

FINANCIAL *Insights*

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Wish Everyone
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From Ken's Desk

Be Careful about Replacing Obamacare



Since the day the Affordable Care Act (ACA) was enacted, we have been subjected to the repeal and replace mantra. Replacement offerings are slimmed down versions of the ACA. A few brave souls have proposed a straightforward repeal. Of course, such bills were merely making political hay since Obama would never sign away his namesake law.

Several GOP presidential candidates have doubled down on the misguided repeal and replace promise, including the yet-to-be-elucidated Donaldcare. But the real question is whether the ACA should be replaced at all.

Any healthcare system—new or old—is subject to the long arm of the federal government. Central control does not have a good track record for creative solutions, security, fraud control, administrative efficiency, or the ability to change personal habits.

The federal government has yet to figure out a way to comply with HIPAA's 20-year-old mandate to remove Social Security numbers from health insurance cards. The mere possession of a Medicare card poses the risk of identity theft in our most vulnerable population.

And speaking of identity security, a core tool of the healthcare system is the electronic health record. Health providers who see Medicare or Medical in California patients must have meaningful use of electronic records in their offices or face monetary penalties. However, using wireless networks for sensitive information requires sophisticated security measures that most physician offices do not have. Even with the highest-level resources at its disposal, the federal government has failed to secure its own records.

The Health and Human Services (HHS) Office for Civil Rights reported 32 health data hacking incidents in 2015. Millions of people now have their medical information, Social Security numbers, and other personal identifying data compromised. According to a House Energy and Commerce Committee investigation, the HHS Inspector General reported that over the past seven years, HHS had pervasive and persistent deficiencies across its information security programs.

Fraud and administrative errors plague the Medicare program. According to the federal Office of Management and Budget, its fiscal year 2014, high-error programs produced approximately \$125 billion in improper payments, i.e., those that violated guidelines or rules in some way. Medicare fee-for-service, alone, had \$45 billion in improper payments or 12.7% of the total. Fraud, lack of documentation, and medical necessity authentication issues are the main culprits.

Even as the Department of Justice touts its improved record of Medicare fraud convictions, the ACA's federal Health Insurance Marketplace had an epic failure on the fraud front. The Government accountability Office performed 18 undercover tests. During these tests, the Marketplace approved subsidized ACA coverage for 11 of the 12 fictitious GAO telephone or online applicants for 2014.

The Veterans Administration clinic debacle is a prime example of federal administrative inefficiency. The Office of Inspector General concluded that enrollment program data were generally unreliable for monitoring, reporting on the status of health care enrollments, and making decisions about processing timeliness. As of September 30, 2014, the system had some 867,000 pending records, 307,000 of which were for individuals reported as deceased by the Social Security Administration.

Finally, government attempts to mandate healthy behavior don't work. For example, a 2015 scientific study analyzed the Los Angeles Fast-Food Ban, a 2008 zoning regulation restricting the opening and remodeling of standalone fast-food restaurants in South Los Angeles. Consumption of fast food and obesity increased in all geographic areas from 2007 to 2012, and the increase was significantly greater in the regulated area.

Politicians need a system to expand central control. Central control breeds mediocrity. Government programs play to the lowest common denominator. One size fits all quickly becomes one size fits none. Call me crazy, but I want the second opinion about my treatment to come from a physician, not a bureaucrat.

As Malcolm Gladwell of Tipping Point fame opined, "Rather than expanding insurance we should keep insurance in its proper role for unexpected, big-ticket things. And the bottom end of healthcare should be a market driven cash economy."

Competition brings out the best in us. For example, Theranos, a company started by a Stanford freshman, provides 14 accurate basic kidney/liver function tests from one drop of blood for \$7.27 at Walgreens. In contrast, my insurance co-pay for lab tests is \$40.

