

theOPTIMIZER

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Embracing Change — Opening New Doors of Opportunity

By Bryan Duncan

There are two kinds of change in the world: the kind that happens to us, and the kind we make happen. We must embrace both to maximize our own potential, and that means preparing for both — which is what you as a 360° Planning® client have done. And while many dentists in America are still enduring the negative effects of both types of change, you as a 360° Planning client are experiencing the best of both types of change.

Even with the recession still reverberating in our economy, health care still in reform and unemployment still taking baby steps to recovery, you've aligned with the right information, the right advisor, and the right path, and you've been able to keep up with all the changes that life brings.

That being said, in sharp contrast to the continuing bleak story for a large number of dentists surveyed by the ADA for their *Quarterly Survey of Economic Confidence — Fourth Quarter 2009*, your 360° Planning numbers are coming in for 2009, and they are exhilarating if not even amazing. Considering the monumental changes the economy has thrown your way, your practices are far exceeding — you could even go as far to say *blowing away* — nearly every key statistical area vital to achieving Economic Freedom™. (See tables on page 4.)

But looking at these numbers, we realize it is imperative to ask some important questions:

- *What do these numbers really represent?*
- *What is the ultimate goal of 360° Planning?*
- *What do they really mean to our clients?*
- *How are they changing their practices and their lives?*

The answer to all these questions comes back to one principle: these numbers represent opportunities. Opportunities to do the things you want to do in your practice and in your life that would not have been possible had you not been prepared for the continual changes we live with.

So we ask you...

What new opportunities is 360° Planning creating in your life? In your practice? For your team? For your family? We can look at the numbers over and over again, but the best gauge of our success is how 360° Planning is creating the positive change happening to you, along with the positive change you are able to make happen for yourself.

We want you to always be prepared for change, and I say with confidence, there is no better way to do this than with 360° Planning. The numbers are the economic story; your life is the living proof.

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What Health Insurance Reform Means to You

By Ralph Ujano, Jr., CPA, CFP®, MS and Executive Vice President

The health insurance reform bill passed in late March is a compromise, with some benefits and some drawbacks. It reins in health insurance companies but also gives them a guaranteed pool of millions of new customers. It covers more people more securely, but it demands more out-of-pocket from many people. It is a first step toward a system that has not yet been defined. We do not take a political position on this bill, but we believe it is important to sort out the truth from the rumors.

The bill moves us 31 million people closer to providing basic health care for everyone. By requiring coverage for everyone, we are more genuinely spreading the cost of all illness, and premium costs will be capped based on income. At the same time, we are distributing cost based on use. Older, less healthy people (even with employer-based health care) will pay more in out-of-pocket expenses. Those whose lifestyles (and genetics and age) keep them healthier will pay less. Those under 30 may choose to purchase catastrophic coverage only.

Significantly for the whole economy, this bill removes a catastrophic risk that many working people didn't realize they had. In 2009, 1.5 million Americans declared bankruptcy. Of those, 62% were medically related. Three-quarters of those had health insurance. The bill eliminates the biggest causes of healthcare bankruptcy: annual caps, lifetime caps, and denial or rescission of coverage. Many people still won't be able to afford out-of-pocket costs for treatment even with insurance, but overall, it's an improvement.

This improvement does come at a cost. The good news is that the cost was not added to the deficit for some future generation to pay. The bad news if you are a high earner is that about 20% of the cost of the bill is coming from tax on the various sources of your income. High earners are the approximately 1 million individuals who earn more than \$200,000 annually and about 4 million couples who file jointly and make more than \$250,000. Like the alternative minimum tax,

this threshold is not indexed for inflation, so more people will cross the threshold as income rises over the decade.

We have known for a while that President Obama wanted to raise taxes for high earners beginning in 2011, so this is no surprise. What is new are the specifics that allow us to make more concrete plans for you. The tax changes roll out gradually, with the biggest changes in 2013, so we still have this year to plan the best strategy.

Starting in 2013, high earners will pay a total of 2.35% Medicare tax (an increase of 0.9%) only on income over the high-earner threshold. The capital gains tax for the highest earners climbs from 15 to 20% in 2011 and again to 23.8% in 2013. The extra 3.8% capital gains rate applies to all capital gains income, not just that amount over the high-earner threshold.

The Congressional Budget Office estimates that adding these provisions would save the following amounts:

- Medicare drug price negotiation (\$300 billion)
- Public option (\$25–\$110 billion)
- Drug reimportation (\$19 billion)
- Shorter pathway to generic biologics (\$71 billion)

Would you like to pay less for both taxes and health care? Tell your Congressman.

