CedarPoint Investment Advisors, Inc.
Dan Wilson,CFP® & Bob Dignan, CFP®, AIF®
524 Milwaukee Street
Suite 300
Delafield, WI 53018
Phone 262.303.4503
Fax 262.303.4325
dan@cedarpointinvestments.com
www.cedarpointinvestments.com

Our office will be closed on Monday, September 7 in observance of Labor Day.

Our summer hours began Friday, May 22, and we will close the office at 4pm on each Friday until Labor Day.

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CEDARPOINT
Investment Advisors, Inc.

Reviewing Your Finances Mid-Year

You made it through tax season and now you're looking forward to your summer vacation. But before you go, take some time to review your finances. Mid-year is an ideal time to do so, because the demands on your time may be fewer, and the planning opportunities greater, than if you wait until the end of the year.

Think about your priorities

What are your priorities? Here are some questions that may help you identify the financial issues you want to address within the next few months.

- Are any life-changing events coming up soon, such as marriage, the birth of a child, retirement, or a career change?
- Will your income or expenses substantially increase or decrease this year?
- Have you managed to save as much as you expected this year?
- Are you comfortable with the amount of debt that you have?
- Are you concerned about the performance of your investment portfolio?
- Do you have any other specific needs or concerns that you would like to address?

Take another look at your taxes

Completing a mid-year estimate of your tax liability may reveal tax planning opportunities. You can use last year's tax return as a basis, then make any anticipated adjustments to your income and deductions for this year.

You'll want to check your withholding, especially if you owed taxes when you filed your most recent income tax return or you received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill or having too much of your money tied up with Uncle Sam. If necessary, adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.

To help avoid missed tax-saving opportunities for the year, one basic thing you can do right now is to set up a system for saving receipts and other tax-related documents. This can be as simple as dedicating a folder in your file cabinet to this year's tax return so that you can keep track of important paperwork.

Reconsider your retirement plan

If you're working and you received a pay increase this year, don't overlook the opportunity to increase your retirement plan contributions by asking your employer to set aside a higher percentage of your salary. In 2015, you may be able to contribute up to $18,000 to your workplace retirement plan ($24,000 if you're age 50 or older).

If you're already retired, take another look at your retirement income needs and whether your current investments and distribution strategy will continue to provide enough income.

Review your investments

Have you recently reviewed your portfolio to make sure that your asset allocation is still in line with your financial goals, time horizon, and tolerance for risk? Though it's common to rebalance a portfolio at the end of the year, you may need to rebalance more frequently if the market is volatile.

Note: *Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.*

Identify your insurance needs

Do you know exactly how much life and disability insurance coverage you have? Are you familiar with the terms of your homeowners, renters, and auto insurance policies? If not, it's time to add your insurance policies to your summer reading list. Insurance needs frequently change, and it's possible that your coverage hasn't kept pace with your income or family circumstances.

Planned Charitable Giving

Planned giving is the process of thinking strategically about charitable giving to maximize the personal, financial, and tax benefits of your gifts.

There may be costs and expenses associated with trusts, private foundations, and donor-advised funds. Income from charitable trusts and charitable gift annuities is not guaranteed.

Today more than ever, charitable institutions stand to benefit as the first wave of baby boomers reach the stage where they're able to make significant charitable gifts. If you're like many Americans, you too may have considered donating to charity. And though writing a check at year-end is one of the most common ways to give to charity, planned giving may be even more effective.

What is planned giving?

Planned giving is the process of thinking strategically about charitable giving to maximize the personal, financial, and tax benefits of your gifts. For example, you may need to receive income in exchange for the assets you donate, or you may want to be involved in deciding how your gift is spent--things that typically can't be done with standard checkbook giving.

Questions to consider

To help you start thinking about your charitable plan, consider these questions:

- Which charities do you want to benefit?
- What kind of property do you want to donate (e.g., cash, stocks, real estate, life insurance)?
- Do you want the gift to take effect during your life or at your death?
- Do you want to retain an interest in the property you donate?
- Do you want to be involved in deciding how your gift is spent?