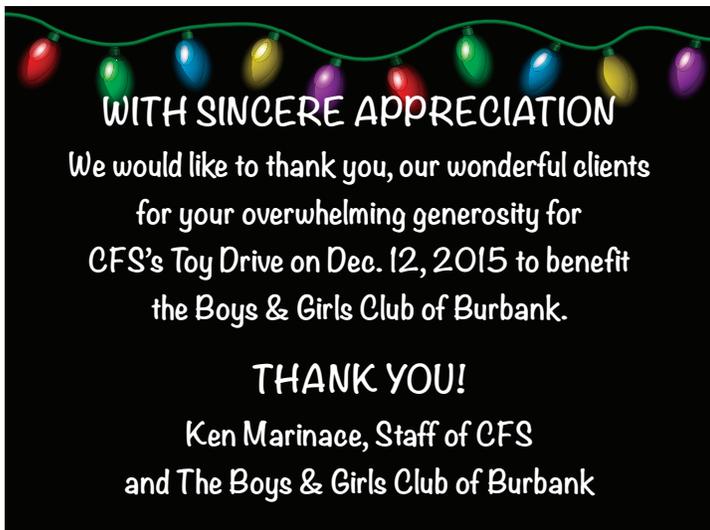
Politicians can't fix our medical care access problems. That's up to us. As a start, consider enlisting direct pay physicians who give personal care at reasonable prices and replace the ACA with your own healthcare system.

Compiled information by Ken from the California Broker Magazine, November 2015; House Energy and Commerce Committee, Sept 2015; Office of Management and Budget, June 2015.



CFS Spreads Holiday Cheer

During our Holiday Client Dinner on Saturday, Dec. 12, 2015 at Oakmont Country Club, we collected toys to benefit the Boys & Girls Club of Burbank and Greater East Valley. *Pictured are Shanna Warren, Chief Executive Officer and Ken Marinace, CFP, CEO and his grandchildren, Rex Dauphinais and Lillian Garretson, both of whom traveled from Minnesota for the event.*



INFORMATION TO ACT ON

INVESTING Investment preferences: At 27%, real estate was the most popular long-term investment for money not needed for at least a decade, according to a Bankrate.com survey. Cash was the second most popular choice at 23%, followed by the stock market at 17%. Gold and other precious metals ranked fourth at 14% with bonds coming in fifth at 5%.

HEALTH Alzheimer's: The national Institute on Aging offers a fact sheet on medications to treat the symptoms of Alzheimer's disease. The resource looks at how some commonly prescribed drugs work and the drugs' side effects. Go to www.nia.nih.gov/alzheimers/publication.

FRAUD Messaging scam: The Financial Industry Regulatory Authority is warning investors to be wary of stock promotions sent through popular messaging apps, such as WhatsApp. The texts tout penny stocks and appear to be sent from individuals



New Year Messages:

8 Sayings to Wish Everyone a Happy 2016!

1. "Year's end is neither an end nor a beginning but a going on, with all the wisdom that experience can instill in us. Cheers to a new year and another chance for us to get it right."

—OPRAH WINFREY

2. "New Year's Day: now is the accepted time to make your regular annual good resolutions. Next week you can begin paving hell with them as usual . . . New Year's is a harmless annual institution, of no particular use to anybody save as a scapegoat for promiscuous drunks, and friendly calls, and humbug resolutions."

— MARK TWAIN

3. "Yesterday is gone. Tomorrow has not yet come. We have only today. Let us begin."

— MOTHER TERESA

4. "Ring out the old, ring in the new, Ring, happy bells, across the snow: The year is going, let him go; Ring out the false, ring in the true."

— LORD TENNYSON

5. "New Year's Eve, where auld acquaintance be forgot. Unless, of course, those tests come back positive."

— JAY LENO

6. "New Year's resolution: To tolerate fools more gladly, provided this does not encourage them to take up more of my time."

— JAMES AGATE

7. "I think in terms of the day's resolutions, not the year's."

— HENRY MOORE

8. "Learn from yesterday, live for today, hope for tomorrow."

— ALBERT EINSTEIN

Source: *LatinTimes.com*

at well-known brokerage firms. If you receive such a text, delete it. Read more at www.finra.org.

On the rise: Nearly half of CPA financial planners have seen a rise in elder financial fraud or abuse in the past five years, according to a survey by the American Institute of Certified Public Accountants. The most common types of abuse or fraud were phone and internet scams at 79%, and the inability to say "no" to relatives at 72%.

RETIRING PLANNING Gender gap: Women are far behind men when it comes to saving for expected retirement expenses, according to financial education company Financial Finesse. The median 45 year-old man is projected to have a savings shortfall of about \$267,000 to meet average retirement expenses at age 65, compared with a shortfall of about \$522,000 for the median 45 year-old woman, the firm says.

