strategy is often to buy and hold a diversified portfolio of assets calibrated to track the overall performance of financial markets,” the proposal says. (SmartBrief/ InvestmentNews)

Client investment decisions often are a result of habits, and sometimes they need to be changed, writes Jay Mooreland, owner of The Emotional Investor. Changing a bad habit requires understanding what cues the behavior and then setting up a new process for responding to it, he writes. (SmartBrief/ Journal of Financial Planning)

Advisers sending e-mail with advice on retirement investing to more than one recipient might not be subject to the Department of Labor’s proposed fiduciary rule in relation to the e-mail -- but they could be if it goes to only one person. The former could be considered a newsletter, which is exempt from the proposal, according to the Labor Department. (SmartBrief/ Financial Advisor online)

The Securities and Exchange Commission and the Financial Industry Regulatory Authority have produced a list of 15 best practices for advisory firms regarding protecting elderly clients. The list is a recommendation, not a mandate. (SmartBrief/ Financial-Planning.com)

Industry groups have asked the U.S. Department of Labor for 120 days, up from 75 days granted by authorities, to comment on a proposed fiduciary standard for financial professionals who give retirement advice. The proposal is a “watershed event” and needs extra time for analysis, the groups said. (SmartBrief/ The Hill)

The Department of Labor’s proposed requirement that retirement account advisers sign “best-interest contracts” is a centerpiece of the agency’s fiduciary proposal. The goal is to make it easier for investors to recoup losses by blaming their adviser, according to lawyers. That could tilt more arbitration cases in favor of the client. (SmartBrief/ Reuters)

Top Republican politicians have signaled that they will not shy away from Social Security as an election year issue. Some GOP strategists say that might be a mistake, however, as the issue remains tricky and volatile politically. (SmartBrief/ National Journal)

As long-term care insurance policies become more expensive, some people are turning to annuities with “nursing home doublers,” a relatively new product. Andrew Murdoch explains how these products work. (SmartBrief/ MarketWatch)

Some boomers are clinging to a long-desired way of retirement living, even as they recognize a need to downsize and cut expenses. That’s leading them to join forces and develop mini retirement communities, tailor-made to their tastes. (SmartBrief/ The Oregonian)

Steve Vernon takes a look at whether people should insure their retirement savings. “If you can’t self-insure your retirement income, buy enough of a low-cost annuity such that you can cover most, if not all, of your basic living expenses together with Social Security and a pension if you have one,” he writes. (SmartBrief/ CBS MoneyWatch)

A person’s “ability to continue to earn income through employment” as they age is perhaps the most valuable asset of all, more valuable than a residence, argues Michael Kitces. “In fact, for those who are relatively young, the cumulative fruits of labor are a form of ‘human capital’ that overwhelmingly trumps the value of everything else combined.” (SmartBrief/ CNBC)

Retirement savers would be wise to consider their physical well-being as well as their financial well-being. “It’s all about quality of life, and the retirees we see who have committed to active living seem to be happier than those who do not,” says James Hill of the University of Colorado Anschutz Health and Wellness Center. (SmartBrief/ USA Today)

Home equity lines of credit were common a decade ago. Many allowed homeowners to pay interest only for 10 years. “As a result, many borrowers face what could be a significant increase in monthly payments this year or during the next several years,” Ann Carrns writes. (SmartBrief/ The New York Times)

Walter Updegrave notes that for many retirement savers, investment returns will likely plummet in the coming years. That makes fees an issue. He argues that “broad-based index funds or ETFs with low annual expenses should be the investment of choice for individual investors’ portfolios.” (SmartBrief/ Money)

Bold efforts are needed to help Americans secure their financial future as they struggle to save for retirement, Barry Ritholtz writes. He suggests three congressional steps to boost savings, starting with raising tax-deferred limits on retirement accounts. (SmartBrief/ Bloomberg View)

