

HEALTH CARE REFORM – WHAT IT MEANS TO YOU

My doctor gave me six months to live, but when I couldn't pay the bill, he gave me six months more.

~Walter Matthau

In March 2009, President Barack Obama signed into law the Patient Protection and Affordable Care Act ("PPACA"). The law was comprised of nearly 3,000 pages (at least it was double spaced!) of new regulations, some of which have been defined and some of which remain to be defined. No matter what you think of health care reform, changes to your health coverage have already begun. While some of the changes may not affect you directly, all of these changes will ultimately have an effect on your health care premiums.

Many of these changes have yet to be defined by the Health and Human Services Department so the act is still incomplete. However, we do know how the near-term provisions will affect your health care coverage. The majority of the provisions are effective in 2014 but because that is over three years away and subject to potential change, here is a table that concentrates on the provisions which take effect before then.

Source: Kaiser Family Foundation, AON Corporation, National Conference of State Legislatures

Effective Date	Provision	Effect on your health care plan
September 2010	All dependents up to age 26 (thru age 25) are guaranteed coverage under their parents health care plan. COBRA Insurance for up to 3 yrs is offered at age 26	Plan premiums in 2011 will increase by approximately 1%
September 2010	Dependents under age 26 cannot be denied coverage for pre-existing conditions	Plan premiums in 2011 will increase by less than 1%
January 2011	Plans can no longer cap the maximum amount of claims that each individual is covered for. Many plans cap the maximum claims allowance at \$2 million. This is no longer permitted.	Plan premiums in 2011 will increase by less than 1%
January 2011	Preventive care copayments, typically \$10 - \$25 for HMO's or 10% for PPO Plans, are no longer permitted. All preventive care claims will be fully covered by the plan.	Plan premiums in 2011 will increase by 4 - 6%.
January 2011 or January 2012	Establishment of a national voluntary long term care insurance program	Uncertain whether plan will be required to subsidize the program. Effects unknown.
January 2011	Establishment of plan wellness programs	Potential rebates for individual wellness programs but in all likelihood, no effect on premiums.
January 2013	Increase in Medicare tax	Increases Medicare tax by 0.9% on all income, but only for US tax filers with taxable income over \$200,000.
January 2013	Limit the amount of deductions under the Flex Spending Acct ("FSA") to \$2500.	Reduces tax sheltered contributions by up to \$2,500. Does not affect health care plan.
January 2014	All U.S. citizens and legal residents will be required to purchase health care. Penalties assessed for non-compliance.	Stay tuned...
January 2014	Pre-existing conditions will be eliminated as a reason for declining coverage	Plan premiums will increase by an unknown amount, but some early estimates exceed 15%
January 2014	Maximum deductibles on health care plans reduced to \$2,000 for individuals and \$4,000 for families	Unknown but estimated increases of perhaps 10% or more will be levied on high deductible plan premiums.

There are a bevy of additional provision changes scheduled for implementation in January 2014 and beyond. As legislation changes and 2014 approaches, we will frequently notify you of these changes and how they will affect you. If you have questions on these changes and what they mean to you, please feel free to consult with MedAmerica Financial Services.

The articles written in this newsletter are the opinions of Chris Renner and do not necessarily represent the views of MedAmerica or Schwab.

YOUR TAXES ARE INCREASING, WHAT CAN YOU DO?

You must pay taxes. But there's no law that says you gotta leave a tip.

~Morgan Stanley

With the passage of the health care reform act and the impending expiration of the 2001 federal tax cut, taxes for all U.S. citizens are slated to increase in 2011 and additionally in 2013 for citizens earning over \$200,000. On top of this, California¹ and Oregon² saw their states implement income tax increases in 2009 and states like Washington³, Michigan⁴, New Jersey⁵, Illinois⁶ and many others are considering additional income or sales tax increases to stem huge budget deficits. So what strategies can you now employ to protect your income from these income tax increases?

Beginning in 2011, federal income taxes will increase by at least 3 percentage points⁷. (For example, if you currently pay federal income taxes at a 25% rate, 2011 income taxes will rise to 28%, a \$300 additional tax on every \$10,000 you earn.) In addition, federal capital gains taxes will increase from 15% to 20%, and federal estate taxes of 55% on estates over \$1,000,000 will be reinstated.

