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Resolute Connections

In this month's newsletter you will find an article concerning the changes in Social Security Benefits and retirement account savings limits. In addition, the Affordable Care Act enrollment period is in full swing and there may be some pleasant surprises for NH residents as rates appear to be dropping. Speaking of dropping, the third article discusses the decrease in new home sales and what that may signify concerning the economy.

If you have any questions about anything we have covered in the articles, or a specific situation please feel free to give us a call, or visit our website, www.ResoluteFinancial.com.

Inflation-shifted Savings Limits and Social Security Benefits

Every year, the U.S. government changes a variety of investment and benefits thresholds based on the inflation rate. But since inflation has been pretty tame, most of the changes have been modest these past ten years. That changes this coming year.

Start with tax-deferred savings thresholds. The limit for 401(k) or 403(b) contributions will rise from $18,500 to $19,000—and employees 50 and older will continue to be able to contribute an additional $6,000 as a 'catch-up' provision. The overall limit for defined-contribution plans increased from $55,000 to $56,000.

Meanwhile, the IRS has raised the contribution limit for IRA accounts—that is, the maximum amount that can be contributed—for the first time in six years, from $5,500 to $6,000. Traditional IRA contributions are tax-free (you get a deduction on your tax return) if you aren't contributing to an employer-sponsored plan. If you are, then the deduction for making a contribution is phased out starting at $64,000 in income (single) or $103,000 (filing jointly)—or $10,000 for someone married filing individually.

Roth contributions are also now capped at $6,000, but your ability to contribute phases out completely at $137,000 of income (single) or $203,000 (filing jointly—or, once again, $10,000 for someone married filing individually.

Also in 2019, Social Security beneficiaries will receive their biggest cost of living adjustment in seven years—up 2.8% from last year's benefits, which handily beats the 2.0% increase given out last year. In 2019, a retired worker reaching full retirement age would receive a maximum of $2,861 a month—an increase of $73 a month, or $876 a year. On average, Social Security beneficiaries will receive an additional $39 a month.

The age that Social Security defines as "full retirement age" will also increase by two months, to 66 years and six months for people who will turn 62 in 2019. The full retirement age will increase in 2-month increments over the next two years until it reaches age 67 for everyone born in 1960 or later.

People paying into the Social Security system will also see an adjustment. Next year, earned income up to $132,900 (up from $128,400) will be subject to the 6.2% Social Security payroll tax—which basically means an increase of $279 for people who earn the maximum. (Income above this amount is exempted from Social Security's payroll tax—an estimated $1.2 trillion altogether.)

ACA Open Enrollment: Pay Attention

We are now in open enrollment on the government (39 states) or state health insurance exchanges (11 states and the District of Columbia)—so this is the time of year when consumers can buy health insurance coverage under the Affordable Care Act. In most states, the enrollment season lasts six weeks—half as long as it used to—and many people are wondering whether the ACA is still viable. Hasn't the Trump administration taken steps to make it easier for healthy individuals to opt out of ACA and buy cheaper coverage that lacks certain popular consumer protections? Doesn't the economics of covering pre-existing conditions require that all insurance buyers participate in the overall pool of insurance premiums?

There is no question that the alternative, cheaper policies endanger pre-existing coverage in the long term, and many insurance carriers are publicly rethinking their rate policies. But the Affordable Care Act has been surprisingly resilient so far, with 11.8 million Americans signed up for coverage. Insurance companies, for the first time, have reinforced their commitment to the existing system by dropping their rates by an average of 1.5%—though there is wide variation among states. Residents of Tennessee will see a 26% overall decline in the benchmark silver plans, while Pennsylvania residents will experience a 16% decrease. In New Hampshire, rates will decrease on the order of 15%.

In 15 states, insurance companies are returning or entering for the first time, and the total number of providers is up to 155, from 132 last year. That means consumers will have more options. Established insurers like Anthem and startups like Oscar and Bright are providing coverage because, thanks to a big increase in premiums last year and the possibility that Congress will stall a full ACA repeal going forward, they believe they can scratch out a profit.