Startup online lender Kashable hopes to offer an alternative to borrowing from retirement accounts or expensive payday lenders. The company offers lower-interest loans to employees of participating employers. They are repaid through automatic payroll deductions. (SmartBrief/ BenefitsPro.com)

Simplify your finances, be wary of scam artists and remember you’re probably going to live longer than your parents. Those are some of AARP’s tips for retirees to help keep their retirement plans on track. (SmartBrief/ AARP.org)

Personal finance is making its way into the curricula of more schools. What should they teach? Annamaria Lusardi of the George Washington University School of Business suggests three core concepts: compound interest, inflation and risk. (SmartBrief/ The Wall Street Journal)

A 75-day public comment period has opened for the Labor Department's proposed fiduciary rule, setting the stage for a big fight. It could become one of the most "hotly contested regulatory fights since the Great Recession," writes Dean Starkman. (SmartBrief/ Los Angeles Times)

With Apple Watch nearing release, financial-services companies are preparing to launch applications for the product. "It's extraordinary and fun to see the industry target a new product release," said Blane Warrene, co-founder of consultancy QuonWarrene. (SmartBrief/ InvestmentNews)

There's no universal answer for couples wondering whether to combine their finances, adviser Edward Kohlhepp Jr. writes. The decision "often takes on more importance in second marriages — especially when child support or alimony payments figure in," Kohlhepp writes. (SmartBrief/ The Wall Street Journal)

Do you know the difference between traditional Medicare and Medicare Advantage? Navigate the Medicare system and make key decisions sooner rather than later by reading this blog post. (SmartBrief/ AICPA Insights)

The U.S. Department of Labor's proposed fiduciary rule for financial professionals who give retirement advice could encourage sales of low-cost index funds, according to this Investment News article. (SmartBrief/ InvestmentNews)

Proposed guidelines from the Equal Employment Opportunity Commission place a 30% cap on financial incentives, or penalties, in company wellness plans. Last year, the EEOC filed suit against two companies, claiming that their wellness programs contained extreme penalties that violated the Americans with Disabilities Act. The preliminary EEOC rules are subject to public comment until June 19. (SmartBrief/ The Wall Street Journal)

Investors expect consumer prices to increase 1.45% annually, up from about 1% in January, according to Bank of America Merrill Lynch. The anticipated rise in inflation would be the highest level in nearly two years and is putting pressure on U.S. Treasurys. The U.S. 10-year yield fell two basis points to 1.87%. (SmartBrief/ Bloomberg)

Most American pre-retirees are "terrified" of how health-care expenses will affect their retirement plans, and advisers are missing opportunities to help them plan for these expenses, according to a paper by HealthView Services. Advisers should help clients predict health care costs, determine when to enroll in Medicare and consider options such as life insurance, annuities and health savings accounts. (SmartBrief/ ThinkAdvisor)

The House passed a bill to repeal the estate tax by a 240-179 vote last week. In a statement before the vote, the House Ways and Means Committee said the tax harms family businesses, farms and the economy as a whole. Even if the act passes the Senate, where Democrats may have enough votes to block it, it will likely face a presidential veto, as the Obama administration said repealing the tax would put a larger tax burden on working Americans. (SmartBrief/ WealthManagement.com)

The tax implications of trust decanting, in which an old trust's assets are transferred to a different one with better terms, are still not clear, writes Bob Keebler, CPA/PFS. He reviews some tax questions about decanting and recommends that advisers be cautious about using this tactic or plan for the worst-case scenario. (SmartBrief/ The Ultimate Estate Planner newsletter/Blog for Estate Planning Professionals)

The SEC and Finra recently released a best-practices report for interacting with older investors. The practices run the gamut from providing training on diminished mental capacity to using automated alerts to keep abreast of client life changes. (SmartBrief/ Financial-Planning.com)

Some clients are in committed relationships but are not married, either for legal or personal reasons. Estate plans are key in these situations, and the plans should spell out who will speak for a client if he or she is incapacitated. Advisers should encourage unmarried couples to discuss issues such as the cost of having children, whether to buy or rent a house, and whether to keep their finances separate in the event they do wed. (SmartBrief/ Financial-Planning.com)