Source: *Kiplinger's retirement report*

Here are some photos taken on Ken's recent trip to New York City.



Ken with Adam Fletcher, Head of Multi Asset Strategist team at BlackRock Investments.



Ken with Sam Stoval, US Equity Strategist for Standard & Poors. Ken was able to discuss their outlook for the market and what they believe are the best positioned assets classes for 2016.



Ken with one of our younger clients, Kyle Reynish, goalie with The New York Red Bulls, major league soccer team.



New York City midtown Manhattan sunset skyline panorama view over Hudson River

By The Numbers



MID-SIZE BUSINESSES - Beginning 1/01/16, companies that employ 50-99 individuals must offer "affordable health care coverage" to full-time employees (working at least 30 hours a week). Affordability is measured by limiting the cost of the health insurance to no more than 9.5% of an individual's pre-tax income (*source: ACA*).

HIGH STANDARDS - 59% of the new mortgage originations (by dollar, not by number) in the 3rd quarter 2015 were obtained by borrowers with credit scores above 780 (*source Federal Reserve Bank of New York*).

LONG-TERM PROJECTIONS - When President Franklin D. Roosevelt proposed his Social Security retirement program in 1935, FDR's financial people projected that total Social Security expenditures would reach \$1.3 billion in 1980 or 45 years in the future. Actual outlays in 1980 were \$149 billion. Thus, FDR's woeful 1935 estimate represented less than 1% of the actual 1980 Social Security expenditures (*source: Social Security*).



PAYING FOR COLLEGE - Outstanding student loan debt is \$1.20 trillion as of 9/30/15. 11.6% of student debt (by dollar) is at least 90 days delinquent or is in default as of 9/30/15. The delinquency calculation understates the actual delinquency rate since student loans that are currently in deferment are treated as

if they are "current" with regard to their payment status (*source: Federal Reserve Bank of New York*).

ONLY HALF AS MANY - Every 1,000 American women between the ages of 15-44 delivered 122.7 births in 1957. The rate was just 62.9 births per 1,000 women in 2014 (*source: Census Bureau*).



LOSSES - The Philadelphia 76ers beat the LA Lakers on 12/01/15, ending a 28-game losing streak dating back to last season. The 28-game drought was the longest losing streak in the history of US pro sports (*source: NBA*).



MAJORITY PAY NOTHING - 67% of the 67.8 million tax returns filed in 2013 that reported less than \$30,000 of adjusted gross income did not pay any federal income tax (*source: Internal Revenue Service*).

TAX GAMEPLAN - House Speaker Paul Ryan (R-WI) said on 11/15/15 that the 3 things he would like to change within the US tax code would be 1) simplify the tax code, 2) collapse the number of brackets to 2 or 3 from the current 7, and 3) change the way multinational firms are taxed so as to encourage them to bring \$2.1 trillion of untaxed profits that are currently held overseas back to the United States (*source: CBS News*).



ALMOST ALL SENIORS - 88% of Americans at least age 65 received a monthly Social Security benefit payment during fiscal year 2015 (i.e., the 12 months ending 9/30/15), either in the form of a monthly retirement benefit, a survivor benefit or a disability benefit (*source: Social Security Administration*).



TRAVEL TO PARIS - France attracts more tourists (83 million) each year than any other country in the world. 7.5% of France's \$2.3 trillion economy is generated through tourism (*source: CNBC*).



WE TEACH THE WORLD - 51.4% of the 974,926 foreign students studying at American colleges during last year's school year (2014-15) are natives of China, India or South Korea. New York University (NYU) has more foreign students than any college in the United States (*source: Institute of International Education*).

CFS Golden Circle - Clients for 20 years or longer

Annette Alender	Dr. Stuart Grant	Dr. Jeanine McMahon
Kathy Allie	Helena Gratland & Bob Mazzocco	Bob Moering
Connie Alvero	Jim & Marilyn Graves	John & Mary Morrow
Irv & Zel Bagley	Connie Greenberg	Peter & Susan Moyer
Dr. Martin Barmatz & Carolyn Small	Harry & Karen Griffin	Roland & Vonda Neundorf
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Philip Clements & Claudia Squibb	Mike Houlemard	Joe & Pearl Ruggiero
Louis Darin	Daina Johnson	Louise Sanchez
Oleta Diamond	Rich & Donna Johnson	Earle Sanders
Joe & Liz Dilibert	Mitch & Lorraine Kaye	Evelyn Schirmer
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	Al Maskell	Jeff & Pam Wheat
	Randy & Pat Maskell	Don & Lorraine White
	Dr. Peter & Juliane McAdam	Teena Wolcott
		Toby & Carole Zwickel

