San Diego Chapter American Payroll Association Newsletter ~ Summer 2013

Contents:

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Congratulations!

We received several Scholarship applicants this year, a record number for SDAPA based on the last few years. This left us with the difficult task of choosing the recipients from among so many strong candidates. All the essays were sent to each board member with all personal information hidden….an unbiased decision was what we were after and the voting was close but two clear winners surfaced:

Jerry Davis; is senior at the University of San Diego where he is completing the courses necessary to achieve his Bachelor of Science degree in finances. Jerry is pursuing an Actuarial Certification and the scholarship monies he's won will assist him in completing his actuarial science examinations.

Joshua Hobart; a senior at Christian High School will be attending Grand Canyon University in Phoenix, AZ come this Fall. Joshua has been a formidable force of positivity while experiencing unimaginable challenges. Joshua plans to study Forensic Sciences and hopes to become a crime scene analyst.

The San Diego Chapter of the American Payroll Association is honored to support two such deserving recipients and wish you both the best of luck in all your endeavors.

Defense of Marriage Act deemed unconstitutional ~

Now that the United States Supreme Court has announced that Section 3 of the federal Defense of Marriage Act (DOMA) is unconstitutional, a host of federal tax and employee benefit issues, among others, arise. How the repeal affects some of these is clear, but the resolution of others may not be possible absent guidance from the relevant agencies. Here are a few of the big ticket items that will affect most employers.

GROUP HEALTH PLAN ISSUES

Under federal law prior to the repeal of Section 3 of DOMA, the trilogy of federal income tax consequences to an employee participating in an employer sponsored group health plan with domestic partner or same-sex spouse coverage generally were: (1) imputed income to the employee equal to the value of the coverage for the same-sex spouse or domestic partner; (2) the prohibition on the use of pre-tax employee contributions to pay for the incremental cost of same-sex spouse or domestic partner coverage under the group health plan; and (3) a ban on the reimbursement of health expenses incurred by the same-sex spouse or domestic partner under various tax-favored vehicles (including health care flexible spending accounts, health reimbursement arrangements and health savings accounts). Now that same-sex marriage is recognized under federal law, these consequences no longer apply. And so, for example, employers can stop imputing income for federal income tax purposes.

It is not clear how the repeal of Section 3 of DOMA will be applied on a retroactive basis, however, and we anticipate guidance from the Internal Revenue Service will be forthcoming. For example, can income imputed for federal income tax purposes with respect to coverage provided earlier this year be reversed? Or can employees change their pre-tax premium payment elections mid-year in the absence of an otherwise valid “change in status” event? (That said, it seems clear to us that at the next open enrollment, an employee with a same-sex spouse will now be permitted to use pre-tax dollars to pay for his or her share of the entire cost of coverage.) And can medical expenses incurred by a same-sex spouse prior to the Supreme Court’s decision be reimbursed (on a tax-favored basis) from any of the vehicles mentioned? Pending guidance, employers should tread carefully before implementing some of these changes.

RETIREMENT PLAN ISSUES

Going forward, same-sex spouses should be treated in the same way as opposite sex spouses for qualified retirement plan purposes. For example, consent of the same-sex spouse will now be required in order to designate a beneficiary other than the spouse under most qualified plans. Similarly, for plans with a default qualified joint and survivor annuity (QJSA) form of payment, such as defined benefit plans, same-sex spousal consent will now be required to elect an alternative distribution form. And qualified plans will be permitted to transfer benefits to a former same-sex spouse under a qualified domestic relations order (QDRO). Again, the extent to which DOMA applies retroactively remains to be seen, and the validity of preexisting beneficiary designations for someone other than the same-sex spouse, as well as prior distribution elections other than in a QJSA form, will need to be confirmed by future guidance.

A MYRIAD OF OTHER ISSUES

Employees with same-sex spouses may want to change their payroll tax withholding elections, and some may even ask about refund claims with respect to the additional income included for coverage of a same-sex spouse prior to the Supreme Court’s decision. Many same-sex couples have already filed so-called “protective” federal refund claims to prevent them from being barred by the statute of limitations. Employers may also now consider filing refund claims with respect to additional employment taxes paid on imputed income (and the after-tax payment of the employee’s share of the incremental cost of coverage under a cafeteria plan).

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As a reminder, the Supreme Court decision does not affect the federal tax treatment of domestic partner benefits and does not affect the state income tax treatment of domestic partner or same-sex spousal benefits. The decision also does not resolve how to administer benefits of same-sex couples who live in states that do not recognize same-sex marriage, but were married in a state that does.