Annuities have received far more attention as a vehicle for longevity protection than reverse mortgages, but both have potential benefits for clients. Before deciding which products are right for your client, you'll want to answer questions related to your client's income, estate plans and income needs. (SmartBrief/ Advisor Perspectives)

President Barack Obama has signed into law a measure that permanently changes how Medicare reimburses doctors, noting that the measure should strengthen Medicare "because it starts encouraging payments based on quality, not the number of tests that are provided or the number of procedures that are applied but whether or not people actually start feeling better." The measure, which both parties supported, also eliminates the 21% cut in Medicare payments that was due to take effect this month. (SmartBrief/ The Washington Post)

Advisers and their clients should review powers of attorney with an eye on gifting. Most taxpayers won't face a federal estate tax, so there's no need for many clients to grant their agents the right to make gifts. On the other hand, high-net-worth clients may want to do more gifting to lower their tax burden. (SmartBrief/ Financial-Planning.com)

Democrats and Republicans alike are fired up over a GOP plan to repeal the estate tax, a move that would benefit those who bequeath assets worth $5.4 million or more. The House could vote on the plan as early as today, but if it is passed by Congress, it will likely face a White House veto. (SmartBrief/ The Hill)

A recent change to the Social Security Program Operations Manual System could affect people who get disability benefits. The change appears to prevent a strategy that allowed these beneficiaries to collect auxiliary benefits before turning 70 while allowing their retirement benefits to grow. The Social Security Administration says it merely clarified the rules. (SmartBrief/ InvestmentNews)

The so-called kiddie tax is designed to stop families from avoiding taxes on investment income by transferring income to young children in lower tax brackets. However, there may be opportunities to generate tax savings by shifting investments to children who are in college and earning their own income, writes Michael Kitces. (SmartBrief/ Nerd's Eye View blog)

Mary Beth Franklin notes a case about whether singles can suspend their Social Security benefits. "Although it is more common for married couples to use the file-and-suspend strategy, it is a viable option for singles, too," she writes. (SmartBrief/ InvestmentNews)

Finra has opened a toll-free helpline that lets seniors speak with a staff member about their investments or brokerage accounts. The action follows discovery by Finra and the SEC that some brokers are suggesting unsuitable products. (SmartBrief/ ThinkAdvisor)

The SEC and Finra have produced a list of "notable practices" for dealing with seniors. They include recommending a discussion of the tax consequences of purchasing variable annuities. (SmartBrief/ Financial-Planning.com)

The IRS has released a private letter ruling on its view of taxable annuities, which are defined as deferred annuities with subaccounts, each investing in a single mutual fund. The favorable ruling allows the owner to claim capital gains and losses on the investments. (SmartBrief/ JDSupra.com)

As income tax issues become more complex, more advisers are feeling a need to re-educate themselves, as mistakes in this area can be costly. While some firms have brought on in-house experts, others have sought help from consultants. (SmartBrief/ The Wall Street Journal)

Robert Powell is editor of Retirement Weekly, published by MarketWatch. Follow his tweets @RJPIII . Got questions about retirement? Get answers. Send him an email here.

Questions and answers: reverse mortgages

By Robert Powell, MarketWatch

Question: Can I move out of my house if I have a reverse mortgage? —A.R.

Answer: Here's what Colette Gray, a reverse mortgage specialist with the Reverse Mortgage Guide in Los Angeles had to say:

The short answer is that any reverse mortgage is an owner-occupied mortgage loan. If you were to move out the lender would call the loan causing the outstanding balance of the loan to become immediately due and payable.

Because it's an FHA loan you may choose to move to another home using the reverse mortgage for purchase program . You would need to notify the lender of that fact in the application phase and FHA would pay off your current reverse mortgage as a function of escrow in buying a new home under the reverse mortgage for purchase rules.