In 2013, Medicare taxes will increase by 0.9 percentage points and investment income and capital gains taxes will increase by 3.8 percentage points, but only on those individuals who earn over \$200,000 (married and \$250,000)⁸. For those earning over \$200,000 annually, this will mean an increase of \$90 per \$10,000 in income and \$380 per \$10,000 of investment earnings.

While Congress will give some consideration to shielding the 2011 tax increases from those earning under \$200,000 (married and \$250,000), the astronomical \$1.4 trillion federal budget deficit⁹ puts pressure on lawmakers to increase revenues; and with multiple states technically insolvent, additional state tax increases are also likely. New York, California, and Oregon¹ each raised income taxes in 2009 and states like Washington, Georgia, Kansas, and many others are considering income tax rate increases in 2010.

What steps can you take to keep more of your income? Try these:

- 1) Maximize your retirement plan contributions.** Most employees need to save at least 10 – 12% of their income into their retirement plan annually. However, if you can maximize your contributions at 20%, you will not only shelter more of your income from taxation, but more importantly, you may actually reduce your taxable income into a lower tax bracket. For example, a married physician earning \$300,000 could contribute \$50,000 into their retirement plan and reduce their tax bracket from 36% to 31%! If you only contribute \$2,500 into your defined benefit plan, consider adding more to your defined benefit plan!
- 2) Maximize your Health Savings Account.** All contributions into Health Savings Accounts are tax free. Individuals may contribute up to \$3,150 and couples or families may contribute \$6,150 in 2010. Individuals over age 55 may contribute another \$1,000 annually. Whether you use the funds or not, all funds are tax free!
- 3) Sell capital gain assets prior to 2011.** Capital gains taxes increase from 15% to 20% in 2011 for everybody and to 23.8% (for those earning over \$200,000) in 2013⁷. The Obama administration is also promoting a bill that would increase capital gains to the ordinary income rate that would increase most physicians' capital gains rate to 39.6% in 2011 and to over 43% in 2013. If you benefited from the stock market increase in 2009 or you have a long held house, consider the sale of that asset to avoid the higher tax rates of 2011 and beyond.
- 4) Consider other tax avoidance efforts.** With the higher tax rates, consult with your accountant to establish trusts, increase the use of Education IRA's, 529 Plans, or gifts to transfer wealth to your children (did you know that there is no generation skipping tax in 2010?), or consider the establishment of an individual corporation.
- 5) If your taxable income is still around \$200,000...** Consult with your accountant in December and determine your taxable income. If your taxable income (gross income minus deductions) is still right around \$200,000 (or \$250,000 for married taxpayers), consider some additional charitable contributions so that some of these marginal tax increases do not affect you. For instance, the Medicare tax increases don't rise at all if your taxable income falls below \$200,000. However, if you were to declare taxable income of \$201,000, the additional tax is levied on the full \$201,000, not just the additional \$1,000.

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Chris Renner has been the Benefits Director of MedAmerica Financial Services for over 15 years. All totaled, he has provided investment analysis within the financial services industry for over 25 years.



While these strategies can be implemented by individuals, MedAmerica Financial Services is also looking at increasing the maximum contributions provided through the defined benefit plan. There may be the potential for altering the defined benefit plan and allow physicians to contribute an additional \$5,000 to \$10,000 in tax sheltered income.

These strategies may not be appropriate for everyone, but if keeping more of your income is of prime importance, it is best to begin implementing these strategies now rather than in 2011 or beyond. If you have any questions on these strategies, we recommend consulting with your accountant but if you wish to discuss potential retirement plan strategies, please feel free to call Chris Renner at **800-842-2808**.

