NAVIGATOR

SEASCAPE
CAPITAL MANAGEMENT

WINTER 2016

INSIDE THIS ISSUE:

Seascape Capital Management, LLC

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Welcome to tax season, and perhaps more importantly, (almost) Spring! We hope this issue of the Navigator will help a little with both your preparation for that mid-April deadline, as well as providing a guide to some financial spring cleaning that may be in order.

Please join us at the end of the month for a joint seminar generously hosted by Madden Realtors, along with Fred Forman, one of the region's Trusts & Estates attorneys. Together, Fred and Monica will share some important insights into how recent trust and estate law changes, coupled with experienced wealth management, can benefit your finances.

While April 15th is the most recognized IRS deadline, this issue details some other milestone dates issued by the agency, such as your last chance to make 2015 IRA contributions (p. 4), and age information for required minimum distributions (p. 3).

Finally, a page three article discusses changes to two Social Security claiming strategies made by the 2015 federal budget deal. Read on to see how these popular strategies may impact you. And of course, give us a call with any questions!

Asset & Wealth Protection Seminar
With Monica McCarthy & Fred Forman, Esq.

Please join us for an informational discussion on Asset and Wealth Protection. Learn how New Hampshire's trust and estate laws can benefit you and how experienced management of your portfolio can protect your wealth.

Topics will include common estate planning mistakes and how to avoid them, as well as the importance and benefits of proactive wealth planning.

Hosted by Madden Realtors

Thursday, March 31 at 6 p.m.

Abenaqui Country Club

731 Central Road, Rye Beach, NH

Drinks and hors d'oeuvres will be served

If you are interested in attending, please RSVP to Áine Cronin at acronin@seascape-capital.com or 603-964-4480.

Which Birthdays are Financial Milestones?

When it comes to your finances, some birthdays are more important than others.

- **Age 65:** Medicare eligibility beings at age 65, although people with certain conditions or disabilities may be able to enroll at a younger age. You'll be automatically enrolled in Medicare when you turn 65 if you are already receiving Social Security benefits.
- **Age 26:** Under the Affordable Care Act, a child may retain his or her status as a dependent on a parent's health insurance plan until age 26.
- **Age 50:** If you are 50 or older, you may be able to make contributions to your IRA or employer-sponsored retirement plan above the normal contribution limit. These "catch-up" contributions are designed to help you make up a retirement savings shortfall by bumping up the amount you can save in the years leading up to retirement.

What are Required Minimum Distributions (RMDs)?

Traditional IRAs and employer retirement plans such as 401(k)s and 403(b)s offer several tax advantages, including the ability to defer income taxes on both contributions and earnings until they are distributed from the plan.

But, unfortunately, you cannot keep your money in these retirement accounts forever. The law requires that you begin taking distributions, called "required minimum distributions" or RMDs, when you reach age 70½ (or in some cases, when you retire), whether you need the money or not. (Note: Minimum distributions are not required from Roth IRAs during your lifetime).

Here at Seascape, if we manage your IRA, the required amount each year that you must take will be posted on your custodian statement, and we can assist you with taking the distribution. For an employer plan, the plan administrator will generally calculate the RMD. In order to calculate the correct amount on your own, you can refer to the IRS, in Publication 590-B, which provides a chart called the Uniform Lifetime Table. In most cases, you simply find the distribution period for your age and then divide your account balance as of the end of the prior year by the distribution period to arrive at your RMD for the year.

For example, if you turn 76 in 2016, your distribution period under the Uniform Lifetime Table is 22 years. You divide your account balance as of December 31, 2015, by 22 to arrive at your RMD for 2016.

The only exception is if you're married and your spouse is more than 10 years younger than you. If this situation applies, use IRS Table II (also found in Publication 590-B) instead of the Uniform Lifetime Table. Table II provides a distribution period that is based on the joint life expectancy of you and your spouse.

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Changes to Social Security Claiming Strategies

The end of "file and suspend"

The Bipartisan Budget Act of 2015 included a section titled "Closure of Unintended Loopholes" that ends two Social Security claiming strategies that have become increasingly popular over the last several years. These two strategies, known as the "file and suspend" and "restricted application" for a spousal benefit, have often been used to optimize Social Security income for married couples.

