



## Jepsen Financial

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As the year speeds to a close, we at Jepsen Financial want to take the time to let you know how much we appreciate you - we are thankful for your friendship and especially grateful for your confidence in us.

The holidays can be both sweet and demanding in a number of ways, especially financially. If we can be of assistance, please contact us. We wish you peace - and peace of mind - this holiday season!

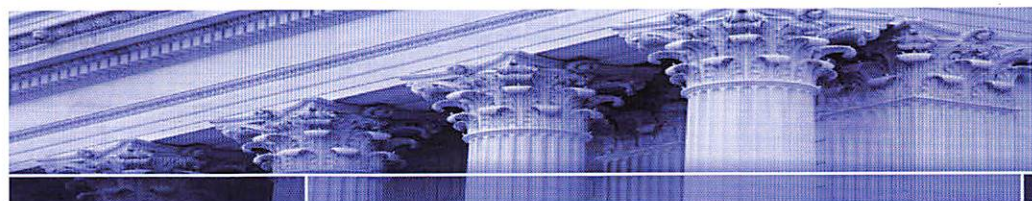
### November 2015

Don't Forget About Year-End Investment Planning

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# Financial Update

## *Ideas and Action Steps for Achievers*

### Don't Forget About Year-End Investment Planning



As the year draws to a close, there might be a slew of tasks on your to-do list. One task to consider is setting up a meeting with your financial professional to review your investments. If you take the time to get organized now, it may help you accomplish your long-term goals more efficiently. Here are some steps that might help.

#### Evaluate your investment portfolio

During the meeting with your financial professional, review how your overall investment portfolio fared over the past year and determine whether adjustments are needed to keep it on track.

Here are some questions to consider:

- How did your investments perform during the year? Did they outperform, match, or underperform your expectations?
- What caused your portfolio to perform the way it did? Was it due to one or multiple factors?
- Were there any consistencies or anomalies compared to past performance?
- Does money need to be redirected in order to pursue your short-term and long-term goals?
- Is your portfolio adequately diversified, and does your existing asset allocation still make sense?

Addressing these issues might help you determine whether your investment strategy needs to change in the coming year.

#### Aim for balance

During the portfolio review process, look at your current asset allocation among stocks, bonds, and cash alternatives. You might determine that one asset class has outperformed the others and now represents a larger proportion of your portfolio than desired. In this situation, you might want to rebalance your portfolio.

The process of rebalancing typically involves buying and selling securities to restore your portfolio to your targeted asset allocation based on your risk tolerance, investment objectives, and time frame. For example, you might sell

some securities in an overweighted asset class and use the proceeds to purchase assets in an underweighted asset class; of course, this could result in a tax liability.

If you own taxable investments that have lost money, consider selling shares of losing securities before the end of the year to recognize a tax loss on your tax return. Tax losses, in turn, could be used to offset any tax gains. When attempting to realize a tax loss, remember the wash sale rule, which applies when you sell a security at a loss and repurchase the same security within 30 days of the sale. When this happens, the loss is disallowed for tax purposes.

If you don't want to sell any of your current investments but want to change your asset allocation over time, you might adjust future investment contributions so that more money is directed to the asset class you want to grow. Once your portfolio's asset allocation reaches your desired balance, you can revert back to your previous strategy, if desired. Keep in mind that asset allocation and diversification do not guarantee a profit or protect against loss; they are methods used to help manage investment risk.

Your financial professional can help you understand how your investments may be affected by capital gains and other taxes. You can learn more about current tax laws and rates by visiting [www.irs.gov](http://www.irs.gov).

#### Set goals for the coming year

After your year-end investment review, you might resolve to increase contributions to an IRA, an employer-sponsored retirement plan, or a college fund next year. With a fresh perspective on where you stand, you may be able to make better choices next year, which could potentially benefit your investment portfolio over the long term.

**Note:** *There is no assurance that working with a financial professional will improve investment results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*



## Think Twice Before Counting on a COLA



### **Will you receive a Social Security COLA in 2016?**

*The Social Security Administration has announced that, because of low annual inflation, Social Security recipients will not receive a cost-of-living adjustment (COLA) in their benefit checks in 2016. (Source: Social Security Administration press release, October 15, 2015)*

**\*Source: 2015 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, p.32**

The rising costs of food, gas, electricity, and health care can strain anyone's budget. The situation is even worse if your living expenses increase while your income stays the same, because your purchasing power will steadily decline over time. That's why cost-of-living adjustments, or COLAs, are especially valuable to retirees and others living on fixed incomes.

A COLA is an increase in regular income you receive (such as a Social Security or pension benefit) that is meant to offset rising prices. It's important protection because price inflation has occurred in most years during the last 40 years. However, a COLA may not be payable in years when inflation slows or declines.