Many advisors are urging clients to realize gains this year while tax rates are low, and that's not bad advice. Mercer Advisors culled losses during the market drop in 2008 and early 2009, so Mercer Advisors clients have losses in reserve ready to offset gains — and choices that other investors don't have. It still may be better to use your losses in the future when they are worth more, but that will depend on your personal circumstances.

Higher capital gains should encourage more investors to hold stocks longer (like you already do), which would reduce market volatility and benefit all investors.

Changing taxes also change the tax-free vs. taxable bond question. Tax-free bonds have a somewhat smaller yield because part of your overall return is the absence of tax on gains. The increase in capital gains tax means that tax-free bonds can offer a smaller yield and still be attractive because they are avoiding more tax. An average yield of 3.42% is the equivalent of 5.66% taxable-bond yield once the top income tax rate rises to 39.6%. It also means that the tax-free bonds with higher yield that you already own are worth more.

This will help the state and local governments who issue the bonds; however, in this era of shaky municipal budgets, it's important to keep a close watch on credit quality and its impact on interest rates, as we do for you.

In 2013, high earners will pay an extra 3.8% on all unearned income (including capital gains, dividends, interest, rents and royalties). Thus, there is a strong incentive to keep taxable income below the threshold, particularly if your income is close. Can you rearrange sale payments? Sell or exchange rental property? Can you bring more income into this lower-tax year? Can you push sale payments and royalties forward into years when you expect less income? These are issues we can help you with.

Tax changes also make Roth IRA rollovers more attractive. Mandatory withdrawals from traditional IRAs could push family income over the \$250,000 threshold and result in other investment income being taxed. Roth IRAs do not require distributions and allow greater planning flexibility.

We shall see which, if any, of these items come to pass. Currently a growing number of states are challenging the bill saying the federal government is overstepping its constitutional powers and usurping states' sovereignty.

Though Congress found some clever ways to keep costs down, they left some major cost-cutting options on the table. Fully \$350 billion a year could be saved on paperwork alone if the U.S. went to a single-payer system. Cost reform (for hospitals and drug companies) is also worth hundreds of billions of dollars.

Key Provisions of the 2010 Health Care Bill

The bill is expected to cost \$938 billion over ten years. This will not increase the deficit; in fact, measures taken to finance the bill will actually result in a net deficit reduction of about \$70 billion. Both costs and financing will roll out over the next few years. Benefits begin immediately, with the biggest benefits and tax impact in the future.

Provisions retroactive to 01/01/2010

- Small businesses (fewer than 50 employees) can apply for tax credits for up to 50% of the cost of health insurance for employees. You may have already received such notification from the IRS.
- The Medicare donut hole for prescription drug coverage begins to close. Medicare recipients who already passed through the donut hole this year will receive a \$250 check. The amount will increase each year until the hole is finally closed in 2020. At the same time, “double dipping” provisions for businesses who paid Medicare costs for employees are eliminated.
- \$500,000 compensation threshold for officers, employees, directors and service providers of covered health insurance providers (goes into effect in 2013, but applies to compensation for services performed from 01/01/2010 forward).

Provisions that went into effect when the bill was signed into law

- Medicare will expand to small, rural hospitals with few Medicare patients.
- Help for companies that provide early retiree health benefits for age 55–64.
- “Uninsurable” people with preexisting conditions became eligible for insurance via high-risk pools that will last until exchanges take over in 2014.
- New insurance plans must offer free preventive care with no copays.
- New plans must offer an appeals process for both coverage determination and claims.
- Insurance companies must reveal how much they are spending on care vs. overhead. Nonprofit Blue Cross companies will be held to no more than 15% overhead.
- There is a two-year temporary credit up to \$1 billion to encourage investment in new disease prevention and treatment.

Other provisions going into effect before the end of 2010

- Insurers can no longer deny kids coverage.
- Your kids can stay on your insurance policy through age 26.
- Insurers can’t drop you if you get sick.
- No more lifetime limits on benefits.