If you have not yet filed for Social Security, it is important to understand how these new rules could affect your retirement strategy. Depending on your age, you may still be able to take advantage of the expiring claiming options. The changes should not affect current Social Security beneficiaries and do not apply to survivor benefits.

File and suspend.

Under the previous rules, an individual who had reached full retirement age could file for retired worker benefits – typically to enable a spouse to file for spousal benefits – and then suspend his or her benefit. By doing so, the individual would earn delayed retirement credits (up to 8% annually) and claim a higher worker benefit at a later date, up to age 70. Meanwhile, his or her spouse could receive spousal benefits. For some married couples, especially those with dual incomes, this strategy increased their total combined benefits.

Under the new rules, which are effective as of April 30, 2016, a worker who reaches full retirement age can still file and suspend, but no one can collect benefits on the worker's earnings record during the suspension period. This strategy effectively ends the file-and-suspend strategy for couples and families.

The new rules also mean that a worker cannot later request a retroactive lump-sum payment for the entire period during which benefits were suspended.

Restricted Application.

Under the previous rules, a married person who had reached full retirement age could file a "restricted application" for spousal benefits after the other spouse had filed for Social Security worker benefits. This allowed the individual to collect spousal benefits while earning delayed retirement credits on his or her own work record. In combination with the file-and-suspend option this enabled both spouses to earn delayed retirement credits while one spouse received a spousal benefit, a type of "double dipping" that was not intended by the original legislation.

Under the new rules, an individual eligible for both a spousal benefit and a worker benefit will be "deemed" to be filing for whichever benefit is higher and will not be able to change from one to the other later.

Basic Social Security claiming options remain unchanged. You can file for a permanently reduced benefit starting at age 62, receive your full benefit at full retirement age, or postpone filing for benefits and earn delayed retirement credits, up to age 70.

Although some claiming options are going away, plenty of planning opportunities remain, and we at Seascape are here to help you make an informed decision about when to file for Social Security.

RMDs, continued…

If you have multiple IRAs, an RMD is calculated separately for each IRA. However, you can withdraw the required amount from any of your IRAs. Inherited IRAs are not included with your own for this purpose. (Similar rules apply to Section 403(b) accounts).

If you participate in more than one employer retirement plan, your RMD is calculated separately for each plan and must be paid from that plan.

Remember, you can always withdraw more than the required amount, however if you withdraw less you will be hit with a penalty tax equal to 50% of the amount you failed to withdraw.

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It's Not Too Late!
There is Still Time to Contribute to an IRA for 2015

There is still time to make a regular IRA contribution for 2015! You have until your tax return due date (not including extensions) to contribute up to $5,500 for 2015 ($6,500 if you were age 50 by December 31, 2015). For most tax payers, the contribution deadline for 2015 is April 18, 2016 (April 19, 2016, if you live in Maine or Massachusetts).

You can contribute to a traditional IRA, a Roth IRA, or both, as long as your total contributions don't exceed the annual limit (or, if less, 100% of your earned income). You may also be able to contribute to an IRA for your spouse for 2015, even if your spouse did not have any 2015 income.

2015 income phaseout ranges for determining deductibility of traditional IRA contributions:		
1. Covered by an employer-sponsored plan and filing as:	Your IRA deduction is reduced if your MAGI* is:	Your IRA deduction is eliminated if your MAGI is:
Single/Head of household	$61,000 to $71,000	$71,000 or more
Married filing jointly	$98,000 to $118,000	$118,000 or more
Married filing separately	$0 to $10,000	$10,000 or more
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	$183,000 to $193,000	$193,000 or more

*MAGI: Modified Adjusted Growth Income

If you would like to make a contribution and have not yet done so, please give Suzanne Johnson a call at 603-964-4480 or email her at sjohnson@seascape-capital.com, and she will be happy to provide deposit assistance.

As always, please call us if you have any questions.