



# The Wealth Architect

*Helping you build your financial future.*

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Dear Friends,

Welcome to the November 2015 issue of The Wealth Architect. Once again, we are amazed at how the year has flown by. You'll find five topical articles in this issue to provide you with year-end advice and food for thought. And as always, we are here to offer financial guidance and answers to your questions.

Sincerely,  
The Professionals at Armao LLP

## November 2015

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## Don't Forget About Year-End Investment Planning



As the year draws to a close, there might be a slew of tasks on your to-do list. One task to consider is setting up a meeting with your financial professional to review your investments. If you take the

time to get organized now, it may help you accomplish your long-term goals more efficiently. Here are some steps that might help.

### Evaluate your investment portfolio

During the meeting with your financial professional, review how your overall investment portfolio fared over the past year and determine whether adjustments are needed to keep it on track.

Here are some questions to consider:

- How did your investments perform during the year? Did they outperform, match, or underperform your expectations?
- What caused your portfolio to perform the way it did? Was it due to one or multiple factors?
- Were there any consistencies or anomalies compared to past performance?
- Does money need to be redirected in order to pursue your short-term and long-term goals?
- Is your portfolio adequately diversified, and does your existing asset allocation still make sense?

Addressing these issues might help you determine whether your investment strategy needs to change in the coming year.

### Aim for balance

During the portfolio review process, look at your current asset allocation among stocks, bonds, and cash alternatives. You might determine that one asset class has outperformed the others and now represents a larger proportion of your portfolio than desired. In this situation, you might want to rebalance your portfolio.

The process of rebalancing typically involves buying and selling securities to restore your portfolio to your targeted asset allocation based on your risk tolerance, investment objectives, and time frame. For example, you might sell

some securities in an overweighted asset class and use the proceeds to purchase assets in an underweighted asset class; of course, this could result in a tax liability.

If you own taxable investments that have lost money, consider selling shares of losing securities before the end of the year to recognize a tax loss on your tax return. Tax losses, in turn, could be used to offset any tax gains. When attempting to realize a tax loss, remember the wash sale rule, which applies when you sell a security at a loss and repurchase the same security within 30 days of the sale. When this happens, the loss is disallowed for tax purposes.

If you don't want to sell any of your current investments but want to change your asset allocation over time, you might adjust future investment contributions so that more money is directed to the asset class you want to grow. Once your portfolio's asset allocation reaches your desired balance, you can revert back to your previous strategy, if desired. Keep in mind that asset allocation and diversification do not guarantee a profit or protect against loss; they are methods used to help manage investment risk.

Your financial professional can help you understand how your investments may be affected by capital gains and other taxes. You can learn more about current tax laws and rates by visiting [www.irs.gov](http://www.irs.gov).

### Set goals for the coming year

After your year-end investment review, you might resolve to increase contributions to an IRA, an employer-sponsored retirement plan, or a college fund next year. With a fresh perspective on where you stand, you may be able to make better choices next year, which could potentially benefit your investment portfolio over the long term.

**Note:** *There is no assurance that working with a financial professional will improve investment results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*



***Over the last two years, nearly one-third of privately insured Americans received a surprise medical bill for which their health plan paid less than expected. (Source: Consumer Reports National Resource Center, March 2015)***

## Dealing with Medical Billing Issues

It's a common occurrence these days--you receive a sky-high medical bill in the mail. Maybe the bill is for medical services or treatments that you thought were covered by your insurance. Or perhaps you have difficulty understanding exactly which medical procedures you're being charged for, or what the medical billing codes on your hospital bill mean.

The fact is, due to the complex nature of today's medical billing industry, it's difficult for many consumers to know exactly what they will end up having to pay for medical services or treatments. Fortunately, there are some things you can do to make it easier to deal with any medical billing issues that may arise.

### **Understand what your insurance does and does not cover**

Your first step in tackling a medical billing issue is to find out exactly what your insurance does and does not cover. Review your health plan's coverage brochure or contact your insurer to find out about your health insurance plan's coverage exclusions or limitations, expenses that are fully or partially covered by your plan, and the ramifications of using an out-of-network provider.