Courtesy of SULLIVAN & WORCESTER

When You Haven't Saved Enough for Retirement

From The Huffington Post

You’re over 50 -- and you’re pretty sure you haven’t saved enough. Advice on how to sock away money for retirement gives you chills. You try to ignore the problem, but that's getting harder and harder every day. Let’s face it: You’re in a hole.

But you’re in good company. The Employee Benefit Research Institute found that 36 percent of workers do not think they are doing a good job of saving for retirement; 22 percent said they now are going to retire later than planned.

What to do?

If you have a 401(k), you can start taking control of your financial future by learning how to calculate whether you’re putting away enough money. Should you find that you’re not or if you don’t have a 401(k) and need to ramp up your retirement savings, here’s what advisers say you should do:

Move Quickly You’ve had your head in the sand for decades. Once you wake up, start taking responsibility. Lyman Howard, a San Francisco-based financial consultant, said people in their 50s and 60s must hurry and take advantage of the time they have left before retirement.

“Our advice to them is that they must make the best use of the next five to 10 years to make changes that will allow them to accumulate higher savings and reduce debt," Howard said. "So that if they lose the ability to work, they are not locked into a substandard lifestyle for the rest of their lives based on those insufficient savings.”

Make Saving a Top Priority When you were younger, 401(k) contributions might have seemed like an optional expense. As you enter middle age, there simply are no more excuses not to save.

Even if you plan to work in retirement, you could be facing health care costs that will ramp up quickly.

Financial adviser Alexey Bulankov of Redwood Shores, Calif., said that he tells clients that putting money aside should take priority over all other expenses. “We talk to baby boomers about planning for ‘certain things first,’” Bulankov said.

“Retirement, health care costs, taxes and estate planning are the issues which will almost invariably come up for most of our clients. There is a great degree of uncertainty associated with other obligations,” he added. “For example, their kids may opt to pay for their own wedding, work through college or get a scholarship. Their parents may decide to sell their house to pay for their own retirement and so on."

Paying yourself first, Bulankov said, means putting money aside for retirement goals then ensuring that you meet all other obligations, including monthly bills.

Narrow the Gap Add up all the money you might have in retirement, even if it isn’t much. Mystic, Conn.-based adviser Robert Henderson said boomers should remember that retirement income comes from more sources than just a 401(k).

“Sometimes boomers overlook certain things such as pensions, accrued stock options or restricted stock awards, Social Security (especially the Social Security spousal benefit) and retiree medical benefits. Instead, they just focus on their nest egg,” Henderson said.

Financial advisers and their clients “need to make sure we look at all sources of income and ways to possibly maximize those, perhaps by delaying Social Security, for example," he added. "Sometimes we can narrow the gap a bit by maximizing each of these.”

Prepare for a “Cliff Retirement” If your situation is really bad – if looking around for a forgotten pension or postponing claiming Social Security isn’t going to cut it – you need to mentally prepare yourself for a diminished standard of living in retirement.

It’s something Bonnie Sewell, a certified financial planner based in Leesburg, Va., finds all too often. “I am seeing clients who are experiencing ‘cliff retirements,’” she said. “These are good people who started to save more or spend less too late in life. The effect is that friends and family knew them to be living one way – in one case, on $400,000 per year – but in retirement, these folks will experience going off a cliff in terms of lifestyle. So someone previously living on $400,000 will now have to live on $80,000.”

This kind of drastic reduction can result in “an unexpected or unwanted move,” Sewell said.

Face the Problem Head-On Preventing a cliff retirement from happening to you can be difficult, but ignoring the problem will only make it worse.

“Changing behavior is hard, but if a person has a target of where he needs to get to, then he can put together a series of incremental, yet achievable, steps to reach the end goal,” said Andy Tilp, of Trillium Valley Financial Planning in Sherwood, Ore. “Studies have found that focusing on a small, achievable goal is much more likely to be successful than being overwhelmed by one huge, bodacious goal.”

Tilp said the small steps could include things like increasing your 401(k) contribution by 1 percentage point (from say, 5 percent of pay to 6 percent) and then doing that again in a few months -- again and again. This way, you'll have time to adjust to the slight decrease in your take-home income.

He also suggests doing a detailed cash flow analysis to identify areas where your day-to-day expenses can be cut.