Gifting strategies

There are many ways to donate to charity, from a simple outright cash gift to a complex trust arrangement. Each option has strengths and tradeoffs, so it's a good idea to consider which strategy is best for you. Here are some common options:

Outright gift. An outright gift is an immediate gift for the charity's benefit only. It can be made during your life or at your death via your will or other estate planning document. Examples of property you can gift are cash, securities, real estate, life insurance proceeds, art, collectibles, or other property.

Charitable trust. A charitable trust lets you split a gift between a charitable and a noncharitable beneficiary, allowing you to integrate financial needs with philanthropic desires. The two main types are a charitable remainder trust and a charitable lead trust. A typical charitable remainder trust provides an annuity or unitrust interest for one or two persons for life. An annuity interest provides fixed payments, while a unitrust interest provides for payments of a fixed percentage of trust assets (valued annually). At the end of the trust term, assets remaining in the trust pass to the charity. This can be an attractive strategy for older individuals who seek income. There are a few other variations of the charitable remainder trust, depending on how the income stream is calculated. With a charitable lead trust, the order is reversed; the charity gets the first, or lead unitrust or annuity interest, and the noncharitable beneficiary receives the remainder interest at the end of the trust term.

Charitable gift annuity. A charitable gift annuity provides a fixed annuity for one or two persons for life. It's easier to establish than a charitable remainder trust because it doesn't require a formal trust document.

Private foundation. A private foundation is a separate legal entity you create that makes grants to public charities. You and your family members, with the help of professional advisors, run the foundation--you determine how assets are invested and how grants are made. But in doing so, you're obliged to follow the many rules and regulations governing private foundations.

Donor-advised fund. Similar to but less burdensome than a private foundation, a donor-advised fund is an account held by a charity to which you can transfer assets. You can then advise, but not direct, how your assets will be invested and how grants will be made.

Tax benefits

Charitable giving can provide you with great personal satisfaction. But let's face it, the tax benefits are valuable, too. Your gift can result in a substantial income tax deduction in the year you make the donation, and it may also reduce capital gains and estate taxes. With a charitable remainder trust, you generally receive an up-front income tax deduction equal to the estimated present value of the interest that will eventually go to charity.

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. Your overall itemized deductions may also be limited based on the amount of your AGI.

The charity must be a qualified public charity in order for you to enjoy these tax benefits. Not all tax-exempt charities are qualified charities for tax purposes. To verify a charity's status, check IRS Publication 78, or visit www.irs.gov.

Prepaid Funeral Arrangements Can Have Grave Consequences

Possible long-term care benefit

Irrevocable funeral trusts may also help you qualify for long-term care benefits through Medicaid. These trusts may be funded with assets that would otherwise be countable resources for Medicaid. Trust assets, including life insurance death benefits, are not countable resources when trying to qualify for long-term care benefits through Medicaid. And you can fund the funeral trust right before applying for benefits--there's no "look-back" period for these transfers. The legal expense to create an irrevocable funeral trust (IFT) is typically paid by the insurance company, which acts as the Trustee. There is typically no expense to the insured party to create the IFT other than the one-time cost of the insurance. Almost all states impose a limit on the amount of money that can be placed in a funeral trust. Not all funeral trusts are considered to be Medicaid-exempt assets. Consult with your estate planning attorney for help with your individual circumstances.

An important part of estate planning involves consideration of funeral or memorial arrangements, including paying for some or all of the costs in advance. Planning ahead not only spares your survivors from the stress of making these decisions, but prepaying for your services relieves your survivors from the burden of worrying about money during an otherwise difficult time.

Prepaid agreement

One way to prepay your funeral is by entering into a pre-need agreement with a funeral home of your choice. The funeral home may agree to "lock in" costs for future funeral or burial services at an agreed-upon price. This is often done through a trust or other arrangement that you can fund with cash, bonds, or life insurance. At your death, the funds are disbursed to pay for your funeral according to the terms of the agreement.

But before entering into a prepaid arrangement, you may want to get answers to the following questions:

- What happens to the funds you've prepaid? How are they held? Do they earn interest? Are they safe?
- What happens if the funeral home goes out of business? What protections, if any, do you have that your funds will be available when needed?
- Can you cancel the agreement and, if so, are you able to receive a refund?
- If you move, can your funds be transferred to another funeral home? Will the same terms apply? Is there a fee or cost to transfer your funds to another funeral home?

