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September…Is another Winter-Zilla around the corner?

The fact is, we may have a long harsh or a short mild winter. Either way there will be pros and cons. The best we can do is prepare. After that, our time is best spent on the things we can control. That is where a deep, close relationship with a Financial Advisor can help. We can help you create a plan, navigate the myriad financial decisions as they come up, and make course corrections when necessary.

Check out our website www.craigprudhomme.com and consider scheduling an appointment to see how we can help you achieve your financial goals

September 2014

INVESTMENT CENTERS OF AMERICA, INC.

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Align Your Financial Life with Your Values & Goals

A View of Health Care from Around the World

The United States health-care system has been impacted by the Affordable Care Act (ACA). But how does delivery of health care in the United States compare to that of other nations? And where does the United States rank with respect to the cost of health care per capita and as a percentage of gross domestic product?

Types of health-care systems

While each country has its own system of health care, most health-care systems generally fall within the parameters of one of four models, with the health-care system of the United States consisting of aspects of each of these models.

The Beveridge Model. Countries such as the United Kingdom, Finland, Denmark, Spain, and Sweden generally follow this model, named after social reformer William Beveridge. Health care is deemed to be a right for each citizen and is provided by the government and financed primarily through taxes. Hospitals and clinics may be government owned, and medical staff, including doctors, may be government employees. Medical providers are paid by the government, which generally dictates treatments provided and the cost for services.

The Bismarck Model. The Bismarck Model requires that all citizens have health insurance. Health care is provided by private doctors and hospitals whose fees and charges are paid for by insurance. The insurance programs are nonprofit entities and must accept all applicants, including those with pre-existing medical conditions. Insurance is funded through employer and employee payroll taxes. Countries that use a form of the Bismarck Model include Germany, France, Belgium, the Netherlands, Japan, and Switzerland.

The National Health Insurance (NHI). Combining aspects of both the Beveridge and Bismarck Models, the NHI Model is used in several countries, with the most prominent being Canada. Health care is provided through private providers who are paid by government-run insurance. Citizens pay into the government insurance program primarily through taxes. As the sole payor, the government directly influences the cost of medical care and the services covered.

The Out-of-Pocket Model. Used by the majority of countries, including China, this model provides little or no government health care. Instead, those who can afford care get it and those who cannot pay for care generally do not receive care.

The United States Model. The United States incorporates all of these systems to varying degrees. Medicare is akin to the NHI Model; servicemembers and veterans receive health care similar to the Beveridge Model; and the ACA can be described as a type of Bismarck plan, although health insurers are typically for-profit entities.

Comparing the cost of health care*

The following information compares health-care expenditures of several countries as a percentage of gross domestic product as well as per capita.

	2012 total expenditure on health as % of GDP	2012 total expenditure on health per capita
United States	17.9	$8,895.10
Canada	10.9	$5,740.70
United Kingdom	9.4	$3,647.50
Switzerland	11.3	$8,980.00
France	11.7	$4,690.00
Germany	12.4	$4,683.20
Japan	10.1	$4,751.70
China	5.4	$321.70

*Information derived from The World Bank Health, Nutrition, and Population Data and Statistics (www.datatopics.worldbank.org)

Charitable Gifts of Items You No Longer Need

Consult a tax professional and visit the IRS website for more information.

If you have used clothing, household goods, or a car that you no longer need, you may be able to do good by contributing the property to charity while obtaining an income tax deduction for your charitable contribution. Subject to certain limitations, the amount of your charitable contribution is usually the fair market value (the price that property would sell for on the open market) of the property at the time of the contribution.

Used clothing and household goods

You generally cannot take a deduction for donations of used clothing or household goods unless the property is in good used condition or better. However, you can take a deduction for used clothing or household goods that are not in good used condition or better if the claimed value is greater than $500 and you include a qualified appraisal with your tax return.

The value of used clothing or household goods is usually far less than what you paid for the property. A good indication of the value of used clothing is the price that a buyer would pay in used clothing stores, such as consignment or thrift stores. Used household goods may have little or no value because of their worn condition, or because they are out of style or no longer useful.