Taking the time to navigate the different options can save some consumers thousands of dollars. For instance, many companies are offsetting their rising costs by offering high-deductible, low-premium plans along with health savings accounts (HSAs). An HSA contribution is triple-tax-advantaged: it is deductible when you make the contribution, the money grows tax-deferred, and if you take the money out to pay for medical costs, it comes out tax-free. Any money not used in a calendar year is rolled to the next.

At the other end of the spectrum, people who have developed a chronic condition, or who are older, might fare better with a low-deductible plan. They pay a higher premium each month, but the lower deductible will reduce the amount they will have to pay out-of-pocket for medical procedures. If you buy insurance through an employer, the low-deductible policy can be combined with a flexible spending account, or FSA, where a policyholder contributes pre-tax dollars to pay qualified medical expenses during the year. Any FSA money left over will be forfeited.

There are a lot of issues to consider, which means it might be better to hire an expert than to try to navigate your options on your own. Websites operated by insurers and for-profit web brokers are one source of information. Independent insurance brokers will meet in person and review the options with you and cut through the insurance jargon to help you reach an informed conclusion.

Real Estate Sales Down - Prices Up

You may have read that there has been a drop in new home sales—down 13% in September compared to the previous September—and that, combined with the drop in stock market values, might have you worried about the state of the U.S. economy.

It's true that a decline in the housing market has been an indicator, in the past, of a future decline in overall economic activity. But at the moment, this particular index is sending decidedly mixed signals. While housing sales are down, housing prices have been going up. The Case-Shiller index shows that home prices have been increasing in all 20 cities covered by the index, and in the U.S. as a whole. Las Vegas home prices rose a scorching 13.9% in August (when the most recent data is available), while San Francisco (up 10.6%) and Seattle (up 9.6%) have been strong as well. At the other end of the scale, New York and Washington, D.C. homes are "only" selling for 2.8% more than they did a year ago.

Both San Francisco and Las Vegas suffered the most during the long downturn that began in 2008, and therefore had the most opportunity to experience recovering growth. But the housing data doesn't show any clear warning signals that a recession is on the horizon; if anything, we are starting to see record prices, suggesting that people are able to afford more expensive homes.

However, one area where the housing market has cooled down dramatically is ocean front property. A recent New York Times article notes that people living on the beach are having trouble getting people to even look at their listed properties. Why? According to the Times global warming has caused oceans to rise and coastal areas to flood, plus fiercer floodwaters, winds and hurricanes—and nobody expects the problem to go away any time soon. As a result, buyers see properties along the shore as a risky investment, and are opting for homes three or four houses off the water.

Buy a Snoop, Sell Your Privacy

Here's an interesting idea. Let's suppose, for a moment, that you run a company that has recently developed an unfortunate reputation for major security breaches, when it isn't actually allowing its advertisers and other vendors access to your personal, private information. Let's say, in fact, that its whole business model could be imaginatively described as snooping on your data on behalf of large marketing firms and the kind of shady organizations that try to influence political elections.

What do you do? Why, of course, you propose that people install your new device in your homes, which captures video feeds of whatever you're doing within range of its camera.

Believe it or not, this is exactly how Facebook is responding to its myriad problems with data bloodletting. The company has announced the 10 inch Portal and the 15.6 inch Portal Plus, both designed with video chatting in mind. Not announced is how Facebook will work in advertisements posted by companies that are observing your behavior, but you will pay a suspiciously small price for allowing this intrusion on your privacy. The devices cost $199 and $349 respectively, but come without a web browser, YouTube, WhatsApp or Instagram. The devices have one purpose: video chatting on Facebook—which is something most of us can already do on our phones and computers.

Since Facebook postings are not considered private data—and that data is actively collected by Facebook and sold through advertising and other channels—is there any suggestion that Facebook won't be collecting and using your video data as well? And is it possible that people will pay to bring a Facebook spy into their home? We'll find out over Christmas season.

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For more information on these topics or for a free consultation, contact Resolute Financial, LLC at (978) 463-8771 ext. 1003.

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