RFC FINANCIAL PLANNERS
Organize. Simplify. Plan.

MICHAEL D. RAUTIOLA, CFP®, ELIZABETH A. ALLEN, CFP®, ADAM J. FINCH, CFP®
CERTIFIED FINANCIAL PLANNER™ Professionals

Planning Points

Winter Newsletter – 2013

OUR THOUGHTS:

HAPPY NEW YEAR!

We wish all of you the best of New Years for 2013 and we are glad we didn't fall off the fiscal cliff for now. As we face another New Year should we talk more about resolutions or setting priorities? Perhaps setting priorities is more attainable than making resolutions that are usually forgotten. What is a priority? Whether you're wealthy or not, you are making choices everyday, but a priority is making a conscious, or you might say an intentional decision on choices in advance. Make a list of what is important to you with a price tag. An example might be paying off your credit card debt or taking a vacation (and possibly adding to your debt). How badly do you really want to retire? Are you willing to save more and cut back on other spending that may not be as important to you? It's easy to buy books or rent movies, but have you looked at how much you might spend in a year doing so? Maybe you should consider getting them from the library at no cost. You can even download your books from the library to your eReader, which can include new best sellers.

After you have set your priorities, the next step is to have a plan. Your plan should have a simple strategy that keeps you living within your income. Living within your income also means that you should have a plan that includes such things as saving for emergencies, retirement, maybe your dream vacation, and even for such boring things as shopping at the grocery store. Here are some of our tips to help you spend your money wisely and increase the likely success of your plans:

- Clip coupons for everything
- Cancel unused subscriptions
- Give up expensive habits you can't really afford–going out for lunch, buying coffee and lattes. Many habits are formed out of convenience and not necessity. Did you know if you spend $6.00/day on lunch (for a 5 day work week/52 weeks) it equates to spending $1,560/year and if your spouse also does this it can mean double or $3,120/year?
- Review regular bills for further cost saving measures such as your cable, cell phone, and land line.
- Review insurances, like auto and homeowners, and shop for a better price and maybe even better coverage.
- Keep receipts to check against pricing mistakes. The auto-pay world makes it easy for us to overlook mistakes and we forget how much we are spending and what we are spending it on.
- Automatic savings plans are pathways to success. Set aside a fixed amount of money for such things as entertainment or vacations. The goal is to avoid spending money that you don't have.

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● Know your employer benefits to maximize savings and your personal benefits usage. We are always encouraging our clients to know their benefits. If the last time you read your employer's benefit handbook was when you were first hired, take the time to read it again as other benefits might be applicable to your situation now.

Bottom-Line-Prioritize and Plan…Don't Let Short-Term Needs Displace Your Long-Term Strategy

DID YOU KNOW?

Many past tax relief acts were made permanent or extended through the American Taxpayer Relief Act of 2012 (Fiscal Cliff Deal). Some of the highlights include:

● Permanent extension of all of the current income tax brackets, except for that the 35% bracket increases to 39% for individuals making more than $400,000 ($450,000 for couples).

● Permanently extends the current dividend and capital gains tax rates, except for that rates increase from 15% to 20% for individuals making more than $400,000 ($450,000 for couples). These rates do not include the 3.8% Medicare surtax applicable to net investment income for higher income taxpayers.

● Permanent AMT (Alternative Minimum Tax) patch and continuous adjustments for inflation, which prevents millions of households from getting hit with this add-on tax.

● The 2% payroll tax holiday was not extended. Ignoring pay raises, be prepared to see slightly less take home pay as a result.

● Increases the maximum estate tax rate from 35% to 40% on estates worth more than $5 million, with continuous adjustments for inflation.

● Renews child care, tuition, and research and development tax credits.

● One year extension of unemployment insurance provisions.

● Individuals can now convert pre-tax company retirement plan balances (401K, 403B, 457) into a Roth account within the same company retirement plan. Previously, employees only had the right to withdrawal from the plan and convert to a Roth IRA when they reached age 59 $^{1}/_{2}$ or separated from service.

● Itemized deductions and personal exemptions will be limited for individuals making $250,000 ($300,000 for couples) or more.

Although the deal recently reached was good news for the financial markets, Washington's fiscal soap opera is far from over. Next we wait to see how the United States debt limit, government spending, and entitlement programs are attended to**.**

RFC NEWS

Great news – Elizabeth (Beth) Allen will be officially joining our firm this year. We have been working together with many clients and projects for several years now, including our newsletter and client events. Adam and Mike have provided backup support for Beth and her clients when she has been out of the office. Although she will continue to work from her home and meet clients in the Farmington Hills office on 12 Mile Road and the Ann Arbor office, her official branch office will be changing to RFC Financial Planners in Ann Arbor. Her office phone number will remain unchanged, plus she now has an extension at the office at RFC Financial Planners, which is 734.272.4224 ext. 5. We look forward to continuing our work together and providing only the highest level of service to you.

Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.

RFC Financial Planners
Local: 734.272.4224
Fax: 734.864.0330
529 S. Ashley St.
Ann Arbor, MI 48103
Toll Free: 800.203.9117
www.rfcfinancialplanners.com
Organize. Simplify. Plan.

Elizabeth A. Allen, *CFP*®
Local: 248.522.2249
Fax: 248.522.2251
25348 Farmington Road
Farmington Hills, MI 48336
eallen@sigmarep.com

If you would prefer to receive our quarterly newsletter via e-mail instead of by mail, please e-mail us at info@rfcfinancialplanners.com