Provisions going into effect as of 01/01/2011

- Health insurers are limited to 15% overhead and must rebate any excess premiums.
- Medicare patients will receive free preventive care.
- The Medicare donut hole will be 50% closed.
- Voluntary long-term care benefit program: Community Living Assistance Services and Supporters (CLASS).
- Health savings accounts and tax credits will be streamlined.
- Increased penalty tax of 20% on non-qualified distributions from HSA and MSA.
- Reimbursement limits for certain over-the-counter drugs under Flexible Spending Accounts (FSA), Health Savings Accounts (HSA) and Medical Savings Accounts (MSA).
- Employers will report the value of health benefits on W-2s.
- Income tax rates for the highest earners will change from 35 to 39.6%.
- Capital gains tax for the highest earners will change from 15 to 20%.
- Annual fee on manufacturers and importers of branded drugs.

Provisions going into effect as of 01/01/2012

- Simple cafeteria plan nondiscrimination safe harbor for certain small employers.
- Information reporting on payments to corporations.

Provisions going into effect as of 01/01/2013

- Flexible Spending Account contributions limited to \$2,500, indexed to inflation.
- 2.3% excise tax on manufacturers and importers of certain medical devices.
- Income floor for medical expense deductions for individuals age 65 and older (and their spouses) remains at 7.5% through 2016; raise 7.5% floor to 10% for all others.
- Fee on insured and self-insured health plans (expires after 2019)

- For high earners,[†] the capital gains tax will rise from 20 to 23.8%. The additional 3.8% tax applies to all unearned income (capital gains, dividends, interest, rents and royalties), not just the amount over the threshold.
- A 2.35% Medicare payroll tax only on wages over the threshold (an increase of 0.9%).

Provisions going into effect as of 01/01/2014

- Insurance exchanges will be up and running in all states.
- Provisions specifying cafeteria treatment of employers who purchase insurance through exchange.
- No more limitations on annual benefits.
- Health insurance required; no one may be denied insurance.
- Most coverage waiting periods may not exceed 90 days.
- Premium tax credits and subsidies available for those with income up to 4x the federal poverty level.
- Medicaid eligibility expanded to those under age 65 with income up to 133% of federal poverty level.
- Employers with 50 or more employees will have to provide health insurance (this has already been the law in some places) and report coverage or be assessed a fee.
- Penalty for uninsured citizens and resident aliens.
- Tax increase for corporations with assets of at least \$1 billion.
- Annual fee on health insurance providers based on market share.

Provisions going into effect as of 01/01/2018

- All plans must offer free preventive care with no copays.
- 40% tax on “Cadillac” health coverage.

[†] High earners are the approximately 1 million individuals who earn more than \$200,000 annually and about 4 million couples who file jointly and make more than \$250,000. These thresholds are not indexed.

Data from the nonprofit nonpartisan Tax Foundation, the Congressional Budget Office, and The Rachel Maddow Show, March 22, 2010.

(Continued from page 1.)

Current 360° Planning Results

Number of Clients Surveyed	221
Avg. Months with 360° Planning	8.8
Average Gross Billing Increase	14%
Avg. Total Growth (to date of service)	\$107,719
Avg. Projected Annualized	\$147,329
Avg. Senior Dr. Starting Hourly	\$502
Avg. Senior Dr. Ending Hourly	\$563
Avg. Senior Dr. Hourly Increase	\$61 (12.1%)
Avg. Associate Starting Hourly	\$321
Avg. Associate Ending Hourly	\$391
Avg. Associate Hourly Increase	\$70 (21.9%)
Avg. Hygiene Starting Hourly	\$114
Avg. Hygiene Ending Hourly	\$121
Avg. Hygiene Hourly Increase	\$7 (5.8%)
Forecasted Rate of Practice Growth	12%
Total Clients Exceeding 40% ROI	91.7%

ADA Quarterly Survey

Economic Focus	% of All Dentists Surveyed
Flat Gross Billings	30%
Decline in Gross Billings	50%
Decline in Net Income	57%
Flat Net Incomes	26%
Decline in Treatment Acceptance	47%
Decline in New Patients	48%
Increase in Open Appointments	51%
Lower Collections	50%

New Rules for Deferral and Loan Deposits to 401(k) Plans

The Department of Labor (DOL) published a new rule for employers with fewer than 100 participants who make 401(k) deferral and loan repayment deposits. The rule states that deposits must be made no later than the seventh business day following the date the contributions are received by the employer **or** the date the amounts would have been paid as compensation.

The DOL views late deposits as being commingled with the employer's general assets of the plan. This is a prohibited transaction. Late deposits continue to be a hot topic for the DOL, as approximately 90% of the applications filed under the Voluntary Fiduciary Correction (VFC) program have involved delinquent participant contributions. Correcting late deposits and having a VFC application completed can be costly so there is no better time like the present to ensure your payroll system is working efficiently. When the proper systems are in place, plan compliance becomes much easier.

