

Winch Report

Build America Bond funds set to expire

The Build America Bond program expires on December 31, leaving in its wake divergent opinions on the program's performance, its effect on the overall bond market and whether the program will be reinstated.



The program, created as part of the American Recovery and Restoration Act of 2009, sought to reduce borrowing costs for local governments and to encourage infrastructure improvement projects. Build America Bonds are taxable bonds in which the federal government covers 35 percent of the interest paid.

Proponents of the program say it encouraged growth within struggling municipalities during the worst of the economic crisis. Opponents say it discouraged capitalism by favoring government projects over the private sector.

Even the fact that issuers have sold about \$185 billion of the securities since April 2009 can be interpreted both positively and negatively with some saying this indicates willingness by local governments to increase their debt and others viewing it as an indica-

tion of the direction the program would head if left to develop.

The purchases of government bonds are meant to drive down long

-term interest rates, which did happen initially. However, since Congress passed the extension of the Bush Tax Cuts, but left the Build America Bond program to expire, long-term rates are up sharply.

When interest rates rise, the value of municipal bonds decreases. Therefore one thing most experts do agree on is that the expiration of the Build America Bond program will cause some volatility in the bond fund market.

Demand for the bonds increased immediately following the realization that the program will expire. The supply, obviously, will decrease following its demise.

How this will play out in the overall bond market for the long term really remains to be seen, particularly in light of continued calls for the program's reinstatement.

Of course, investors who hold their bonds to maturity will feel little effect from the Build America Bonds debate, regardless of their opinions of the program.



December hours

Our office will be open from 8:30 to 3:00 during the month of December, except for Christmas Eve when we will be closed.

We will be open on New Year's Eve.

We wish you and your family the happiest holiday season and a wonderful New Year

Merry Christmas from the Winch Financial staff!

High income Part D beneficiaries face extra premiums

An often overlooked portion of the federal health care legislation passed earlier this year is the increase in Medicare Part D premiums for higher income beneficiaries.

Individuals whose income exceeds \$85,000 annually and couples whose combined income exceeds \$170,000 annually will have to pay more per month beginning in January, regardless of the plan they choose. Income, in this case, refers to the modified adjusted gross income (MAGI).

In the case of married couples who exceed the threshold, each spouse will have to pay the extra premium amount.

Those thresholds will remain in place through 2019; they will not rise with inflation.

Higher income beneficiaries already have to pay higher monthly premiums for Medicare Part B, which generally covers the cost of doctor's office visits, outpatient care, home health care etc. The Part D plans help pay for prescription drugs.

Currently, about 5% of beneficiaries will pay higher premiums for 2011. By 2019, however, about 14% of beneficiaries will have to pay.



By the numbers, the increase looks like this: An individual whose MAGI is between \$85,000 and \$107,000 will have to pay \$697.20 extra in 2011 for Part B and Part D combined. Those who earn between \$107,000 and \$160,000 will owe \$1,756.80, those who earn between \$160,000 and \$214,000 will owe \$2,815.20 and those who earn above \$214,000 will have to pay \$3,866.40.

Married couples whose joint MAGI exceeds \$170,000 must pay \$1,394.40. Beneficiaries whose combined income is between \$214,000 to \$320,000 owe \$3,513.60, between \$320,000 and \$428,000 owe \$5,630.40 and those who earn above \$428,000 will owe \$7,732.80.

The increased fees will be deducted from each beneficiary's monthly Social Security

benefit, even for those who pay their premiums directly to the insurer.

It is important to note that both Part B and Part D extra premiums will go directly back into the Medicare program, they will not be part of the government's subsidy to the insurance companies.

Even though the income thresholds that determine your premium amounts are locked in until 2019, you could avoid having to pay the extra premium if your personal financial situation changes.

If you've had a life changing event – you've retired, lost your job, had a change in marital status either by divorce or death, etc. you can ask the agency to reduce your premium. If your income drops far enough that it falls below the applicable threshold, the agency will automatically adjust the overall premium amount you'd have to pay for the following year.

Premiums for Part D plans for 2011 will range from about \$15 to more than \$100 per month.

For more information, please call our office or contact the Social Security office directly at 1-800-772-1213 or via its website

The Buddy Files: Holiday party became Disney extravaganza

It all started with a bored shopper and a tiny Christmas tree and, in 20 years, the Patterson annual Christmas extravaganza became the holiday event for generations of families.