Used cars

The value of a used car can usually be determined using a used car pricing guide for a private party sale. The price listed should be for a car of the same make, model, and year, and with similar options and accessories. Adjustments may be needed for wear and tear, and mileage.

However, your deduction for a donated car may be limited to the amount for which the charity then sells the car. This rule applies if the claimed value for the car is over $500 unless: (1) the charity makes a significant intervening use of or material improvement to the car before selling it; or (2) the charity gives the vehicle, or sells it for well below fair market value, to a needy individual to further the organization's charitable purpose.

You must attach Copy B of Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, (or other statement from the charity containing the same information) to your tax return. Form 1098-C shows the gross proceeds the charity received if the charity sold the car and whether either of the two exceptions for cars valued at more than $500 applies.

If the charity sells the car for $500 or less (and neither of the two exceptions applies), your deduction is generally limited to the lesser of $500 or the car's fair market value on the date of the contribution.

Other requirements

A receipt is generally required from the charity for all noncash gifts. However, a receipt may not be required where it is impractical to get one (e.g., leaving clothing at a charity's unattended drop site).

A written statement is required from the charity acknowledging all noncash gifts above $250. The acknowledgment must generally include a description and good faith estimate of the value of any goods or services (if any) you received in return for your contribution. Your charitable contribution deduction is reduced if you receive something in return for your contribution.

An appraisal is generally needed when you donate an item or group of items of property if the claimed value is more than $5,000. You must also complete Section B of Form 8283 and attach it to your tax return. Section B of Form 8283 should be signed by both the appraiser and a responsible officer of the charity. However, you do not need an appraisal for the donation of a car if the deduction is limited to the gross proceeds of its sale by the charity.

Limits on deductions

Charitable contribution deductions are generally limited to 50% of your adjusted gross income (AGI) (or 30% or 20% of AGI depending on the type of charity and the property donated). Disallowed amounts can generally be carried over and deducted in the following five years, subject to the percentage limits in those years. If you donate property with a fair market value that is more than your income tax basis in it (not usually a concern when donating used goods), your deduction is generally limited to your basis in the property, except for capital gain property when you use the 30% of AGI limit.

The total of your charitable contribution deductions and certain other itemized deductions is limited (but not reduced by more than 80%) if your adjusted gross income in 2014 is more than $254,200 (for single taxpayers, $305,050 for married filing jointly taxpayers).

Some Things to Consider about Gifts to Children

If you have property that would produce a loss if sold, you should consider selling the property, claiming the loss, and transferring the proceeds to the child, rather than transferring the property to the child who would not be able to claim the loss.

If you make significant gifts to your children or someone else's children, or if someone else makes gifts to your children, there are a number of things for you to consider.

Transfers that are not taxable gifts

There are a variety of ways for you to make transfers to children that are not treated as taxable gifts for gift tax purposes. Filing a gift tax return is generally required if you make gifts (other than qualified transfers) totaling more than $14,000 to an individual during the year.

- **Providing support.** When you provide support to a child, it should not be treated as a taxable gift if you have an obligation to provide support under state law. This may provide a large umbrella for parents of minor children, college-age children, boomerang children, and special needs children.
- **Annual exclusion gifts.** You can generally make gifts of up to $14,000 per child gift tax free each year. If you split gifts with your spouse, the amount is effectively increased to $28,000. In the case of a gift to a qualified tuition program (529 plan) for a child, the annual exclusion can be effectively increased to five times the above amounts (i.e., to $70,000, or $140,000 if you split gifts with your spouse).
- **Qualified transfers for medical expenses.** You can make unlimited gifts for medical care gift tax free, provided the gift is made directly to the medical care provider.
- **Qualified transfers for educational expenses.** You can make unlimited gifts for tuition gift tax free, provided the gift is made directly to the educational provider.