Another helpful tool is an explanation of benefits (EOB). Once a medical claim is processed by your health insurance provider, you should receive an EOB. The EOB will provide you with a variety of information, such as the dates and type of services provided, the amount that was billed by the medical provider to the insurance company, what the insurance company paid to the provider, and the amount that wasn't covered and for which you are responsible. Review your EOB and compare it to your medical bills. If you find any discrepancies, contact your medical provider's billing department.

### **Keep an eye out for common billing errors**

Unfortunately, errors are a common occurrence in the medical billing industry. As a result, it's always important to request an itemized bill, as opposed to just a summary of charges, from your medical provider. An itemized bill is critical when it comes to identifying billing errors because it will detail each medical procedure for which you are being charged.

Once you've received your itemized bill, check to make sure that all of your identifying information (e.g., address, date of birth), dates of service, and insurance information are correct.

In addition, be alert for common billing errors, such as:

- Being billed separately for services that are already covered under previously bundled fees
- Being billed for extra time in the operating room or more anesthesia
- Being billed for a more expensive charge than necessary (also known as "upcoding")
- Charges for canceled procedures
- Charges for duplicate procedures
- Incorrectly coded procedures

If you find an error on your bill, contact the billing department of the medical provider to request a corrected insurance claim and/or bill. Be prepared to explain the mistake to the billing representative and provide copies of billing records that illustrate the billing error.

### **Don't be afraid to negotiate**

If it turns out that you do owe money, it's important to know that medical bills may be negotiable. If you have a large medical bill, it may be worthwhile to negotiate with your medical provider. Depending on the amount you owe, you may be able to lower your balance or arrange a payment plan that spreads out the amount you owe over a period of time.

### **Consider getting professional help**

Some medical billing issues may be too difficult to resolve on your own. If you are unable to determine what you owe or negotiate a resolution with a billing department, consider enlisting the services of a medical billing advocate.

Medical billing advocates are typically paid an hourly rate. They can be extremely effective in helping you deal with a variety of medical billing issues, such as identifying billing errors and/or assisting you with negotiating a lower balance. For more information on medical billing advocates, visit the Medical Billing Advocates of America website at [www.billadvocates.com](http://www.billadvocates.com).



#### **Education Tax Benefits**

**Several education tax credits and deductions could help reduce the cost of college or vocational training, including the American Opportunity credit, the Lifetime Learning credit, and the student loan interest deduction. To learn more, consult a tax professional or IRS Publication 970, Tax Benefits for Education.**

## **Financial Tips for Going Back to College at Any Age**

You're never too old to learn, but you might be wondering how you can meet your educational goals without breaking the bank. Believe it or not, there are ways to make college more affordable no matter what your age.

### **In your 20s**

Perhaps you weren't ready to go to college immediately after graduating from high school. You took time off to travel, work, raise children, or pursue a military career. But after getting some "real world" experience under your belt, you've decided now is the time to go back to college.

Should you jump into a four-year bachelor's program or a two-year associate's degree? The answer may depend on what you want to study, how much time you have to devote to your studies, and how much you can afford. Keep in mind that federal financial aid eligibility is based on a student attending school on at least a half-time basis. Also bear in mind that the more time you spend in school, the higher the overall tuition bill and the more money you may need to borrow--and pay back.

Certificate or vocational training programs may also be worth considering as viable alternatives to more traditional four- or two-year options. Usually, they are less expensive and can be a faster way to build a skill set needed to start your career.

If you spent time in the military, you could be eligible for education benefits that may cover the cost of tuition/fees, housing, and books. To learn more about available benefits and eligibility requirements for military members, visit [benefits.va.gov](http://benefits.va.gov).

### **In your 30s, 40s, and 50s**

The prospect of paying for college may seem impossible if you're struggling to balance your family life, job, and finances. It might make sense, though, if you need or want to upgrade your job skills or change your career.

Some employers offer tuition reimbursement benefits to help employees improve their skills or gain new skills. This can be a very valuable financial resource, so check with your human resources department to see if your company offers tuition benefits. However, employers typically require employees to remain at the company for a certain length of time after the benefits are paid, so make sure to check out the details.

If you have a particularly hectic schedule, registering for night classes, online classes, or as a part-time student may be more convenient for you.

Nontraditional class times or virtual attendance can also be more cost-effective by eliminating additional expenses like the cost of commuting or housing that are associated with conventional enrollment.