¹ "State Tax Update, July 2009", National Conference of State Legislatures, www.ncsl.org, July 2009

² "Tax Savings Lure Big Names Across River", Steve Law, *Portland Tribune*, October 8, 2009

³ "Washington State Jumps on Tax Increase Bandwagon", Jason Mercier, *Budget and Tax News*, July 2010

⁴ "Michigan Budget Reform Proposals", Nick Quigley, *Michigan Policy Network*, April 22, 2010

⁵ "Christie, NJ Dems Unveil Dueling Tax Proposals in Trenton", www.1010wins.com, May 10, 2010

⁶ "Ill. Gov. Quinn Continues to Push Unpopular Tax Increases", Joshua Culling, *Americans for Tax Reform*, <http://atr.org>, April 26, 2010

⁷ *Economic Growth and Tax Relief Reconciliation Act of 2001*

⁸ *Revenue Raisers in Health Reform*, Martha Pugh, www.healthcarelawreform.com/articles/tax, March 20, 2010

⁹ www.usdebtclock.org

Hewitt Associates, a global human resources consulting firm, and Financial Engines, an independent investment advisor specializing in retirement plans, examined the behavior and portfolio risks of more than 400,000 401(k) plan participants and found that, on average, those who utilized financial assistance such as those shown below, performed 1.86% better each year than individuals who did not seek out assistance.¹

MedAmerica Financial Services provides 401(k) plan participants with an array of different resources that can provide assistance in allocating your investment portfolios. Here is a list of resources, along with phone numbers and websites that you may utilize to properly design your investment portfolio.

If you only have five minutes...

Consider the accompanying "**SUGGESTED ALLOCATIONS**" from Chris Renner to allocate your investments. You can go to schwab.com/workplace and change your allocations, call MedAmerica Financial Services at **1-800-842-2808** or send us an e-mail at rennerc@medamerica.com and we'll work with you to input your desired changes.

If you have 45 minutes...

For a bit more customization, consider retirement plan advice powered by GuidedChoice² to receive objective recommendations specific to your situation—at no additional cost³ for you. With retirement plan advice, GuidedChoice can help you decide how much to contribute to your plan, which funds to select, and how much to invest in each fund. For the self-service tool, go to your account on schwab.com/workplace and click on the GuidedChoice. You may also call Schwab Retirement Plan Services, Inc. at **800-724-7526** to schedule an appointment with a Schwab Advice Consultant⁴.

If you have at least 2 hours...

To explore more than just your investment allocations and explore other financial planning needs like life insurance or estate planning, consider using the Schwab Executive Services team to review your current financial situation. Initial contact will be by phone, but in-person meetings can also be arranged. There is no charge for the consultation. Call Brian Steineman at **415-667-6317**, and he'll assign a Charles Schwab & Co, Inc. financial consultant close to you.

If you have at least 3 hours...

To explore all of your financial planning options with an independent financial planner, consider the MedCentric Financial Planning network, a team of independent fee based financial planners who specifically work with physicians. Upon the completion of an initial questionnaire, an in-person 2 hour meeting will allow participants to review their current financial situation and generate solutions to your financial planning needs. The cost of the initial meeting is \$500, but MedAmerica pays \$400 of the initial fee. If you want a more comprehensive financial plan, MedCentric financial planners can provide additional planning for a fee.

¹ Hewitt Associates "2009 Trends and Experience in 401(k) Plans", www.hewitt.com

² Retirement plan advice is formulated and provided by GuidedChoice Asset Management, Inc. (GuidedChoice). GuidedChoice is not affiliated with, nor is it an employee or agent of Charles Schwab & Co., Inc. Member SIPC (CS&Co.) or Schwab Retirement Plan Services, Inc. (SRPS). The GuidedChoice service is available to participants enrolled in plans that use the recordkeeping and related services of SRPS. Availability is subject to regulatory requirements. Plan sponsors must elect to make the GuidedChoice service available. Participant access to the GuidedChoice service is facilitated through CS&Co. Neither CS&Co. nor SRPS supervises, makes recommendations with respect to, or takes responsibility for monitoring the advice provided to participants by GuidedChoice.

³ At no extra charge or additional charge means that there is no cost for this service outside of the standard fees paid to SRPS and CS&Co. for recordkeeping and related services, including trustee and custodial fees paid to Charles Schwab Trust Company, a division of Charles Schwab Bank.

⁴ Advice consultants are employees of CS&Co. and not of GuidedChoice and do not provide financial planning services to participants.

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DOES IT MAKE SENSE TO CONVERT TO A ROTH IRA THIS YEAR?

To convert or not convert, that is the question.

