MF Advisers
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# THE FINANCIAL FORMULA

Giving You The Financial Information You Need

November 2014

Happy Thanksgiving! Enjoy this month's newsletter and please let us know if you have any questions - thanks!

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## In This Issue

## Retirement and Health Plan Limits for 2015

On January 1, 2015, the maximum contribution limits for 401(k), 403(b), and 457 plans increases to $18,000.

The IRS has released the cost-of-living adjustments affecting dollar limitations for defined contribution and defined benefit retirement plans. The table below compares both the retirement plan and health insurance plan limits for 2013 through 2015.[1]

| **Retirement Plans** | **2013 Limit** | **2014 Limit** | **2015 Limit** |
|---|---|---|---|
| 401(k), 403(b), 457(b)(2) elective deferrals | $17,500 | $17,500 | $18,000 |
| 401(k), 403(b) "catch up" contributions for ages 50+ | $5,500 | $5,500 | $6,000 |
| SIMPLE plan elective deferral | $12,000 | $12,000 | $12,500 |
| SIMPLE "catch up" contributions for ages 50+ | $2,500 | $2,500 | $3,000 |
| Defined contribution plan maximum | $51,000 | $52,000 | $53,000 |
| Defined benefit plan maximum | $205,000 | $210,000 | $210,000 |
| Maximum includible compensation | $255,000 | $260,000 | $265,000 |
| Highly compensated employee | $115,000 | $115,000 | $120,000 |
| FICA taxable wage base | $113,700 | $117,000 | $118,500 |
| **Health Insurance Plans** | **2013 Limit** | **2014 Limit** | **2015 Limit** |
| Health Savings Account (HSA) contribution limit -- individual | $3,250 | $3,300 | $3,350 |
| HSA contribution limit -- family | $6,450 | $6,550 | $6,650 |
| HSA "catch up" contributions for ages 55+ | $1,000 | $1,000 | $1,000 |
| Minimum deductible for high-deductible health plan (HDHP) -- individual | $1,250 | $1,250 | $1,300 |
| Minimum deductible for HDHP -- family | $2,500 | $2,500 | $2,600 |
| Maximum out-of-pocket for HDHP -- individual | $6,250 | $6,350 | $6,450 |
| Maximum out-of-pocket for HDHP -- family | $12,500 | $12,700 | $12,900 |
| Flexible Spending Account (FSA) contribution limit | $2,500 | $2,500 | $2,550 |

[1]The Internal Revenue Service.

## Kids & Money: Important Lessons Start Early in Life

To ensure that important life goals remain at the forefront of your children's -- and likely heirs' -- priorities throughout their lifetimes, incorporate the use of incentives in your estate plan.

Today many affluent families are concerned about the potentially adverse effect of wealth on younger generations. As a result, the goals that many high-net-worth parents and grandparents have set for their children or grandchildren reflect core values, an honest work ethic, and a desire to give back to the greater community.

### Walking the Talk

The skills and knowledge needed to help children achieve these goals should be developed early in life and continue well into adulthood. The following strategies can assist older family members in becoming positive financial role models for children.

**Start early** -- Parents can start talking to children about money at as young as age three. Between four and five, you can explain the importance of good spending habits, and by age six or seven, you can help children open a bank savings account. By the time children reach their mid-teens, they should start seeking after-school and summer employment.

**Support education** -- Personal finance education helps instill such pragmatic money management skills as setting a budget, balancing a checkbook, understanding the role of debit/credit cards, and developing strategies for funding college. Encourage your child's school to offer personal finance as an elective "life skills" course, send your teen to a community college/adult education class, or tap the many educational resources available online.

**Lead by example** -- Your children will learn the most valuable lessons about money from examples you set. A few simple rules: Enjoy the fruits of your labor -- but don't go overboard. Set a healthy example regarding credit card use. Pay your bills on time. Save and review your savings plan on a regular basis. Above all, be consistent.

**Use incentives** -- To ensure that important life goals remain at the forefront of your children's -- and likely heirs' -- priorities throughout their lifetimes, incorporate the use of incentives in your estate plan. What exactly is an incentive trust? It is an estate planning tool designed to reward desired behaviors or impose appropriate penalties for undesirable behaviors. It also provides a way to address the needs of beneficiaries who require special assistance. Common themes guiding incentive trusts are education, moral and family values, and business/vocational choices, as well as charitable and religious interests.

**Encourage philanthropy** -- Affluent families often use philanthropy to convey the message that their success has been the result of hard work and good fortune, and that success comes with the responsibility to give something back. If you want to ensure future generations of volunteers and donors, you must model for children various ways to give of their time, their talents, and their money. Once children understand the scope of their contributions, philanthropy often becomes a real and meaningful part of their lives.

If you are interested in developing a legacy plan that incorporates some of the ideas mentioned here, consider seeking the guidance of a financial and estate planning professional. Together you can create a plan that instills financial responsibility in children for generations to come.

This communication is not intended to be tax or legal advice and should not be treated as such. Each individual's situation is different. You should contact your tax/legal professional to discuss your personal situation.