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Stricter New Overtime Rules Will Likely Begin in 2016 and Will Affect Many Professional Practices: On June 30th, the Department of Labor issued a new proposal that would amend the federal Fair Labor Standards Act (FLSA) to make overtime pay more broadly available. Currently, **workers who are paid hourly**, regardless of their hourly rate, are guaranteed the right to overtime pay (i.e., time-and-a-half for hours worked each week over 40). That will continue under the new rules.

It's a little more complicated for **salaried workers**. Currently, they are automatically guaranteed overtime pay if they earn less than $23,660 per year. **But, they are exempted from overtime pay if they earn above $23,660 and are engaged in a management or professional position**. Management and professional positions are broadly defined and include office managers and hygienists. So, if these employees are earning, say, $40,000 per year, they are not entitled to overtime if they work more than 40 hours per week.

Starting in 2016, the DOL is proposing to raise the salary threshold to $50,440 per year and index it for inflation. This will cause roughly 5 million more employees to become eligible for overtime pay - and will cause employers to become more vigilant about monitoring employee hours and the time clock.

Employers and Congressional Republicans will fight this proposal, arguing that it will have the opposite of its intended effect by ultimately reducing employee hours and raises. These efforts won't amount to much, and the new rules will be implemented -- by executive order if necessary.

Paid Up Insurance: A doctor, age 49, asked whether he should take a paid up policy or cash when he terminated a cash value policy. The paid up policy was for $100,000 and the cash value was $50,000. Assuming he lives to age 73 (actually his life expectancy is greater), the annual rate of return on the $50,000 growing to $100,000 is about 3%. It has been our experience that paid up insurance is usually a mistake.

Selling Municipal Bonds: We have consistently recommended buying municipal bonds to hold to maturity. However, if a doctor needs cash and must liquidate some investments, this is probably a good time to sell municipal bonds. Interest rates are low, which means that bond prices are high.

The profit on the capital gain will be treated as a long term capital gain (if the bond has been held for at least one year plus one day) and can be used to offset capital losses.

Speculating in municipal bonds is still a "speculation" yet we can assume that when rates go back up, the same bonds can be repurchased at a lower cost. This is not a good time to buy municipal bonds because of the low yields, and the rates of return on US Treasury and corporate bonds are even lower. Remember, as the price of the bond goes up the yield goes down.

Airline Stocks Look Relatively Attractive: The airlines are in the best financial shape in decades thanks to consolidation, cost cuts, and fee hikes. Jet fuel is the biggest expense and with the price of fuel down 40% from a year ago, the major U.S. carriers are seeing their profits jump roughly 40% this year. The airline stocks are currently trading at roughly half the P/E ratio of the overall stock market and are down recently over concern that they will not be able to manage their recent success. In the past, when the companies were profitable, they added new routes too quickly. This increased their costs of operating and led to price wars and reduced ticket prices. It seems that this time may be different. There is a new balance of power between the carriers, and they are intruding less into each others' markets. Plus, the airlines will be a beneficiary of sustained lower fuel prices and a continued U.S. economic rebound.

We have never loved the airline stocks because of the unpredictability of their earnings, but the major U.S. carriers plus JetBlue and Alaska Air do look attractive at these prices.

For the General Dentists - Conduct a 100 Chart Audit to Get a Sense of How Much Untapped Production You May be Missing: The goal is to come up with a way to better monitor your recall success rate and your treatment acceptance rate, and then attempt to bring these patients back in for appointments. These would be 100 randomly selected charts which you will review to determine the percentage of patients who have either not scheduled a recall appointment or who have not accepted truly recommended treatment. You may be surprised to see that your actual recall and acceptance rates are lower than you assumed. If your conversion rate is below 85%, then we recommend having someone in your office (**someone who has excellent people skills!**) start calling patients and explain the importance of getting back into the doctor's office.

Paying Interest or Taxes for Someone Else: Assume the doctor agrees to assist someone (perhaps a parent) by paying their real estate taxes or interest expenses. Can she deduct these expenses, which are usually well accepted deductions? No. Paying the taxes or interest or medical expenses when one is under no obligation to do so is definitely non-deductible.

The Necessity of a Down Payment in a Practice Sale That Will be Closing Shortly? If the closing is to take place soon after the signing of a sale contract, we question the need for a young debt-laden buyer to make a large down payment. The chance of a default after a contract is signed is low, and while Dr. Seller will rightly be upset, he or she will not have lost much financially. We have seen a tendency for some advisors (brokers) to push for a down payment so they might still collect a portion of the sales commission on the failed transaction. While they are entitled to compensation for their efforts, we would not turn away a willing buyer because of their inability to make a down payment in this situation.

When is the Best Time to Buy Employment Practices Liability Insurance? Before you have a need for it! This insurance covers lawsuits for harassment, discrimination, improper hiring and firing, etc., but it won't cover you if you are in the midst of a claim or you have reason to think that there may be a claim. Nobody thinks this kind of thing will happen to them, but when it does, it's too late to buy the insurance. We recommend owning a small EPLI policy. It should be available from the same agent who sold you your office's property and casualty policy. The standard EPLI coverage that comes as part of our property and casualty insurance policy is too small -- typically only $10,000 -- but it often costs around $70,000-$100,000 in legal fees and (perhaps settlement costs) before the doctor can clear his or her name.

Notify Media of Case Dismissal: A common complaint is that media (press, television and radio) put a malpractice claim on page one and do not bother to report the facts when the case is dismissed. When malpractice claims are dismissed, the doctor's attorney should send an announcement to the media, which carried the first story, notifying them of the dismissal.

Change in Corporate Name or Address: Whenever there is a change in a corporation's name or address, it is required to report the change to the Secretary of State on the appropriate forms.