In addition, you may leave your home for up to one year in the case of physical or mental illness or to move to a hospital or long-term facility. If you are is safely discharged to go home at any time within that one-year period you may move back into the residence, in which case the clock restarts on another one-year period.

If you are gone longer than that period an assumption is made that you will be unable to return and they may exercise their right to mature the loan. As an aside, if there is a spouse on title the healthy spouse must continue to occupy the home as a primary residence while the ailing spouse is gone for health-care services so they may continue to receive all disbursements.

Leaving on an extended vacation is a little different. There's no specific time set for being away on vacation while the house is the principal residence as long as the borrower notifies the lender of where they may be reached.

You may not rent your residence while you are away or while living in your residence.

In the course of my reverse mortgage consumer education seminars people often ask how the lender would even know someone is out of the home. Generally, the lender sends out a Certificate of Occupancy on an annual basis. It's a simple one-sheet document in which the borrower tells the lender if they have been out of the house for more than 180 days and why. They also must indicate that they still live at this address and that they intend to continue living there. If the borrower does not respond promptly the lender may pursue a foreclosure action.

Of course, it is entirely possible that a borrower may think about working around this by having mail forwarded or neglect to report that they've been gone, or put a renter in their home. Should that information ever come to light, however, a case for civil and criminal mortgage fraud could be made leading to fine or imprisonment or both. This is evident in the language of the residential loan application, Part VII. Acknowledgment and Agreement which states in part "the property will be occupied as indicated in this application" and "Certification: I/We certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United State Code, Section 1001, et seq. and liability for monetary damages to the Lender, its agents, successors and assigns, insurers, and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made on this application."

Robert Powell is editor of Retirement Weekly, published by MarketWatch. Follow his tweets @RJPIII . Got questions about retirement? Get answers. Send him an email here.

Retirement research worth reading

By Robert Powell, MarketWatch

Kaiser Family Foundation: Demonstrations to Improve the Coordination of Medicare and Medicaid for Dually Eligible Beneficiaries: What Prior Experience Did Health Plans and States Have with Capitated Arrangements?

University of Pennsylvania, Wharton School, Pension Research Council: Simplifying Choices in Defined Contribution Retirement Plan Design ; Borrowing from the Future: 401(k) Plan Loans and Loan Defaults ; and Lessons for Public Pensions from Utah's Move to Pension Choice

AARP Public Policy Institute: Livability Index

National Bureau of Economic Research: Myopia and Complex Dynamic Incentives: Evidence from Medicare Part D and Government Policy and Labor Supply with Myopic or Targeted Savings Decisions

U.S. House Committee on Energy and Commerce, Subcommittee on Health: Medicare Post Acute Care Delivery and Options to Improve It

U.S. Senate Special Committee on Aging: Catch Me If You Can: The IRS Impersonation Scam and The Government's Response

Genworth Financial: Genworth 2015 Cost of Care Survey: Home Care Providers, Adult Day Health Care Facilities, Assisted Living Facilities and Nursing Homes

AARP Public Policy Institute: The Employment Situation, March 2015: Employment Growth Slows

U.S. Department of Health and Human Service: What is the Effect of Dementia on Hospitalization and Emergency Department Use in Residential Care Facilities? and What Factors Affect Residential Care Facility Charges?

Robert Powell is editor of Retirement Weekly, published by MarketWatch. Follow his tweets @RJPIII . Got questions about retirement? Get answers. Send him an email here.

Frugal Female: curbing medical costs

By Mary Helen Gillespie

So what do you do if you have no dental insurance, and a 10-year-old gold-and-ceramic filling the size of a dime pops out of your mouth, rolls onto the floor and disappears under your client's desk at 9:15 a.m.?

And what do you do if you have no vision insurance, and an ear piece snaps off the 10-month-old pair of glasses that cost more than $1,100 because of trifocals, astigmatisms and other lens requirements?