The party, hosted over a three day period, involved nine Christmas trees, 400 homemade Christmas cookies, 40 poinsettia plants and around 120 pairs of shoes. Buddy and Shirley Patterson used their remarkable collection of Disney Christmas ornaments to spread the holiday spirit to friends, family and people they met while munching a Big Mac.

"We would see people we didn't even know and, if they had small children, we'd invite them," Buddy said. "People we'd meet at McDonalds. Many times my daughter would come up to me at our party and say, 'Dad, who is that?' and I'd say, 'I have no idea.'"

Each child who attended the party received an ornament autographed and dated by Buddy and Shirley. At least one guest, Kate, attended all 20 parties and has collected 20 Disney ornaments. She now decorates her own little Disney tree.

The idea for hosting an annual Disney themed Christmas party grew from a long shopping trip to the Schaumburg Mall in Illinois.

"It was a three-day trip and I got bored after three hours," Buddy said. "So, I bought a little two-foot



Buddy Patterson reads to children at his annual Disney Christmas party.

tall Christmas tree and some little wooden Disney ornaments. I put that tree up and started buying Disney Christmas ornaments just for the heck up it. Eventually, we had a five-foot tall tree with nothing but Disney ornaments. A friend asked if she could bring her three grandchildren over to see the tree and I said to Shirley, 'Well, we can't send those kids home empty handed.' So, I let each one choose an ornament and I signed and dated it."

That little gesture grew into a huge annual family Christmas party centered around five to eight trees all decorated in Disney ornaments and involving between 200-300 guests.

"During those 20 years we probably gave children between 1,800-2,000 ornaments and 150-200 door prizes to families," Patterson said.

Planning for each party began the

day after the preceding Christmas when Buddy and Shirley would head out to collect ornaments and decorations for the next year's party. Each year's party had its own theme and the décor reflected it. Set up took between four and six weeks and each party cost between \$700 and \$1,000 per year.

"It was well worth it. We had a lot of families tell us that our party was their Christmas," Buddy said. In addition to good will, the Pattersons amassed a collection of 4,000 Disney ornaments over the years. They own the entire 91-piece set of Disney artist Susan Nardine's set of handmade ornaments.

"I met her at the Disney Christmas Convention. We became good friends and I told her about my collection. Over the years any ornaments from her collection that I didn't have, she would sell me the artist proof. I also own three of her original oil paintings of Disney characters."

The Patterson Christmas party ran its course over the two decades they hosted it. This year, they relax and reflect.

"If you could see the kids smiles as they would line up with their ornaments waiting for me to sign and date them. It would make the whole thing worth it," he said.

Winch Financial

Founded in Appleton, Wisconsin by Christina Winch more than 30 years ago, Winch Financial has become a nationally recognized, full service financial planning firm.

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Coming Soon!

Next month we will be unveiling our upgraded website.

The new site will feature a weekly blog from Christina and the Winch Financial Investment Department, an insurance blog, videos and many more features.

We value your feedback, so please contact us to let us know what features you'd like to see on our website.

Here's an end of the year check list

As we wind down 2010, we know that 2011 offers many uncertainties. In the face of those questions, we present the following preparation tips for the year's end.

1. Contribute to your IRA
2. Consult a tax professional and consider selling investments before 2011 to offset capital gains/losses. It is very likely that the top capital gains tax rate will be raised this year.
3. If you're invested in an employee sponsored retirement fund, consider increasing your contributions next year.
4. Contribute to a 529 college savings plan for a loved one before the end of the year. The IRS currently allows \$13,000 annual gift giving per recipient. Many states, including Wisconsin, set December 31 as the deadline for contributing to a college savings plan if you want to take the deduction in 2010.
5. Explore your options with an IRA conversion before the end of the year.
6. Review your insurance coverage to ensure you have the right amount and type for your situation.
7. Review your estate plan with your financial advisor and tax and legal professionals. The estate tax laws, left in limbo for most of 2010, now offer two options to the heirs of people who died this year. If they choose to file under the 2010 laws, they will not be subject to any estate tax, but will have to calculate the capital gains on all assets in the estate. The other option is to apply the 2011 estate tax law, which exempts the first \$5 million of the estate and imposes a rate of 35% on anything above that.
8. Pre-paying state income and property taxes can help accelerate your deduction. It may not make sense for everyone but check with your tax advisor to see if paying these before the end of 2010 would benefit you.
9. Analyze your household budget. This is an unpleasant but necessary annual task that will cut your expenses and increase your sense of control over your spending.