The same exceptions for transfers that are not taxable gifts generally apply for purposes of the generation-skipping transfer (GST) tax. The GST tax is a separate tax that generally applies when you transfer property to someone who is two or more generations younger than you, such as a grandchild.

Income tax issues

A gift is not taxable income to the person receiving the gift. However, when you make a gift to a child, there may be several income tax issues regarding income produced by the property or from sale of the property.

- **Income for support.** Income from property owned by your children will be taxed to you if used to fulfill your obligation to provide support.
- **Kiddie tax.** Children subject to the kiddie tax are generally taxed at their parents' tax rate on any unearned income over a certain amount. For 2014, this amount is $2,000 (the first $1,000 is tax free and the next $1,000 is taxed at the child's rate). The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support. If the child's income would be taxed at the parents' high tax rates, it may make sense to invest in ways that can produce nontaxable income (e.g., tax-exempt bonds) or defer taxation (e.g., Series EE bonds) until after the kiddie tax period.
- **Basis.** When you make a gift, the person receiving the gift generally takes an income tax basis equal to your basis in the gift. (This is often referred to as a "carryover" or "transferred" basis.) The carried-over basis is increased--but not above fair market value (FMV)--by any gift tax paid that is attributable to appreciation in value of the gift (appreciation is equal to the excess of FMV over your basis in the gift immediately before the gift). The income tax basis is generally used to determine the amount of taxable gain if the child then sells the property. However, for purpose of determining loss on a subsequent sale, the carried-over basis cannot exceed the FMV of the property at the time of the gift.

Gifts to minors

Outright gifts should generally be avoided for any significant gifts to minors. In that case, you may wish to consider a custodial gift or a trust for a minor.

- **Custodial gifts.** Gifts can be made to a custodial account for the minor under your state's version of the Uniform Gifts/Transfers to Minors Acts. The custodian holds the property for the benefit of the minor, generally until an age (often 21) specified by state statute. Generally, any adult or trust company can be the custodian, but check state law.
- **Trust for minor.** A Section 2503(c) trust is a trust specifically designed to obtain the gift tax annual exclusion for gifts to a minor. Principal and income can be distributed to the minor before age 21, but there is no requirement of any distribution to the minor before age 21. The minor does generally gain access to undistributed income and principal at age 21.

Consult a tax professional for more information about your specific situation.

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Why are you paying more at the pump?

Have you ever stood at the pump wondering why you're paying so much to fill up your vehicle? The answer is ... complicated. According to the U.S. Energy Information Administration (EIA), many factors contribute to the cost of a gallon of gasoline, including the price of crude oil (which accounts for the majority of the cost), refining costs and profits, taxes, and distribution and marketing expenses.

The price of crude oil is dependent on global supply levels relative to demand, and can be influenced by political events in major oil-producing countries, supply disruptions (which often result from hurricanes and storms in supply zones), and market speculation. Supply and demand is also one of the reasons that U.S. gas prices tend to fluctuate seasonally, with prices generally rising in the spring and remaining higher in early summer. But refining costs also play a role. Prices tend to rise as refineries shift from winter to summer gasoline blends in order to meet federal and state environmental guidelines. Gasoline must be blended with other ingredients to reduce emissions, and costlier ingredients are used in the summer blend.

How much you pay for gasoline also depends on where the pump is located and who owns it. For example, prices are generally highest on the West Coast due to higher state taxes and transportation costs from distant refineries. But no matter where you live, you know that prices also vary locally from one station to the next. Why? Generally it's because the cost of doing business for an individual station owner varies. The price the station pays for gasoline, the station's location and volume of business, and whether it must match or beat prices from local competitors all contribute to how much you pay for a gallon of gas.

What's the outlook for the future? The EIA expects the average price of gasoline to fall in 2015 to $3.39 per gallon. Despite the increasing demand from emerging economies, U.S. crude oil reserves and production are expected to increase, and U.S. demand is expected to decrease as vehicles become more fuel efficient.

Sources: "Factors Affecting Gasoline Prices" and "Short-Term Energy Outlook", May 6, 2014, www.eia.gov

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