The Funeral Rule

There are some legal protections available to consumers of funeral home services. The Funeral Rule, enforced by the Federal Trade Commission (FTC), requires funeral providers to give consumers accurate, itemized price information and other disclosures about funeral goods and services. The Rule also prohibits funeral providers from misrepresenting service-related requirements and from engaging in unfair or deceptive practices.

The key feature of the Funeral Rule is the General Price List, which entitles consumers to receive itemized prices for the various goods and services offered, allowing them to comparison shop and to purchase goods and services on an itemized basis, and not solely as part of a package. For more information on shopping for funeral services, the Funeral Rule, and prepaying for some or all of the expenses involved, visit the FTC consumer website [www.consumer.ftc.gov.](http://www.consumer.ftc.gov)

State law protections

The Funeral Rule generally governs funeral providers. It does not offer specific remedies or causes of action for consumers who are victims of funeral providers that do not comply with the Rule. Laws in individual states regulate funeral providers and help ensure that advance payments are available when they're needed. However, protections vary widely from state to state, sometimes providing a window of opportunity for unscrupulous operators.

What can you do?

Before entering into a prepaid agreement, here are some steps you can take to safeguard your funds and ensure you'll get the services you've payed for:

- Find out what kind of consumer protection your state provides and whether it regulates the payment methods.
- Be sure that your funds or insurance policy are held in a trust at a reputable bank or other financial institution that you can check on to be sure your money or policy is safe. You may even be entitled to an annual statement.
- If you're funding some or all of the pre-need arrangements with life insurance purchased through the funeral services provider, be sure the policy is permanent insurance, such as whole life, and not term insurance (if you outlive the term of the policy, there will be no insurance proceeds to pay for your funeral).
- The agreement should address what happens to any excess funds that may be available after paying for your services. Some pre-need contracts allow you to designate how excess funds are to be disposed (e.g., surviving family members, your church or other charity).
- Along those same lines, if you cancel the contract, you may be entitled to a partial or full refund, although some states allow the funeral provider to retain a portion of the funds, often depending on how long the contract has been in existence.

Ultimately, be sure to tell your family about the plans you've made and where you'll keep important documents, such as your last will and testament and any documentation you've retained concerning your pre-need funeral arrangements.

CedarPoint Investment Advisors, Inc.
Dan Wilson,CFP® & Bob Dignan, CFP®, AIF®
524 Milwaukee Street
Suite 300
Delafield, WI 53018
Phone 262.303.4503
Fax 262.303.4325
dan@cedarpointinvestments.com
www.cedarpointinvestments.com

What is this new chip-card technology I've been hearing about in the news?

In recent years, data breaches at major retailers have increased across the United States. As a way to counteract these data breaches, many U.S. credit-card companies have started implementing a more secure chip-card technology called EMV (which is short for Europay, Mastercard, and Visa).

Currently, most retailers use the magnetic strips on the back of your debit or credit card to access your account information. Unfortunately, the information contained in the magnetic strips is easily accessed by hackers. In addition, the magnetic strips use the same account information for every transaction. So once your card information is stolen, it can be used over and over again.

With the new EMV technology, debit cards and credit cards are embedded with a computer chip that generates a unique authentication code for each transaction. So if your card information is ever hacked, it can't be used again--it's a "one-and-done" scenario.

While many developed nations moved to EMV technology years ago, U.S. retailers have previously been unwilling to shoulder the costs. Fortunately, there is good news for U.S. consumers on the horizon.

Beginning in 2015, many large retailers will switch to the new EMV technology by installing payment terminals designed to read the new chip-embedded payment cards. It may take additional time, however, for smaller retailers to adopt this latest technology.

Along with EMV, even more advanced encryption technology is being developed that will increase security for online transactions and payments made with smartphones. In fact, new mobile payment options like Apple Pay and Google Wallet could eventually make paying with plastic entirely obsolete.

In the meantime, in the wake of these data breaches, you should make it a priority to periodically review your credit-card and bank account activity for suspicious charges. If you typically wait for your monthly statements to arrive in the mail, consider signing up for online access to your accounts--that way you can monitor your accounts as often as needed.