"Mercer Advisors has transformed my office and my life by teaching us how to run a better practice and enjoy doing it. We have increased our production by more than 20% in nine months and I no longer worry about money. I look forward to a long and prosperous relationship with you. I could not recommend you any more highly!"

—Dr. Dwayne S. Dull

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Corner of Love's Hope Explosion Mission to San Ramón, Nicaragua

The San Ramón region is one of the most impoverished areas of Nicaragua — already one of the poorest nations in the Western Hemisphere — where the average worker makes less than \$2 a day. In San Ramón, villagers boil their drinking water and cook their meals on firewood, but firewood is scarce due to clear cutting, and the surface water is teeming with parasites causing widespread malnutrition in the region.

Because of this, families turn to sugar as a cheap and convenient source of calories while relying on imported soda, beer, or boiled coffee as a source of safe drinking water. With sugar being such an important part of the regions' caloric intake and safe "hydration", health issues and massive tooth decay plague both adults and children.

In February of this year, Strategic Advisor, Nathan Ricks, and three of his clients, Dr. Mike Campbell, Dr. Dick Quinn, Dr. Patrick McKenzie, and several of their family members, joined volunteers from around the world as part of the Corner of Love's Hope Explosion mission to San Ramón. In Nicaragua, they spent nearly two weeks providing dental care and education to the people of San Ramón and the nearby villages.

The days were long and the conditions challenging, but the rewards were great as the two teams involved in the mission provided assistance to nearly 11,000 people. The medical doctors delivered medical care and administered the anti-parasite drug, Mebendazole, while the dentists, using portable units, performed extractions and fillings, administered fluoride treatments, handed out toothbrushes and delivered hygiene education about the importance of brushing, washing hands.



Corner of Love



San Ramón, Nicaragua



Helping You Help Others

No matter where you go in the world, everyone needs the care of a dentist. If you would like to give your services to those in need, but are unable to because of the demands of your practice, let your Strategic Advisor know your goals, and we can help you find a way to make it happen.

How You Can Help

If you would like to learn more about Corner of Love's missions and how you can contribute, visit www.corneroflove.org, or contact Executive Director, Tanya Amador directly at tanya@corneroflove.org.

Dr. Dick Quinn, DDS

In the beginning, basically all we could do was extractions and our first dental chair was an old wooden rocking chair that was held back by a 2x4 and the patient rested their head on a 4x4 post with towels on it. We are now seeing fewer extractions and are able to do more fillings. Little by little, we've also been able to improve our equipment and even purchase some field dental chairs from a military auction site. But we are still working in villages, on dirt floors, and sometimes, even under trees if we have to.

It is just amazing how you would think the people we meet would be so dissatisfied with their lives, but they seem to be quite content even though they have what we

could consider nothing. It is a life-changing experience to see and appreciate their contentment.

Dr. Mike Campbell, DDS

When you do go out to the villages, you see that even the dogs and the chickens and the animals look malnourished, and that's when it really impacts you that the need is endless, but you do what you can. In town, you see many patients who have walked sometimes six or even eight hours to get there. Knowing this, the difficult part is trying to have the time to see everyone, but it is very rewarding and a great thing to be able to share when you get back.

Dr. Patrick McKenzie, DDS

There was a woman one year for whom we removed all the dark

decay in her front teeth. When we showed her the work we had done, she started crying because it looked so nice. We also saw an 8-year-old girl who came in because her teeth hurt. When I looked at her teeth, her 6-year molar teeth, which had only been in her mouth two years, were just terribly decaying. The lower two I had to extract and I also had to take out two primary teeth. I looked at the rest of her teeth and there was more I needed to work on, but there just wasn't enough time to do everything.

One wants the best for people and to help alleviate their suffering and show them we respect them as human beings and that we have love for them. Sometimes there just isn't enough

time or resources, and one just has to do the best one can with the available resources.

Strategic Advisor, Nathan Ricks

Travelling with my wife and children, they saw so many children who wanted to attend school, but couldn't because their family couldn't afford shoes or the school uniform. It definitely gave my children a different perspective about the value of attending school and was a great lesson that regardless of the different socioeconomic or language differences that we have, every person has infinite worth.

