



Michael W. Morrison, CFP®
 Certified Financial Planner
 Serving Orange County since 1987
 18837 Brookhurst St # 208
 (next to Marie Callendars)
 Fountain Valley, CA 92708
 714-345-6865
 mike@morrisonplanning.net
 www.morrisonplanning.net

Important questions to ask yourself:

Do I have a financial plan? Is it written?

Am I earning enough on my investments to meet my goals? If not, what can I do?

Am I taking too much risk? Or too little? How can I tell? What can I do?

Am I paying too much income tax? estate tax? What can I do?

Can I retire comfortably? Will I have enough to last my lifetime? If not, what can I do?

Fulfilling your financial goals matters to me and it is with that intention that this newsletter is available to you. In addition, my website has a wealth of timely articles, calculators, as well as a copy of current and archived newsletters.

Creating common sense solutions begins with a tailored, effective financial plan. You are invited to call with financial questions of any kind in the areas of life that are most important to you. Appointments may be held at your home/office or my Fountain Valley office.

Professionally yours,

Michael W. Morrison, CFP

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Common Sense Newsletter

Your Future Begins by Planning for it...Today

What Is a Private Insurance Exchange?



The Patient Protection and Affordable Care Act (ACA) provides for the creation of government-sponsored health insurance Exchange Marketplaces through which consumers and small businesses (fewer than 50

full-time equivalent employees) can comparison shop for health insurance that meets the minimum requirements of the ACA. Consumers and small businesses also may use Exchange Marketplaces to apply for tax credits that help offset the cost of health insurance. Government Exchange Marketplaces also provide the venue through which consumers may apply for an exemption to the ACA's health insurance mandate that requires most people to have health insurance coverage.

But government Exchange Marketplaces are not the only health insurance forums through which consumers and businesses may shop for insurance. Private exchanges are growing in number and popularity for both individual consumers and businesses.

What is a private exchange?

A private exchange is typically an online resource set up by insurance brokers, insurance companies, or benefit consultants, through which consumers and businesses can shop for health insurance, enroll in a plan, and receive customer support. Private exchanges are not part of the ACA, so unlike government Exchange Marketplaces, private exchanges don't offer tax credits, nor do they provide exemptions to consumers from the health insurance mandate. However, some private exchanges may offer help to consumers enrolling for coverage through government Exchange Marketplaces, especially if the consumer may be eligible for tax credits.

What do private exchanges offer?

Private exchanges typically offer two or more health insurance options, which may be from a single carrier or multiple insurers. Private exchanges may also provide:

- Information on available insurance options

- Assistance and recommendations about what insurance best fits the needs of the consumer
- Automated billing and processing
- Insurance products that can't be purchased through a government Exchange Marketplace such as vision, dental, hospitalization, disability, long-term care, life, and property insurance

Types of private exchanges

Generally, there are three types of private insurance exchanges, although some private exchanges may offer a combination of services and products. Private exchanges may be described as follows:

Individual private exchange

These exchanges offer insurance products and services to individual consumers and their families. Health insurance policies must meet the requirements of the ACA as to underwriting, benefits, and cost. However, consumers are not able to receive premium tax credits or cost-sharing reductions directly through an individual private exchange.

Group private exchange

Group private exchanges service employers that provide fully insured health coverage to their employees. Employers may have several major medical insurance options available through the private exchange that can be offered to employees. In addition, employers may offer supplemental insurance products (e.g., life, accident, long-term care) to employees through the private exchange.

Employer-sponsored individual private exchange

Also referred to as defined contribution health care, employers commit a stated dollar amount to the employee for individual or family coverage. Employees then select from a variety of plans offered by the private exchange that best meet their respective needs and add their own salary-deferred contributions to cover the premium exceeding the employer's contribution.



Tips for paying off student loans:

- **To make your payment schedule easier, consider consolidating or refinancing your student loans**
- **To shorten the overall repayment term and save on interest charges, try to divert extra funds toward monthly principal prepayment**
- **If you are having trouble paying your federal student loans, look into the government's Income-Based Repayment (IBR) plan**

Personal Finance Tips for New Graduates

You've marched along to *Pomp and Circumstance* and collected your diploma--now you're ready to finally head out on your own. Maybe you have student loans that you need to start paying back. Perhaps you're looking forward to making your first car purchase or starting a new job. Whatever your situation, you'll definitely have new financial challenges you'll need to address and financial goals that you'll want to accomplish during this stage in your life. Fortunately, there are some relatively simple steps you can take to get started on the right track with your personal finances.