### **How COLAs work**

It's easy to think of a COLA as a "raise," but a COLA is meant to help you maintain your standard of living, not improve it. For example, let's say you receive a \$2,000 monthly retirement benefit, and the overall cost of the things you need to purchase increases by 3% during the year. The next year, you receive a 3% COLA, or an extra \$60 a month, to help you manage rising prices.

That 3% COLA doesn't sound like much, but without a COLA, inflation can seriously erode your retirement income. Assuming a 3% inflation rate, in just 10 years, the purchasing power of your monthly \$2,000 benefit would drop to \$1,520; in 25 years, the purchasing power of your benefit would be only \$963, less than half of what you started with.

### **Who receives COLAs?**

Social Security is the major source (and in some cases the only source) of inflation-protected retirement income for many Americans. COLAs are also commonly paid to retirees who are covered by state or federal pensions. However, most private pensions do not offer COLAs.

Less commonly, employers may offer COLAs as part of compensation packages. For an additional cost, you might also be able to purchase riders for certain insurance policies (such as disability income and long-term care policies) to ensure that the benefits you receive keep pace with inflation (subject to contractual terms, conditions, and limitations).

### **When there is no Social Security COLA**

Social Security COLAs are officially announced each October and reflect the annual increase in the average Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The average CPI-W for the third calendar quarter of the last year a COLA was payable is

compared to the average CPI-W for the third calendar quarter of the current year. Any percentage increase that results is the COLA for that year and will be payable to beneficiaries beginning in January of the following year. However, beneficiaries will not receive a COLA if there is no increase in the average annual CPI-W.

No COLA for Social Security beneficiaries also means no increase in two Social Security limits: the contribution and benefit base (also called the Social Security wage base) and the retirement earnings test exempt amounts.

The contribution and benefit base is the cap on the annual amount of wages and self-employment income subject to Social Security payroll taxes. The retirement earnings test applies only to people under full retirement age (FRA) who receive Social Security benefits and also have earnings from work. If your earnings from work exceed a specific annual limit--the retirement earnings test exempt amount--part of your Social Security benefit will be withheld. (There are actually two different earnings test exempt amounts. One limit applies before the calendar year you reach FRA, and a higher limit applies in the year you reach FRA, up until the month you reach FRA.)

Medicare beneficiaries are also affected. A "hold harmless" provision in the Social Security Act protects most Social Security beneficiaries from increases in their Medicare Part B premium when there is no Social Security COLA. However, about 30% of Medicare beneficiaries are not protected by this provision, including those subject to income-adjusted Part B premiums, those who are enrolled in Medicare but not receiving Social Security benefits, and those who are newly entitled to Medicare.\* If you fall into one of these groups, you may pay a substantially higher Medicare Part B premium when no COLA is payable.

### **Putting COLAs in perspective**

As important as COLAs are, they are still vulnerable to cutbacks. For example, pension plans that are underfunded may view reducing COLAs as a relatively simple way to cut costs, and some plans have attempted to eliminate COLAs altogether.

Consider taking additional measures to account for the effect of long-term inflation. For example, use realistic inflation and investment return assumptions when planning for retirement, maintain a diversified portfolio that reflects your time horizon and tolerance for risk, and consider investments that have historically held their own against inflation.



## Dealing with Medical Billing Issues



*Over the last two years, nearly one-third of privately insured Americans received a surprise medical bill for which their health plan paid less than expected. (Source: Consumer Reports National Resource Center, March 2015)*

It's a common occurrence these days--you receive a sky-high medical bill in the mail. Maybe the bill is for medical services or treatments that you thought were covered by your insurance. Or perhaps you have difficulty understanding exactly which medical procedures you're being charged for, or what the medical billing codes on your hospital bill mean.

The fact is, due to the complex nature of today's medical billing industry, it's difficult for many consumers to know exactly what they will end up having to pay for medical services or treatments. Fortunately, there are some things you can do to make it easier to deal with any medical billing issues that may arise.

### **Understand what your insurance does and does not cover**

Your first step in tackling a medical billing issue is to find out exactly what your insurance does and does not cover. Review your health plan's coverage brochure or contact your insurer to find out about your health insurance plan's coverage exclusions or limitations, expenses that are fully or partially covered by your plan, and the ramifications of using an out-of-network provider.

Another helpful tool is an explanation of benefits (EOB). Once a medical claim is processed by your health insurance provider, you should receive an EOB. The EOB will provide you with a variety of information, such as the dates and type of services provided, the amount that was billed by the medical provider to the insurance company, what the insurance company paid to the provider, and the amount that wasn't covered and for which you are responsible. Review your EOB and compare it to your medical bills. If you find any discrepancies, contact your medical provider's billing department.

