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The Timing Rules for Certain End-of-Year Payments:

When it Comes to Making Year-End Gifts, if you're making a gift by check and want it to count as a 2015 gift, make sure the recipient deposits it by Dec. 31. However, if you give a certified check by year-end, it will count as a 2015 gift, even if the recipient does not deposit it into his or her bank account until next year.

If You're Giving Securities: Endorse them over to the recipient and deliver them by year-end if you want the gift to count for 2015. If you send them to the corporation late in the year to be retitled, the process will likely not be completed by Dec. 31.

Use the Full $14,000 Gift Tax Exemption: You can make gifts up to $14,000 per person and up to $28,000 if both spouses consent to split their gifts and file the IRS form 709 gift tax return. These are tax-free and don't reduce your lifetime gift and estate tax exemption, which is currently over $5,000,000. If you don't give the full amount, you cannot give more next year to make up for the shortfall.

Gifts to Charity: If you are making a charitable gift by check, then the tax laws use an "in the mail" rule. If the check is in the mail by year-end, the deduction will be claimed in 2015 regardless of when the charity deposits the check.

If the charitable gift is made with a bank credit card, you claim the deduction in the year that you charged the expense, even if you pay the bill in the next year.

Year-End Action on Flexible Spending Accounts: If you offer this or if your spouse works for a company that offers it, double-check the plan. You will have to empty out the account by Dec. 31 if the employer hasn't implemented either the 2½-month grace period or the $500 carryover rule. If not, you will forfeit any remaining money in the account.

If You Convert a Traditional IRA Into a Roth IRA This Year, Be Sure Your Withholdings or Quarterly Estimates Are Big Enough to Avoid the Penalty on Under Prepayment of Tax: A Roth IRA conversion creates taxable income that is easy to overlook when calculating withholdings or quarterly estimates. Extra withholding near year-end can solve the problem, as a special rule treats withheld taxes as if they were withheld ratably over the year. If you are self-employed paying quarterly estimates and the Roth conversion was in the last three months of the year, ask your accountant to treat the Roth-conversion-generated income as earned in the 4th quarter and covered by an appropriately large 4th quarter (January 15, 2016) quarterly estimate.

Roth 401(k) Accounts are Subject to Required Minimum Distributions: The law on this is convoluted. We must take RMDs from Roth 401(k) accounts when we turn 70-1/2, but not from Roth IRAs. If you turn 70-1/2 in 2015 and you have money in your Roth 401(k), you will be required to take a distribution. To avoid having to do this, you should roll the entire balance into a Roth IRA by December 31st. **Act fast**. It will likely take several days for the transaction to be processed, and delay into 2016 will trigger a 2015 Roth 401(k) minimum distribution.

Insurance Companies are Raising the Premiums on Universal Life (a Form of Cash Value) Insurance Policies: On December 4th the Wall Street Journal reported that tens of thousands of insureds are starting to see their premiums spike because of the prolonged period of low interest rates. If the low rates continue a few more years, then this will become the industry standard and will impact millions of customers.

Insurers cannot invest the premium money at rates that would permit them to pay out death benefits yet keep premiums at their historic levels. As a result, the insureds will be given the choice to pay higher premiums to keep the same basic coverage or keep their premiums fixed but see reductions in the face amount of their policies.

The terms of a cash value life insurance policy are not guaranteed. The glossy proposals make it look like nothing can go wrong and that the policy will be paid up after a reasonable amount of time. It rarely works out. Insurance agents focus on the proposals built on unrealistic growth assumptions. These are salesmanship and are not guaranteed. The guaranteed proposal looks much worse and gets too little attention. We can imagine some peculiar situations where cash value life insurance might be of some value, but most readers of this Newsletter should have no interest in this high commissioned insurance product.

New ADA Member Benefit Will Help Young Dentists Saddled with Student Debt: The ADA has endorsed Darien Rowayton Bank's student debt consolidation program whereby dentists can refinance and consolidate their existing federal and private loans. These include both undergrad and graduate degrees. There is no limit if you are approved and the loan is forgiven if you die or become permanently disabled.

ADA members will get a preferential rate of 0.25% less than DRB's already low rate. Savvy bankers realize that the default rate on loans made to dentists, whether for student loans or to buy a practice, is only about one-third of the default rate on the rest of their loan portfolios. We're told that the refinancing rate is around 4%. You can apply online at www.student.drbank.com/ada.

If Contemplating a Bank Loan, Start With Banks You Are Not Already Doing Business With: Banking is very competitive, and banks are more willing to lend to doctors than they used to be. If you can show you would be a good customer, the other banks will probably make great offers to get your business. You then have something to take back to your present bank to see if it will meet or beat the competition. Of course, you might just find you like one of the new banks better than your old bank - even if it will grudgingly meet the outside offer to keep your business.

Claiming Social Security Disability Payments: If you stop working because of a physical or mental disability, even if you are receiving long term disability benefits, it is important that you also apply for Social

Security Disability. If you do not, you will receive a lower monthly payment when you apply for your retirement benefit. Social Security bases your payments on the amount of money you pay in and the number of years you contribute. If you have a period of years with no payments and you do not receive disability your retirement benefit will be significantly lower.

If you receive disability, benefits are paid as if you are 65 years old at the time your disability payments begin with annual cost of living increases. This benefit, with additional amounts payable to dependent children, is money you have paid for and are entitled to receive if you are unable to work because of a disability.