Financial Reform Takes Center Stage

Through a strange series of events, financial reform, arguably the reform voters most want to see, has not received as much media attention as we might have predicted. Significant hearings were overshadowed by the Haiti earthquake. Fairly uneventful passage of a House bill in December was overshadowed by the dramatic passage of the health insurance reform bill in the House.

But financial reform is finally at center stage. The Senate is taking up full discussion of its reform bill, which came out of

committee with bipartisan support. Here's a summary of the major provisions of both bills:

Dissolution Authority and Ending "Too Big to Fail": Both House and Senate have prioritized this and establish an orderly process for dismantling large, failing financial institutions like AIG or Lehman Brothers in a way that ends bailouts, protects taxpayers, and prevents contagion to the rest of the financial system. The Senate bill creates a \$50-billion fund to finance orderly liquidations, and requires firms with assets over \$50 billion to pay into the fund. The House proposes a \$200-billion fund. Firms with assets over \$50 billion would pay up to \$150 billion into the fund, which could borrow another \$50 billion from the Treasury. The House's plan is simpler but costs more.

Pros: This is absolutely what people want to see: a planned alternative to bailouts that protects the economy.

Cons: Does creating a bailout fund perpetuate the idea of bailing out banks that fail?

Consumer Protections: The House bill creates the Consumer Financial Protection Agency (CFPA), a new, independent federal agency solely devoted to protecting Americans from unfair and abusive financial products and services. The Senate version has this agency inside the Federal Reserve, which diminishes its power, but the House exempts some businesses.

Pros: Both houses of Congress want to protect people from credit card firms, mortgage lenders and payday loan companies. There is tough reform on mortgage lending and predatory credit practices.

Cons: There is not as much steam behind protecting small investors from Wall Street's latest products, and people, even the supposedly most knowledgeable industry people, have a poor track record when it comes to recognizing problems with products.

Unregulated financial products running loose is just asking for trouble.

Reinstating Divided Banking (Volcker Rule): Following the 1929 crash, the Glass-Steagall banking reform act was passed to, among other things, prohibit deposit banks from engaging in riskier investment bank activities. This part of the Act was repealed in 1999, an event often cited as critical to creating the current financial crisis.

The House bill was passed before President Obama began promoting this idea. The Senate bill has a weak version of it. Separate Senate legislation has a stronger version. The biggest financial players like Goldman and Chase have significant profits from both kinds of banking, and this is projected to be an area where bankers and their lobbyists will dig their heels in the hardest to resist reform.

Pros: Separates the part of banking that is insured by taxpayers (federally insured deposits) and that which should not be. Easy way to break up ginormous banks. Prevents investment bankers from improperly using deposits for leverage, thus lowering the ceiling for market risk. Kept financial industry fairly stable for more than 60 years.

Cons: None for individuals. It is not easy for regulators to distinguish between appropriate portfolio hedging and active market speculation.

Regulation of Derivatives: Regulates, for the first time ever, the volatile over-the-counter (OTC) derivatives marketplace that played a key role in the financial meltdown.

Both the Senate and House bills redirect derivative traffic by "major swap participants" through exchanges and central clearinghouses. The bill defines a major swap participant as anyone that maintains a substantial net position in swaps, exclusive of hedging for commercial risk, or whose positions create such significant exposure to others that it requires monitoring. The House bill exempts many more end users from public exchanges.

Pros: About time! Having unregulated financial products running loose is just asking for trouble. Brokers can argue all they want that these are obscure, peripheral instruments that only professionals trade, but when they are part of the market meltdown, they aren't obscure anymore!

Cons: It provides more transparency at the top level of traders but does not limit the amount of derivatives that can be in the market. The last few bubbles have been heralded by a disproportionate expansion of "betting instruments" like derivatives, vs. "growth instruments" like stocks and bonds. This does nothing to limit future expansion of derivatives.

Executive Compensation: Gives shareholders a "say on pay" — an advisory vote on pay practices including executive compensation and golden parachutes. It also enables regulators to ban inappropriate or imprudently risky compensation practices, and it requires financial firms to disclose any compensation structures that include incentive-based elements.

Pros: Exposes previously quiet comp practices to public and regulatory analysis. Most shares are likely to be voted by financial professionals rather than individual investors, leading to more consistency.

Cons: How will regulators argue that they know better than "market forces" what compensation should be? It only gives shareholders a yes or no vote on recommendations. It stipulates nothing to tie compensation to longer-term performance, one of the biggest criticisms of the previous compensation system.