~Chris Shakespeare

Beginning in 2010, the federal government permanently eliminated the income limit for transferring traditional tax deferred savings into a Roth IRA. As part of the provision, individuals can transfer their traditional IRA's or if the participant is over age 59 ½, they can transfer all or a portion of their 401(k) accounts. (If an individual has terminated employment, they too, no matter their age, can transfer their 401(k) accounts directly to a Roth IRA.) If an individual does convert to a Roth, the amount of the transfer must be repaid in ordinary income tax (without penalty) either all in 2010 or over two years beginning in 2011 and 2012.

First of all, does it make sense to transfer your traditional retirement funds into a Roth IRA?

The simple answer depends on 'yes' answers to the following two questions. If you also answer 'yes' to the third question, that's a deal clincher and you should go ahead and convert that traditional IRA.

- 1) Can you afford the tax liability (either over one or two years) of the distribution?
- 2) Will you be in the same or higher tax bracket when you retire?
- 3) Are you under age 45?

Looking at question 1, no matter how much it makes sense to convert your traditional IRA, if you cannot pay the tax bill associated with the distribution, you should either reduce the amount of the transfer or not enact the transfer at all. As an example, if you are currently in the 28% federal tax bracket and a 9% state tax bracket, you would have to pay 37% in taxes on the distribution. For every \$1,000 in transfer, you would be required to pay \$370 in taxes! Some people do not have that kind of liquidity or cash flow. Of course, if you are in a lower tax bracket, then your tax bill would of course, also be lower. Delaying the tax bill into 2011 and 2012 isn't without peril either. Federal taxes are slated to increase by at least 3 percentage points in 2011 so using the same example shown above, you would be required to pay \$400 in taxes; \$200 in 2011 and \$200 in 2012.



If you get past the more succinct question 1, question 2 is a bit more nebulous and because of your time frame until retirement, may be impossible to answer. However, let's give you some guidelines to help you out.

First of all, if you currently work in California, New Jersey, New York, Vermont, Oregon or another high income tax state and you plan on retiring in Texas, Wyoming, Tennessee, Washington, Florida or some other low income tax state or country, you may likely have a lower tax liability when you retire. In these cases, it is difficult to justify the conversion of your IRA. (Answer: No) However, if you want to move from a lower income tax state to a higher tax state, then the Roth Conversion makes perfect sense. (Answer: Yes)

Of course, unless you have a crystal ball and can foresee future income tax increases or decreases, it's difficult to determine where tax rates will be when you retire. With the federal government and nearly every state government straining from the weight of overwhelming budget deficits, some would say that tax increases are inevitable. However, legislatures in New Jersey and California seem determined to balance budgets without tax increases? Depending on your outlook, the benefits of a Roth conversion can be substantial or inconsequential. (Answer: Your guess is as good as mine) Of course, you can always take the guesswork of tax rate increases by simply converting to a Roth!

So if you answered 'yes' to question #1 and 'yes' or 'maybe' to question #2, perhaps question #3 will help determine whether you should convert your traditional IRA. Question #3 is simple; are you under age 45? If you're under age 45, there is a greater chance that your current tax bracket is lower than it will be when you are over age 45. Because of the value of compounding, there are also extra benefits derived from saving within a tax free environment rather than a tax deferred environment. As such, those under age 45 should consider converting their traditional IRA into a Roth IRA.

In summary, if you answered 'yes' to questions #1 and #3, and at least a 'maybe' on question #2, you should convert your traditional IRA. Otherwise, leave your retirement savings where they are. If you are still undecided, remember that even if you do decide to make the Roth Conversion, any 2010 conversions can be reversed and the tax implications can be reversed if you "recharacterize" the conversion by October 15, 2011.

¹ Economic Growth and Tax Relief Reconciliation Act of 2001

² www.taxadmin.org/fta/rate/ind_inc.pdf

³ "No Tax Increases or Shift in State Aid, Christie Vows", North Jersey.com, www.northjersey.com/news/state/other_state_news/69444967.html, November 7, 2009

⁴ Cut Spending to Balance Budget, Dennis Hollingsworth, Sacramento Bee, June 17, 2010

⁵ Recharacterizing your IRA Contribution or Roth Conversion, Denise Appleby, Investopedia - www.investopedia.com/articles/retirement/03/092403.asp

CRAZINESS IN THE STOCK MARKET AND HELP WHEN YOU NEED IT

BY CHRIS RENNER



Wide diversification is only required when investors do not understand what they are doing.