HAPPY BIRTHDAY

JANUARY

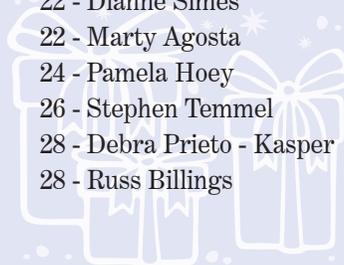
2 - Marshall Drucker
 4 - Lyn Hoeft
 4 - Reg Fear
 6 - Ralph Gerrard
 7 - Al Roeters
 9 - Donna Johnson
 10 - Daris R Pederson
 10 - Marcus Petoyan
 10 - Verena Luisoni
 11 - Tim Chao
 12 - Jim Graves
 12 - Susan (Vicki) Arnold
 13 - Susan Gardner
 15 - Mark Evans
 16 - Kellye Wallett
 16 - Bruce Keller
 17 - Stu Nisbet
 17 - Rita Dillon
 18 - Annette Vartanian
 19 - Evelyn Rollins
 19 - Jo Ann Long

20 - Betty Iverson
 21 - Irv Bagley
 23 - Debra Crosley
 23 - Mary Morrow
 25 - Dianne Southern
 26 - Roberta Bremner
 27 - Lowell Houghton

FEBRUARY

1 - Maria Bitman
 2 - Chiching Klimach
 2 - Doug Remington
 3 - Bill Hedgcock
 3 - Oleta Diamond
 5 - Margot L Siess
 7 - Michael Sinclair
 7 - Mike Thrasher
 7 - Cheryl Updegraff
 7 - Janet Sedhom
 9 - Michael Siecke
 9 - Wayne Hoeft

9 - Mike Houlemard
 10 - Robert Mazzocco
 11 - Bill Williams
 11 - Bart Ping
 11 - Carolyn Lessley
 11 - Patricia Newsham
 15 - Steve Brener
 16 - Robert Agosta
 17 - Elizabeth Veres
 18 - Jane Lofton
 18 - Arlene Breshears
 22 - Nancy Nisbet
 22 - Dianne Simes
 22 - Marty Agosta
 24 - Pamela Hoey
 26 - Stephen Temmel
 28 - Debra Prieto - Kasper
 28 - Russ Billings



Referrals

We Appreciate Those Referrals!

We certainly welcome your referrals and are always most appreciative when clients pass our name along to others. We would like to take this opportunity to express our thanks for your continued confidence and look forward to providing quality confidential financial services to you, your friends, and associates.

When you refer us to others, you can be assured that your personal information provided by you and those whom you refer is treated with a high degree of confidentiality.

Our sincere thanks to our recent referrals goes to:

Al Sanchez

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Anna's Recent Read: Fund Outflows Tell Tale of Capital Gains Bite

It's that time of year again, halls get decked and mutual fund investors get hit with year-end capital gains distributions.

Even without selling shares of a mutual fund, investors can incur capital gains taxes triggered by security sales within

the fund. And those security sales are often driven by net outflows from the fund, which leave investors to absorb the capital gains distributions. By way of a positive spin, Morningstar Inc.'s director of personal finance, Christine Benz, said it can be viewed as "prepaying your tax bill."

The prepayment mentality might be vexing, but it does effectively reset an investor's cost basis to reflect the capital gains distribution.

For example, if you purchased a fund at \$10 a share and get a 10% capital gains distribution from the fund, your cost basis will adjust upward by 10% to \$11. Thus, if you sell the fund in the future for \$15, you will pay the taxes on the difference between \$11 and \$15, instead of between \$10 and \$15. And those calculations are done by the fund companies in December each year. Capital gains distributions can crop up and are becoming increasingly difficult to predict.

Information compiled by Anna Luke from the Investment News magazine, November 2015.



Here is Anna attending the Jackson National Conference in Denver, CO in October 2015.