### **Keep an eye out for common billing errors**

Unfortunately, errors are a common occurrence in the medical billing industry. As a result, it's always important to request an itemized bill, as opposed to just a summary of charges, from your medical provider. An itemized bill is critical when it comes to identifying billing errors because it will detail each medical procedure for which you are being charged.

Once you've received your itemized bill, check to make sure that all of your identifying information (e.g., address, date of birth), dates of service, and insurance information are correct.

In addition, be alert for common billing errors, such as:

- Being billed separately for services that are already covered under previously bundled fees
- Being billed for extra time in the operating room or more anesthesia
- Being billed for a more expensive charge than necessary (also known as "upcoding")
- Charges for canceled procedures
- Charges for duplicate procedures
- Incorrectly coded procedures

If you find an error on your bill, contact the billing department of the medical provider to request a corrected insurance claim and/or bill. Be prepared to explain the mistake to the billing representative and provide copies of billing records that illustrate the billing error.

### **Don't be afraid to negotiate**

If it turns out that you do owe money, it's important to know that medical bills may be negotiable. If you have a large medical bill, it may be worthwhile to negotiate with your medical provider. Depending on the amount you owe, you may be able to lower your balance or arrange a payment plan that spreads out the amount you owe over a period of time.

### **Consider getting professional help**

Some medical billing issues may be too difficult to resolve on your own. If you are unable to determine what you owe or negotiate a resolution with a billing department, consider enlisting the services of a medical billing advocate.

Medical billing advocates are typically paid an hourly rate. They can be extremely effective in helping you deal with a variety of medical billing issues, such as identifying billing errors and/or assisting you with negotiating a lower balance. For more information on medical billing advocates, visit the Medical Billing Advocates of America website at [www.billadvocates.com](http://www.billadvocates.com).



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## How do I compare my health insurance options during open enrollment?

The decisions you make during open enrollment season regarding health insurance are especially

important, since you generally must stick with the options you choose until the next open enrollment season, unless you experience a "qualifying" event such as marriage or the birth of a child. As a result, you should take the time to carefully review the types of plans offered by your employer and consider all the costs associated with each plan.

With most health insurance plans, your employer will pay a portion of the premium and require you to pay the remainder through payroll deductions. When comparing different plans, keep in mind that even though a plan with a lower premium may seem like the most attractive option, it could have higher potential out-of-pocket costs.

You'll want to review the copayments, deductibles, and coinsurance associated with each plan. This is an important step because these costs can greatly affect what you end up paying out-of-pocket. When reviewing the costs of each plan, consider the following:

- Does the plan have an individual or family deductible? If so, what is the amount that will have to be satisfied before your insurance coverage kicks in?
- Are there copayments? If so what amounts are charged for doctor visits, specialists, hospital visits, and prescription drugs?
- Will you have to pay any coinsurance once you've satisfied the deductible?

You should also assess each plan's coverage and specific features. For example, are there coverage exclusions or limitations that apply? Which expenses are fully or partially covered? Do you have the option to go to doctors who are outside your plan's provider network? Does the plan offer additional types of coverage for vision, dental, or prescription drugs?

In the end, when reviewing your options, you'll want to balance the coverage and features offered under each plan against the plan's overall cost to determine which plan offers you the best value for your money.



## How can I protect my Social Security number from identity theft?

Your Social Security number is one of your most important personal identifiers. If identity thieves obtain your Social

Security number, they can access your bank account, file false tax returns, and wreak havoc on your credit report. Here are some steps you can take to help safeguard your number.

**Never carry your card with you.** You should never carry your Social Security card with you unless it's absolutely necessary. The same goes for other forms of identification that may display your Social Security number (e.g., Medicare card).

**Do not give out your number over the phone or via email/Internet.** Oftentimes, identity thieves will pose as legitimate government organizations or financial institutions and contact you to request personal information, including your Social Security number. Avoid giving out your Social Security number to anyone over the phone or via email/Internet unless you initiate the contact with an organization or institution that you trust.

**Be careful about sharing your number.** Just because someone asks for your Social Security

number doesn't mean you have to share it. Always ask why it is needed, how it will be used, and what the consequences will be if you refuse to provide it.

If you think someone has misused your Social Security number, contact the Social Security Administration (SSA) immediately to report the problem. The SSA can review your earnings record with you to make sure their records are correct. You can also visit the SSA website at [www.ssa.gov](http://www.ssa.gov) to check your earnings record online.

Unfortunately, the SSA cannot directly resolve any identity theft problems created by the misuse of your Social Security number. If you discover that someone is illegally using your number, be sure to contact the appropriate law-enforcement authorities. In addition, consider filing a complaint with the Federal Trade Commission and submitting IRS Form 14039, Identity Theft Affidavit, with the Internal Revenue Service. Visit [www.ftc.gov](http://www.ftc.gov) and [www.irs.gov](http://www.irs.gov) for more information.