Create a budget

An easy way to maintain control of your finances is to create a budget. Ideally, a budget will assist you in making sure that you are spending less than you earn.

In order to create a budget, you'll need to identify your current monthly income and expenses. Income includes your regular salary and wages, along with other types of income such as dividends and interest.

When it comes to identifying your expenses, it may be helpful to divide them into two categories: fixed and discretionary. Fixed expenses include things that are necessities, such as rent, transportation, and student loan payments. Discretionary expenses include things like entertainment, vacations, and hobbies. You'll want to include out-of-pattern expenses (e.g., holiday gifts, auto repair bills) in your budget as well.

The most important part of budgeting is sticking to it. To help you stay on track:

- Try to make budgeting a part of your daily routine
- Build the occasional reward into your budget (e.g., splurge on a latte at the local coffee shop or have dinner at a restaurant instead of cooking at home)
- Be sure to evaluate and monitor your budget regularly and adjust/make changes as needed

Make saving a priority

Whether it's setting enough aside on a regular basis to accumulate an emergency cash reserve or putting money into an employer-sponsored retirement plan, if your budget allows, you should make saving a priority. And being a young investor means that you have one powerful advantage over older generations--time. By making saving a priority early in your life, your money can have more time to potentially grow and take advantage of the value of compound interest. To make it

even easier to save, you can arrange to have a portion of your paycheck/earnings directly deposited into a savings or investment account.

Get a handle on your debt situation

Whether it's debt from student loans or credit cards, it's important to avoid the financial pitfalls that sometimes go hand-in-hand with borrowing. In order to manage your debt situation properly:

- Keep track of loan balances and interest rates
- Develop a plan to manage your payments and avoid late fees
- Pay off high interest debt first or take advantage of debt consolidation/refinancing

Understand the importance of having good credit

Credit reports affect so many different aspects of one's financial situation--from being able to obtain a car loan to being a prerequisite for employment. Having a good credit report will allow you to obtain credit when you need it, and often at a lower interest rate. As a result, it's important to establish and maintain a good credit history by avoiding late payments on existing loans and eliminating unpaid debts. Finally, it's important to monitor your credit report on a regular basis for possible errors.

Evaluate your insurance needs

As a younger individual, insurance is probably not the first thing that comes to mind when you think about your finances. However, having the right amount of insurance to protect yourself against possible losses is an important part of any financial plan. Your insurance needs will depend on your individual circumstances. For example, if you rent an apartment, you'll need to obtain renters insurance to protect against loss or damage to your personal property. If you own a car, you'll need to have appropriate coverage for that as well. You'll also want to evaluate your needs for other types of insurance (e.g., disability and life).

Finally, under the Affordable Care Act, everyone, regardless of age, must have qualifying health insurance or risk paying a possible penalty. If you don't have access to health insurance through your parent's health plan or an employer- or government-sponsored health plan, you may purchase an individual health plan through either the federal or a state-based health insurance Exchange Marketplace. You can visit www.healthcare.gov for more information.



Is retirement saving with an IUL policy right for you?

IUL may be an option if:

- You want permanent cash value life insurance with the associated death benefit
- You understand that mortality charges and other expenses can decrease your cash value
- You like the potential of cash accumulation coupled with the opportunity to earn interest based on positive market index returns
- You intend to keep the policy for a long time (usually at least 10 years) before taking withdrawals from cash values

***Policy guarantees are subject to the claims-paying ability of the insurance issuer.**

Retirement Planning with Indexed Universal Life Insurance

The cash accumulations of cash value life insurance may be used to supplement other sources of retirement income. Cash value life insurance refers to a wide variety of insurance policies that provide both a death benefit and the potential accumulation of cash value over a period of time. Indexed universal life insurance (IUL) is a type of cash value life insurance with features that make it an appealing choice as a retirement savings vehicle because it offers an index account option that credits interest to cash value based, in part, on the performance of a market index (e.g., S&P 500, Dow Jones Industrial Average, NASDAQ). The amount of interest credited depends on specific policy provisions. Indexing methods are complex and are subject to conditions and limitations, which should be considered carefully before investing.

How does IUL work?