Pictured here with Mike Trudel, CFA, Managing Director & Global Macro Strategist.

8 WAYS TO AVOID DATA SCAMS

The IRS recently launched an educational campaign called "Taxes, Security, Together" to raise awareness about how individuals can prevent their day-to-day actions from compromising their financial and tax data. Here are their suggestions on how to avoid becoming a tax-scam victim.

- 1) Encrypt your files:** Especially if you have tax returns or sensitive information stored on your computer.
- 2) Protect your computers:** Use security software, like firewall and anti-virus protection, to safe-guard your computer. Don't forget to use strong passwords.
- 3) Don't be fooled by IRS posers:** Some thieves pose as IRS agents and call their victims, threatening jail or lawsuits unless they make an immediate payment.
- 4) Know who is getting your information:** Criminals often pretend to be part of trusted and easily recognizable organizations, making it easy for them to steal your personal information simply by asking for it.
- 5) Avoid unknown links and attachments:** An email asking you to update a bank account or tax software account may provide a link to a fraudulent website designed solely to steal your information. Some attachments, if downloaded, will corrupt your computer and allow a thief to access your files or track your key strokes.
- 6) Shred before dumping:** Shred old tax returns and other paper documents before throwing them away to prevent from landing in the wrong hands.
- 7) Check your credit reports:** Keeping a watchful eye on your credit reports and Social Security account every year can keep your identity and good credit from being accessed by others.
- 8) Don't overshare on social media:** Posting personal details about your life can make you a more vulnerable to identity theft.

Source: IRS

Why Americans Don't Seek Help

So why don't Americans get professional help in putting their finances in order? For most people, it's because they don't think they have enough money to do so.

Nearly half of Americans believe they need a sizable next egg to justify working with a financial advisor, according to TIAA-CREF's fourth annual Advice Matters survey. In fact, 45 percent of respondents think they need at least \$50,000 in savings to merit that meeting. Of those who have never received professional financial advice, 63 percent listed "I don't have enough money to invest" as a reason.

However, the survey also found that respondents who have met with an advisor are significantly more confident in their



retirement savings plan than those who have not (78 percent versus 43 percent) a strong motivation for Americans to seek financial advice regardless of how much they have saved.

Although 49 percent of all respondents report that they have received financial advice, significantly more men (56 percent) than women (43 percent) have taken this important step. Women who have not received professional financial advice also are more likely (41 percent) to say the primary reason that they haven't worked with a financial advisor is that they don't have enough money to invest, while only 30 percent of men report the same.

Source: Insurance News Net Magazine, Dec. 2015

Brain Teaser #85 – “Dicey Arithmetic”

Using three of the arithmetical signs, \div , $-$, \times and $+$, can you achieve the correct total?



The first person with the correct answers will receive an American Express gift card. Please email your answers to Martha at Martha@cfsburbank.com or call her at 818-846-8092 ext.4.

Stat Bank

9.7 times ... The likelihood that clients are willing to cooperate with adviser recommendations when their advisers are seen as empathetic and interested. (*FPA Research and Practice Institute™ 2014 Trends in Client Communication Study*)

46 ... Percentage of American workers who have less than \$10,000 saved for retirement. (*EBRI*)

29 ... Percentage of American workers who have less than \$1,000 saved for retirement. (*EBRI*)

26 ... Percentage of American workers who say how much they are saving and

spending is a primary source of stress. (*2015 LifeCare/FPA Financial Confidence of American workers survey*)

\$6.6 trillion ... The amount American workers are short of what they need to retire comfortable. (*Boston College Center for Retirement Research*)

2/3 ... Amount of workers age 50 and older who say their ideal retirement includes part-time work. (*Merrill Lynch Age Wave Survey*)

1/6 ... The number of elderly Americans who are already living below the federal poverty level. (*U.S. Census Bureau*)

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In This Issue

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- Teaser #85, Answers to Teaser #84

Brain Teaser #84 – “Hidden Names” (Answer)

ALABAMA RYE BREAD IS DANDY, BUT
ANGLOPHILES ARE USED TO AUTOMAT TOAST.

Nine names: **Al, Mary, Dan, Andy, Phil, Les, Ed,
Tom and Matt**

The first person with the correct answers came from Lynne Dibble. **Congratulations Lynne!**

Use your smartphone
to visit our website!



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