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A Registered Investment Advisor

3rd Quarter 2013 Commentary | October 2013

ObamaCare; A Limited Government Shut Down? This was the latest reason for the ongoing volatility of the market; this time, on the last day of the quarter. Of course, the following day, folks realized that any shut down should be short-lived and the market responded positively. Just another example of why you should not take a short-term view of your portfolio performance.

What Should I Do If the Government Shuts Down?

Simply stated, do nothing and stay the course... The market may react negatively to a government shutdown, but it will then recover all of those losses (likely fairly rapidly) once a compromise is reached. Since we cannot predict when these events will occur, we recommend we continue the investment strategy implemented (during calmer times) and remember that we are asset allocated for this precise reason. It is widely believed (among many advisors) that overall, economic activity is quite positive right now and a shutdown can't stop the forward motion.

Frankly, the larger threat continues to be a failure to agree on raising the debt ceiling in a few weeks which could put the U.S. in technical default – which would be disruptive to the economy and global financial system. We believe that Washington will stumble towards at least a temporary solution on the more important debt ceiling. We continue to recommend maintaining sufficient cash reserves to meet your personal threshold needs. Should the market drop, we see a buying opportunity for those with excess reserves. Call us with any questions or concerns!

Financial Life Planning Tip

The Patient Protection and Affordable Care Act (ACA)

Enacted on March 23, 2010, the Affordable Care Act goes into effect on January 1st. Open enrollment begins on October 1, 2013 (for coverage beginning in 2014). As before, Medicare open enrollment continues to be October 15 to December 7 for the following calendar year.

This act includes a *mandate* (beginning in 2014) for individuals to get health insurance OR pay a tax penalty. The penalty is not too expensive at the start (“only” \$95 or 1% of income (whichever is higher) in 2014 if you do not have insurance for more than 3 months). But the penalty increases annually, up to 2.5% of income by 2016. Depending on the modified adjusted gross income, you may receive a subsidy for your selected plan’s premium cost. It is still unsure what year will be used to determine family income (it may still be based on 2011 tax returns for 2014). You will be allowed a premium tax credit, but then if your modified AGI ends up being higher at the end of 2014, you may owe money back. Tax credit availability is on a sliding scale and is available for those between 100% and 400% of the FPL (federal poverty level). So the higher your income (the closer to 400%), the lower subsidy you’ll receive. Anyone underneath 250% of FPL may receive significant subsidies **IF** purchasing their insurance through the insurance exchange. Note: Tax subsidies will flow directly through to the insurance company and then premium costs will be reconciled on your tax return at the end of the year. The FPL differs based on household size. For instance, in 2013, the FPL for a family of 4 is \$23,550 and a family of 2 is \$15,510. Thus 400% of each level can be exceeded fairly quickly...

Sept 30, 2013 Benchmark Returns

2013	3rd Quarter
Large-Cap US Indices	
Dow Jones Industrial	2.12%
Standard & Poor's 500	4.69%
NASDAQ Composite	10.82%
Russell 1000 Growth	8.11%
Russell 1000 Value	3.94%
Small-Cap Indices	
Russell 2000 Growth	12.80%
Russell 2000 Value	7.59%
Large Cap International Indices	
MSCI EAFE (Local Currency)	6.90%
MSCI EAFE (US Currency)	11.56%
Fixed Income Indices	
Barclay's Cap Aggregate Bond	0.57%
Citigroup World Govt. Bond	4.06%
Real Estate Indices	
Dow Jones US Select REIT	-3.15%

** Index performance is provided as a benchmark only. The performance of your individual portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.*

Details on ACA and available coverage options are available at: www.healthcare.gov. This is where the health insurance "Marketplace" will exist. It'll ask you a few questions (like what state do you live in?) and will then direct you to your available options.

Some highlights of ACA:

- Coverage is guaranteed issue; no one is denied based on pre-existing health or age; there are no underwriting requirements.
- Coverage includes unlimited lifetime benefits.
- The premium charged for any individual healthcare plan cannot be more than 300% of the lowest premium charged for all subscribers for that plan (this will cause an increase in premium costs for younger, healthy individuals since their premium limits the amount charged to older individuals in poor health).
- Two types of insurance exchanges are mandated by ACA; one for individual & family coverage (for those without employer group plans) and one for small business (SHOP – Small business Health Options Program). Each state will have their version of these two insurance exchanges.
- To qualify for a subsidy, you must have individual coverage purchased through the Health Insurance Marketplace (*subsidies are not available to individuals covered under a group plan*).
- Besides going to www.healthcare.gov and searching for available options yourself, you may also pay a fee to a "navigator" who will advise you of your options. However, please note that these individuals are still being trained and may not yet be available!
- Your current health plan will likely convert over to one of the ACA plans (they will try to migrate similar plans). You should receive information in the mail to advise you of any changes and the expected change in premium cost.
- If you wish to reduce your premium, you should consider a higher deductible/higher co-pay plan. This means that you will self-insure for part of your healthcare needs. But, if you are relatively healthy, this is one way to reduce your month-to-month premium cost.

Enclosed Investment Reports

3rd Quarter 2013 Reporting:

- *Aggregate Overview; Current Value, Asset Allocation and Performance; summarized by Portfolio and Combined Portfolios, as applicable*
- *Holdings Analysis by Account; summarized by Asset, Account and Asset Allocation*
- *Statement of Fees for the 4th Quarter 2013 (based on 09/30/13 values)*
- *Disclosure Statement*

Please remember that this investment reporting is for informational purposes only and you should also refer to the investment statements you receive from your brokerage custodian.

As always, we appreciate your continued confidence and trust. Should you have any questions or concerns, please contact us.

Best regards,



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