Social Security disability is payable if you are unable to do substantial gainful employment based on your age, education, past relevant work and physical and mental disability. Because of a doctor's education and past relevant work, unless the medical condition is extremely serious, it is often wise to retain an attorney who will aggressively represent you at the initial application to prove your entitlement.

To prove that you are entitled to disability you must first be shown that you cannot engage in your former occupation, and next that there is no other work that you can do. Your bad back may prevent you from practicing dentistry or veterinary medicine but that wouldn't keep you from teaching or consulting. If your lawyer includes your cardiac problems that keep you from being in extremes of temperature, you may be prevented from going to work regularly. Perhaps the stress of work could affect your cardiac problems which would limit your ability to work. Maybe you have a bad leg or some other health issue that must be considered.

When representing someone on a disability claim, the lawyer should not look at just one condition but at the whole person. The combination of impairments should be analyzed in proving a client's entitlement to disability.

The benefit you will receive from the onset of your disability through retirement age can often be over $25,000 per year or hundreds of thousands of dollars from the onset to normal retirement age. Finally, you become entitled to Medicare after 29 months of disability.

We thank attorney James M. Brown for his knowledgeable contribution to this Newsletter. Mr. Brown is a founding member and past president of the National Organization of Social Security Claimants' Representatives. He works with claimants on disability issues throughout the United States. For further information you can call him at 877-621-2022.

ABLE Investment Accounts Will Commence in 2016: Also known as 529A accounts, these will permit a disabled individual to make after-tax cash contributions to an investment account. The investment grows tax-free and distributions will be tax-free if they are used to pay "qualified expenses."

The federal regulations have been adopted and the states must now pass enabling legislation before the accounts can be started. Many states have already done so.

To be eligible, the individual must show that he was blind or disabled prior to age 26 **or** must meet the eligibility requirements for Social Security Disability Insurance. The account is set up and maintained by the disabled individual, which will provide a sense of empowerment. If the individual is incompetent, the account can be set up by someone holding a power of attorney. The maximum annual cash contribution is limited to the annual gift tax exclusion amount, which will be $14,000 in 2016. Anyone can contribute but the account can't receive more than $14,000 per year.

Each state will determine the maximum size of an ABLE account, which should be a few hundred thousand dollars. Ohio's max, for example, will be $414,000. If the account exceeds $100,000, the individual remains eligible for Medicaid. We expect the investment options to resemble those offered for 529 education plans.

Finally, tax-free “qualified expenses” will be broadly interpreted. The goal is to improve the individual’s life, so the following expenses will be covered: education, housing, transportation, employment training, financial management services, legal fees, funeral expenses and cell phones if they are used for the individual’s assistance. If the funds are not used for qualified expenses, the growth is taxable plus a 10% penalty. This provides a great avenue for family members and others help save money for disabled individuals.

Investment Fees Over the Short-Term and the Long-Term: If you pay 2% of your portfolio each year in investment fees (e.g., 1% to your advisor plus 1% to the actively managed mutual funds that the advisor invests your money in) is this really all that bad?

For example, if you invest $100,000 and earn 7% in the stock market by owning an essentially cost-free index fund, you would have $107,000 going into the second year. On the other hand, if you pay advisory fees of 2%, you would earn only 5% and would have $105,000. This is a relatively meaningless $2,000 difference. It barely registers.

But over a thirty-year career, the differential becomes massive. The so-called “rule of 72” explains why. This is a math principle where if you divide your expected investment rate of return into 72, you will find how many years it will take for your investment to double in value. If your rate of return is 7%, your $100,000 roughly doubles to $200,000 at the end of ten years. $200,000 doubles to $400,000 at the end of twenty years. $400,000 doubles to $800,000 at the end of thirty years.

If investment fees consume 2% of the return and you only earn 5%, then your $100,000 will roughly double to $200,000 after roughly 15 years, and will double again from $200,000 to $400,000 at the end of thirty years. As humans, we are hard-wired to focus on the short-term. But over thirty years, earning 7% vs. 5% is the difference between having a portfolio worth $800,000 and one worth only $400,000! This also explains why professional service companies that have traditionally charged based upon their time spent have morphed into “financial service” companies that charge a percentage of their clients’ portfolios.

Cost Free Practice Management Agreement? We have been asked to comment on proposals doctors have received to pay extremely large sums for extensive practice management consultation. The “gimmick” is that the obligation to pay is apparently limited to a share of the increased income of the practice, creating a “what have I got to lose” attitude.

The problem is that the income from virtually any practice can be increased on a short term basis if the doctor does not care about long term effects: i.e., by an aggressive approach to case presentation and collection. We do not favor these expensive practice management consultation commitments.

Congratulations! Most Readers of this Newsletter Have Chosen the Top Health Care Job - Dentistry: At least according to U.S. News and World Report, which once again named dentistry the top job in health care. Keep this in mind if and when you’re tempted to complain about how certain aspects of practice may have changed over the years. The doom and gloom talk is unfair and dangerous when directed to young doctors or students (and should never be shared with patients).

We see young doctors becoming more cautious about paying full value for a practice and becoming more risk averse in general. That is obviously bad for the selling or hiring doctor and bad for the young doctor if he or she passes up a good opportunity.

Every period is some doctor’s golden age. It’s much like raising children. We should try to enjoy them at every age and not look back and say “weren’t they fun at . . ?”