~Warren Buffett

Since April 20th, global stock markets, largely due to concerns surrounding European sovereign debt and the value of the European currency, have given back over 12% of their peak value¹. Add in the fact that North and South Korea are sparring again, interest rates remain very low, banks are being subjected to a new Financial Reform bill, taxes are rising, and Apple's IPAD is flying off the shelves, is it any wonder that you are uncertain about the market's direction?

Most of you, especially those of you in your fifties and sixties, are still very concerned with the future of your retirement plans. Many of you have not yet recovered from the stock market drop in 2008 and while many portfolios have recovered substantially, the recent instability in the markets has raised concern that the markets are revisiting the calamity of 2008. Will the economic recovery of 2009 continue? How will the stock market do in 2010 and 2011? Should you allocate your funds more aggressively or more cautiously?

In March 2008, I was confident that the Dow Jones Industrial Average would bottom out at 6500 and slowly rise to 10,000 over the next 12 months. Of course, the market did bottom out but quickly rose to 11,600 in April 2010. At this time, however, there are a great number of factors that support a rise in the market but also a wide range of factors that threaten the stock market. So which direction will the market go?

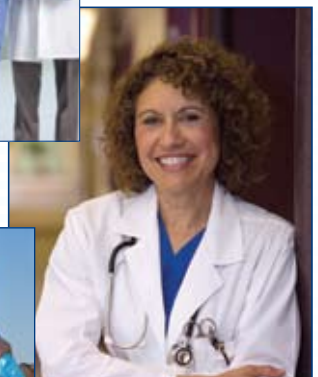
Consider the following positive factors²:

- Gross Domestic Product in the United States is growing by over 3%, much better than the negative growth that GDP experienced in 2009.
- Inflation is non-existent with the Consumer Price Index showing less than 1% growth from May 2009
- Retail sales are up 9% from the levels of May 2009
- Recovering from depleted inventories, manufacturing is robust, with the Institute for Supply Management Index showing the highest level of manufacturing output in six years!
- While unemployment is still high, the private sector has begun to hire and the US economy has created jobs over the past two months.
- Most of all, corporate profits are phenomenal. Companies are operating with minimal expenses and, last quarter, 70% of all publicly traded companies produced profits in excess of investment analyst expectations.

However, consider the following threats:

- The levels of public debt are historically very high and in some places like Greece, Portugal, Ireland, California, New York, Michigan, and other places, they are at levels never before seen and widely reported to be unsustainable.
- Remedies to these levels of debt include employee layoffs, which increase unemployment and decrease economic spending, restructured debt payments, which increase the likelihood of inflation, or increased taxes, which also decrease economic spending. These remedies do not enhance investor confidence and indeed increase sales pressure on the stock market.
- The increasing value of the U.S. Dollar makes it more expensive to export products to Europe and Japan, putting pressure on the profits of U.S. multinational corporations.

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Does any of this matter?

Should you adjust your investment allocations? After all, this is long term investing and historically, every long term graph shows continued growth in the stock market.

So what should you do?

First and foremost, do not ignore your investments. If you do not understand investing, seek out help. Along with Schwab Retirement Plan Services, Inc. and its affiliates, and MedCentric Financial Planning, MedAmerica can provide you with plenty of resources. In fact, a 2009 Hewitt Associates survey on 2009 401(k) trends revealed that, on average, the median annual return for participants using investment help was 1.86% higher than those who did not seek investment help³. In the accompanying table, we have provided you with a list of options to help you with your investment allocations.

Even if you prefer to invest yourself, you should adhere to the long held principles of diversification, reviewing your portfolio at least once per year to reflect proper asset allocations, and don't panic in the face of dramatic moves within the securities markets.

On top of that, however, because this is not the 1990's anymore, I recommend **CAUTION!** With the competing factors shown above, one thing is likely. The market will continue to be volatile for a while; certainly for the next few years and perhaps for the remainder of the decade. The opportunities and the threats will continue to exert their own special tug-o-war and the markets will alternately rise and fall.

AS A SIMPLE SUGGESTION, I RECOMMEND THE FOLLOWING RULE OF THUMB:

"Your level of fixed income investments should equal your age."