IRS is Shifting its Approach to Issuing Determination Letters for Retirement Plans: In the recent IRS Announcement 2015-19, the IRS says that it will end its 5-year determination letter process for "individually designed" retirement plans starting in 2017. The IRS simply doesn't have the resources to continue scrutinizing individually designed plans for petty issues. An individually designed plan is one that is drafted from scratch rather than prepared from a pre-approved document.

All defined benefit plans are currently individually designed. The more common profit sharing/401(k) type plan is typically based on a pre-approved master plan document called a volume submitter plan, and the approval process is simple and relatively inexpensive. Currently, individually designed plans are required to be re-submitted every five years for re-approval at a cost of $2,500. Beginning in 2017, the IRS will no longer be accepting individually designed plans for review and approval. This is both good and bad. It's good because it will lower our costs of operating the plan. It's bad, because we will no longer get periodic IRS approval letters stating that our plans remain in continued compliance. While they didn't come out and say so, the IRS appears to want to start moving individually designed plans into volume submitter plans.

As we've written in recent Newsletters, the IRS will begin accepting **defined benefit plans in a volume submitter format**. Collier & Associates will be adopting a volume submitter defined benefit (cash balance) plan under this new program, and over the coming years, we will be putting our defined benefit clients into this new plan document. This will be a net positive. These volume submitter defined benefit plans will be submitted to IRS for periodic approvals on a six-year rolling basis, and the update costs will be far less expensive than had the plans remained individually designed.

Before You do Something Out of the Ordinary With Your Retirement Plan, Make Sure Your Plan Document Permits It: We frequently get calls from clients asking if their retirement plans permit such things as loans or distributions to participants while still working or whether their plans permit investments in more obscure types of assets. We are happy to receive these calls because it shows these clients realize they have considered doing something that their plans might not allow. Even if the pension laws permit certain things to be done, your plan may not. And, it is more important than ever to abide by a plan's terms. The IRS has increased its number of plan audits, so the chances of a mistake being spotted has gone up as well. It is far easier (and usually far less expensive) to amend a plan prospectively to permit, for instance, in-service distributions than it is to retroactively fix a mistake.

Rental Car Insurance: So long as you own a vehicle that is insured for collision and liability, your carrier should cover your rental car as well. However, most carriers will not insure for "loss of use" and "diminution of value." Loss of use means that if the car is taken out for repairs, the rental agency cannot rent it out. If it's out of commission for ten days and the agency typically rents it out for

$50 per day, then you're liable for $500. The damage will also lower the resale value of the car, so the driver will be responsible for that "diminution of value." Your homeowner's policy or your umbrella liability insurance **may** cover these risks, but they probably don't. Before your trip, check with your agent to find out. If they aren't, then we grudgingly recommend buying the rental agency's "loss damage waiver." The rental agency waives its rights to hold you liable for these damages.

Credit Card Protection: When you book a rental car with a credit card, you get certain **limited** protections. Most credit cards offer secondary coverage which means that you are not covered by your primary policy (i.e., homeowners). Typically, this amounts to covering deductibles. If you don't have a homeowner's policy, then the credit card coverage becomes the primary coverage. However, credit cards usually only cover the lower-cost expenses like physical damage to the vehicle, theft, loss of use and towing. They typically don't cover the bigger ticket items like personal injury (liability), diminution of value, property damage and damage to other vehicles. If you don't have a homeowner's (or renter's) policy that insures this, then you should buy the rental company's personal injury coverage.

Foreign Travel: Even if you use a credit card that provides insurance benefits, we buy the rental car insurance when traveling abroad. We want to avoid major hassles and time delays when in a foreign country. Time zone differences, airplanes to catch, different customs, all can make the insurance a sensible purchase. If you think your homeowner's policy will protect you, you may be in for a surprise. The hassle factor will be enormous, and many U.S. companies do not have liability coverage should a lawsuit be filed against you in a foreign country. If we buy the rental company's insurance and there is damage to the car, we give it back, fill out some forms, and that should be it.

Name Additional Drivers: All drivers need to be listed on the rental car agreement.

If, for example, you and your spouse are both covered on your homeowner's policy, but you don't list your spouse as an additional driver, then your policy will likely not protect you in the event your spouse causes an accident. This is a breach of the rental agreement, and your insurer will argue that the omission negates their responsibility for coverage. Keep in mind that the rental agency may not even charge an extra fee for the additional driver.

Are You Adequately Insured in Case One of Your Employees Causes an Accident While Driving on Practice Business?

Employers are liable for the acts of their employees. So, if one of our employees causes an accident while driving on practice business (perhaps returning with supplies), the practice is also liable. You want to be certain that your practice has enough insurance to protect against this possibility. Typically - be sure to confirm this with your auto insurer - a person's auto insurance covers (1) the named insured, (2) family members, (3) other authorized drivers, and (4) **anyone liable through the actions of the first three**. That last item is intended to provide insurance for the covered driver's employer - who is also liable for the act of that insured driver. In other words, the insurance company, within its policy limits, should be defending and paying damages for both the insured employee (No. 1 above) and his or her employer (No. 4 above).

That's fine, **but how do you know** that all your employees have insurance in amounts you find acceptable? Since they likely do not, you must protect your practice with insurance that covers this risk. We used to have this through a separate "**non-owned and hired vehicle**" policy. It is now included as part of our office's general liability policy. Our cost is modest (around $200 per each $million of coverage), although it will vary by location, number of employees, etc. **This is the kind of risk that we have no control over and is easily insured against**. So check with your insurance company to be sure that both you and your practice have adequate insurance in the event that you or an employee cause an accident.