If you're in your 50s, it may be worth looking into colleges supported by programs like the American Association of Community Colleges Plus 50 Initiative. This program provides funding to community colleges for the creation and expansion of campus programs that target individuals aged 50 and older who seek workforce training or preparation for a new career. To see colleges in your area that are associated with the initiative, visit [plus50.aacc.nche.edu](http://plus50.aacc.nche.edu).

### **In your 60s and beyond**

If you're approaching retirement or already retired, you might be inspired to pursue a college degree or attend classes merely for educational enrichment. If so, you don't necessarily have to tap into your retirement funds to pay for college.

A growing number of state universities and community colleges offer a selection of tuition-free classes for older students. Other schools may offer reduced tuition based on your age.

And if you don't mind learning online, massive open online courses (MOOCs) could be a cost-effective option. MOOCs offer a wide variety of classes at little or no cost, allowing you to quench your thirst for more knowledge on a variety of topics at the time of your choosing.

### **Tips for all ages**

Renting textbooks, registering for online courses, and applying for financial aid are examples of money-saving strategies that could help a college student at any age. Remember that most students are eligible for some form of financial aid, so you will want to fill out the federal government's Free Application for Federal Student Aid (FAFSA) to determine how much aid you might be eligible for. To learn how much aid you might receive, visit a college's financial aid office, run a college's net price calculator on its website, or visit [fafsa.ed.gov](http://fafsa.ed.gov).

If you receive a smaller amount of financial aid than you hoped, research local, state, and national scholarships. Accomplishments you've made over the years from your nontraditional education path could help you qualify.



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### What do I need to do to create a will?

A will is a legal document that is generally used to describe how you want your estate to be distributed after your death. It might also be used to name an executor for your estate or a guardian for your minor children. It is generally a good practice to name backup beneficiaries, executors, and guardians just in case they are needed. Even though it's not a legal requirement, a will should generally be drafted by an attorney.

In order to make a will, you must be of legal age (18 in most states). You must also understand what property you own, who the family members or friends it would seem natural to leave property to are, and who gets what under your will.

Generally, a will is a written document that must be executed with appropriate formalities. You should sign the document (or direct someone else to sign for you in your presence). The will should also be signed by at least two witnesses who are of legal age and understand what they

are witnessing; some states require three witnesses. The witnesses should not benefit from any provisions in the will. Some states also require that a will be notarized.

Some states allow a will that is entirely in your handwriting, known as a "holographic" will. Some states allow a "nuncupative" will, which is an oral will you dictate during your last illness, before witnesses, that is later converted to writing.

Note that certain property is not transferred by a will. For example, property you hold in joint tenancy or tenancy by the entirety passes to the surviving joint owner(s) at your death. Also, certain property (e.g., life insurance, qualified retirement plans, IRAs, Totten Trust accounts, Payable on Death accounts, Transferrable on Death accounts) passes directly to the designated beneficiary at your death, bypassing the probate process.

Your will does not take effect until you die. You can create a new will or revoke or amend an existing will up until your death.



### How do I change or revoke a will?

Your will does not take effect until you die. You can create a new will or revoke or amend an existing will up until your death.

A will remains valid until properly revoked or superseded. Revoking your will must be done very carefully. Most state laws require that the will be revoked by a subsequent instrument (a new will) or by a physical act (e.g., destroying or defacing it). This means the will must either be burned, torn, or canceled with the intent to revoke. You might, for example, write REVOKED across the will and sign and date the revocation.

You can amend (change) your will by executing a codicil. A codicil is a separate, written, and formally executed document that becomes part of your will. More specifically, a codicil is a supplement or addition to a will that explains, modifies, or revokes a previous will provision or that adds an additional provision. A codicil generally should be used only for minor changes to your will. You should execute a new

will if there are many changes or a major change.

A codicil should generally be executed with the same formalities as required for a will. In general, the codicil must be signed, dated, and witnessed in accordance with the laws of the appropriate state.

The codicil should be attached to the will it is amending. Be sure to draft, execute, and attach a copy of the codicil to each copy of your will.

Although a new will usually must be contested in its entirety, some states will allow a codicil to be contested on its own. If it is found to be invalid, only the changes contained in the codicil will be voided and the remaining will provisions remain valid.

Some states provide that provisions in a will may be revoked automatically upon marriage or divorce. It is generally a good practice to review your will and make changes as needed upon marriage or divorce, or for any other major changes in your life.