Like typical universal life insurance, after payment of insurance costs and charges, excess IUL premiums are deposited into a cash value account. However, unlike universal life, interest earnings on cash values in an IUL are tied to the performance of a market index. The amount of interest that is credited depends on specific policy provisions and how well the market index performs.

Once an index is identified, the performance of the index is measured over a period of time, called the term. The term can be one year, two years, or many consecutive years, although often the term is one year. If the index increases in value at the end of the term, the amount of the increase or gain that's credited to the IUL policy's cash value is based on a percentage of the gain, called the participation rate. For example, if the IUL has an 80% participation rate, then 80% of the gain in the index will be credited to the cash value, usually subject to a cap.

The cap sets the maximum amount of interest that is applied to the cash value of the IUL. If the cap is 10%, then the most interest credited to the policy's cash value will be no more than 10%. Index gain exceeding the cap is not credited to the cash value.

Cash values may be withdrawn

IUL cash values grow tax deferred, meaning, in most cases, you do not pay income tax on interest credited to cash values within the policy. However, you may be able to access the policy's cash value during your lifetime.

You can take tax-free withdrawals up to your policy basis (premiums paid), and you can take policy loans against the cash value as well. Cash withdrawals may be subject to surrender

or withdrawal charges that would reduce the policy's cash value. A fixed or variable interest rate will be charged. Keep in mind, however, that if you take a loan against your cash value, the death benefit available to your survivors will be reduced by the amount of the loan. In addition, policy loans may reduce available cash value and can cause your policy to lapse. Finally, you could face tax consequences if you surrender the policy with an outstanding loan against it. Different tax rules apply to withdrawals and loans from cash values if the policy is a modified endowment contract. In that case, withdrawals and loans are considered made from earnings first, and would be subject to income tax.

Using IUL for retirement

- Policy cash values are credited with interest based on gains, if any, in a market index.
- Generally, cash accumulation values of IUL policies are not affected by negative market returns. If the targeted market index loses value during the term, the policy's cash value will not suffer comparable losses, although no interest may be earned.
- Cash accumulation values grow tax deferred, and may be accessed on a tax-free basis.
- A tax-free death benefit is available to protect your loved ones from financial uncertainty in the event of your premature death.
- IUL offers flexibility through the ability to change the amount of death benefit, premium amounts, and payment frequency.

Other factors to consider

IUL cash values may experience little or no gain during periods of negative index returns. And interest rate caps may limit potential upside growth. Also, IUL has many "moving parts" that need to be considered. Policy fees, charges, and costs reduce your cash value. And withdrawals of cash values may cause your policy to lapse if you don't make additional premium payments or there isn't enough cash value to pay the costs of insurance.

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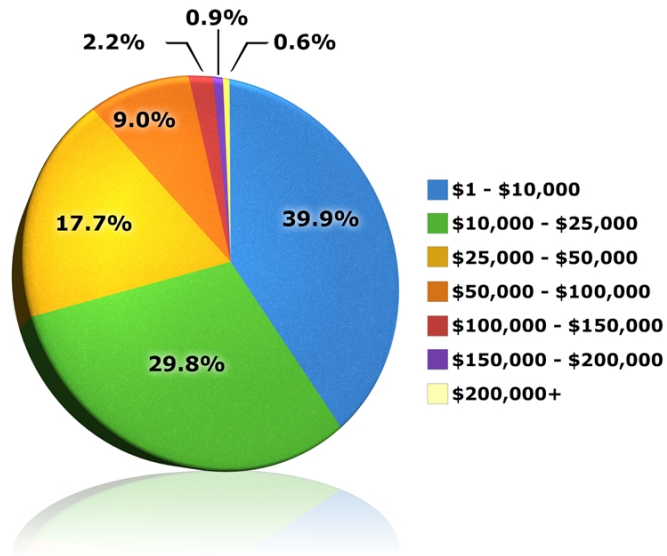
THANK YOU

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LET MUSIC SWELL THE BREEZE,
AND RING FROM ALL THE TREES,
SWEET FREEDOM'S SONG

Chart: Student Loan Balances, Q4 2012



Student loan debt is the only type of household debt that continued to rise through the Great Recession, and is now the second largest balance after mortgage debt. This chart shows the percentage of borrowers with certain student loan balances as of the last quarter of 2012, the most recent date for which figures are available. Source: Federal Reserve Bank of New York, *Student Debt Overview*, August 14, 2013. (Data in chart may not equal 100% due to rounding.)