Don't Panic "Neither panicking nor putting off the matter will solve the problem," said Jason Gerlach, managing director of Sunrise Capital in San Diego. "Boomers should stop what they're currently doing, take a breath, get organized with a full inventory of what they have and sit down with someone who can help them objectively assess their situation."

If you do this and find a shortfall in retirement savings, there are many immediate steps that can and should be taken, said Gerlach, starting with a reduction in your spending, to allow for an increase in the amount you can save.

"It's often psychologically challenging, but cutting spending is the easiest way to get retirement savings back in the right direction and almost everyone can review their expenses and find things that they don't need to be spending money on."

Jason's advice is key: The time to be illogical is over. If you don't have enough savings, you need to begin acting rationally and taking a cold, hard look at the numbers, without letting your emotions take over.

Remind yourself: At the end of the day, it's going to be OK.

Working with a financial adviser can be a huge help. "Look, we can almost always improve someone's situation and not trying seems truly crazy," Sewell said. "Besides, the majority of folks are in the same spot."

GO FOR THE GREEK!

A diet full of nutrients and health benefits as suggested by Kaiser Permanente ~

Greece is famous for its history, art, and philosophers. Now, it's being recognized for its diet.

The Greek diet (also known as the Mediterranean diet) has been proven to hold many health benefits: The Lyon Diet Heart Study* found that people who followed the Mediterranean diet had 72 percent fewer coronary events such as a heart attack and a 61 percent decrease in the risk of cancer. Other studies have shown that the Mediterranean diet may lower risk of Alzheimer's disease, diabetes, and high blood pressure.

This diet is rich in fiber, monosaturated fats, and antioxidants — all of which are known to fight chronic illnesses. It also keeps bad cholesterol at bay, helping ensure your heart's pipes stay squeaky clean.

What are the key ingredients of this diet?

- Eat mostly fruits, vegetables, olive oil, legumes, nuts, and whole grains.
- Eat fish and poultry twice a week.
- Add low-fat dairy like Greek yogurt.
- Once or twice a month, eat small portions of lean, red meats.
- Rely on herbs and spices to add flavor to your meals instead of salt.

Add more greens ~ So, what's the easiest way to add more plants to your diet?

The answer may surprise you. Grow your own**!**

Maintaining a garden is easier than you think — with no yard required. Many fruits and vegetables can be grown in pots on a patio.

- **Swiss chard** is easy to grow in the ground or in pots. Plant in full sun, and harvest the outermost leaves first so new leaves continue to grow from the center.
- **Tomatoes** should be planted when the danger of frost is over. You'll want to plant them in a spot that gets at least 8 hours of sunshine.
- **Potted vegetables** should be planted with potting soil, and will need more watering and feeding than a garden in your yard.
- **Dwarf citrus trees** may be planted in pots.
- **Strawberries** can thrive in a container.

Try this recipe

Farmers Market Greek Salad ~ Serves 4 as a salad course

1 pound of tomatoes of different sizes and colors, thickly sliced
1 cucumber, sliced diagonally
1/4 red onion, thinly sliced
2 ounces feta cheese
12 basil leaves, torn into pieces
12 Kalamata olives, pitted and halved
1 tablespoon white wine vinegar
2 tablespoons extra virgin olive oil
1 large garlic clove, mashed with salt
Freshly ground pepper to taste

Arrange the tomatoes artfully on a platter. Top with red onion, cucumber, feta, basil, and olives. Mix the mashed garlic with the vinegar in a small bowl then whisk in the olive oil. Dress the salad just before serving. Season to taste. This is an incredibly simple and wonderful way to welcome summer.

Nutritional Info ~ Per serving:

Calories: 146
Total fat: 12 g
Saturated fat: 3 g
Trans fat: 0 g
Cholesterol: 12 mg
Sodium: 312 mg
Total carbohydrate: 8 g
Dietary fiber: 2 g
Sugars: 4 g
Protein: 4 g

NOTICE:

The ObamaCare Employer Mandate / Employer Penalty Delayed until 2015

The ObamaCare employer mandate / employer penalty, originally set to begin in 2014, will be delayed until 2015. The ObamaCare "employer mandate" is a requirement that all businesses with over 50 full time employees provide health care for their employees or face a tax penalty. The tax penalty is between either a $2,000 per employee tax, if the employee purchases insurance without tax credits, or a $3,000, if the employee uses premium credits to purchase insurance through the exchange. The employer mandate is officially referred to as a "shared responsibility fee", as employers tax will go to help fund tax credits to Americans using the health insurance exchanges.

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