For what it is worth, here's what I did this week when both unexpected medical expenses exploded within days of each other.

The dental disaster

Well, before I even called my dentist, I was on hands and knees under the desk, where I found the brown-gray-white broadloom was an almost perfect color match to my missing filling. I crawled around on the floor gently brushing the rug with my fingers, pulling up desiccated raisins and other food (I hope) fossils for about 10 minutes; hoping the whole time no one would walk by and notice my bold and bobbing backside in place of the desk chair.

As I searched for my toothy treasure, my tongue languished in the small crater it had left in a molar that was starting to throb.

Maybe this is just useless, I thought. Even if I find it, it may just as well be the newest fossil in the heap.

Then BINGO! The Tooth Fairy answered my prayers and I struck gold. Filling in hand, I called my dentist's office, which just had a cancellation and was in his chair by 1 p.m.

"So what's going on?" The dental assistant was chipper as she clipped the paper bib around my neck. "This," I replied, tossing my tooth loot onto the instrument tray. A loud gasp, and she ran out to find the dentist, who ordered an X-ray to check the root and health of the rest of the tooth. Then he appeared, slightly invigorated and definitely up to the challenge. He announced the X-ray was fine, scooped up the filling and raced to his lab to look at it under a microscope, saying over his shoulder "We just might be able to re-cement this."

He reappeared with a huge smile which told me that once again my prayers had been answered. Instead of a new monster filling to the tune of $1,200, I would get the old filling, spruced up a tad and cemented back in place, then write a check for $101. He added, however, that this was not going to last another 10 years. Maybe two, if I'm lucky. I'll take those odds.

I have been very honest with my dentist about my lack of dental insurance as well as my overall, often precarious financial situation as a divorced, 55-plus, self-employed female. They have been most kind and compassionate with financial arrangements, and as difficult as it is for me to ask for help, they make my embarrassing tears of shame dry very quickly. They also insist that my dental health not suffer because of personal financial issues, and for that support, I realize I am beyond lucky, I am blessed.

Now, on to the eyeglasses. Like the tooth, there was no trauma involved. The ear piece simply came off in my hand. I always have two pairs of a current prescription eyeglasses on hand, plus prescription sunglasses and contact lenses which I tend to save for first dates, client pitches and weddings, so I was not in vision peril. But my backup specs had a few less bells and whistles on the lens and the frame is a bit blah.

But I still need the good pair, if only as the backup pair because I haven't seen the big E on the eye chart on my own since fourth grade. Hence the visit to the trusted optical shop located in my ophthalmologist's office where the friendly technician took a peek inside my eyeglass case and sadly shook his head. "There's nothing I can do. It's missing a spring, and we don't do that kind of work."

So on a whim, I asked if I had any options other than purchasing a new set of glasses. Surprisingly, there were two. The first was to use rubber cement to reattach the metal tips of the ear piece to the frame. Well, with my spatial skills, I would end up gluing my right hand to the kitchen counter as well as the frame, so that was out. But the second option was another almost-too-good-too-be-true tip: Ask a jewelry repair specialist to fire up a soldering gun to attach the metal tips. That would, he assured me, if done correctly, be just as good as new.

I was appreciative of his honesty, and knew exactly where my next stop would be. Fifteen minutes later, I was standing at the counter of a family-run jewelry store. An employee looked at my specs: Would I mind paying $35? And would I mind waiting maybe three weeks, probably less but let's say three to be safe. Uh, No. And No.

So, here are the lessons learned about keeping down the costs of unexpected medical expenses. First, don't be afraid to ask providers what options are available. Be honest. If necessary, get a second or even a third opinion.

Second, keep a separate savings account earmarked only for these costs. Face it, we have to see. And we have to chew. Plus perform other functions with body parts not covered by health and other insurance plans. So put the cash in a stash.

Email your best tips and other comments to being thrifty and nifty over fifty, and follow @TheFrugalina on Twitter.