In other words, if you are 30, you should have 30% of your investments in fixed income investments like bond funds, money market funds, stable value funds, or one-half of a balanced fund. If you are 50 years of age, you should have 50% in stocks and 50% in fixed income investments. As you get older, review your allocations and adjust the ratio to reflect your new age. If you are perpetually 39 years of age, look at your birth certificate to compute your proper allocation.

While the public sector around the world and within the United States is facing massive budget deficits due to unsustainable spending from the past, corporations are producing tremendous profits that are forecast to continue into the next quarter and beyond⁴.

Whether the stock market is in a corrective phase, a recovering bull market, or a secular bear market, make sure that you have reviewed your asset allocation and are prepared for the volatile swings that have always been part of the stock market. And if you are still unsure, know that you have several resources to rely on.

We always welcome your calls at (800) 842-2808.

¹ S&P 500 as of June 8, 2010

² www.economagic.com

³ Hewitt Associates 2009 Trends and Experience in 401(k) Plans Survey, www.hewitt.com.



A TIMELINE FOR FINANCIAL PLANNING

By MYRON WACHOLDER, MD

Although it is nearly impossible to prepare for unexpected life events, the timeline listed below outlines specific age-defining benchmarks. Use it as a tool to help guide and plan for future life goals and achievements. By no means do these recommendations represent the only way to get from here to there. The most important message, regardless of each person's specific pathway, is that you should begin your timeline the day you start to work. Stay to a general plan, adjust when circumstances dictate, balance work with personal pursuits, and pay attention to health and wellness measures. Be sure that your significant other understands and agrees with your strategy, and you are both rowing the boat together. Think about your career as a marathon race or a baseball game. Maintaining a steady pace or stringing a series of singles together is more often the strategy for success.

IN YOUR 30'S

WORK:

- ◆ There's no better time to work more hours than in your 30's and 40's. You've got the stamina and the ability to quickly recover from sleep deprivation. Unlike many procedurally dominated specialties, your income is largely tied to hours worked. Aside from earning partnership or shareholder status, and hopefully some adjustment for inflation, don't expect to be making a lot more money down the road. So, this is the time to work hard.



TAX PLANNING:

- ◆ The cost of an annual visit to your accountant to develop a tax plan for the coming year is well worth it. Review your projected income and expenses and seek advice on potential large purchases and investments.

DEBT:

- ◆ Pay off your education debt and avoid credit card debt. It's a slippery slope.

HOME PURCHASE:

- ◆ Buy a house you can afford to start to accumulate one of your most valuable assets. Tax deductions for interest and property tax will help to reduce some of your taxable income. The hardest thing to resist is not buying your dream house, but if it taps you out and doesn't allow enough income to begin to fund for retirement and rainy day savings, you are almost always making a critical mistake.

RETIREMENT FUND:

- ◆ Start funding your retirement plan the very first year you begin to work. The power of compounded earnings with tax deferred dollars until the time you are eligible to withdraw from your fund at age 59½ is the single most important strategy for most of us. You do the math - at 7% annual earnings an extra 10 years of compounding will result in two times more money whenever you decide to retire.

INSURANCE:

- ◆ Purchase disability insurance personally before you buy coverage through a group disability plan. While group disability plans are relatively inexpensive (especially if you are over age 40), personal disability policies are portable and their rates generally never change. As with most insurance, disability insurance is less expensive when purchased at a young age.
- ◆ Consider purchasing term life insurance if you have a young family. It is inexpensive when purchased young and can be phased out when you have accumulated sufficient other assets to protect your family.

EDUCATION FUNDING:

- ◆ Consider beginning a tax deductible college education fund, such as a 529 plan, for your children.

HEALTH AND WELLNESS:

- ◆ Nobody knows better than we do the value of a lifetime of exercise, a healthy diet and weight control. It's a practice that requires constant discipline.
- ◆ Last but not least, balancing your professional life with your personal life and interests is every bit as essential as all else you do. Without balance, without being able to share what you have accomplished, without family and friends, and without other outside interests, you will not be prepared for ultimate retirement. This aspect of our life timeline should be considered essential from beginning to end.

IN YOUR 40'S



WORK:

- ◆ Keep working hard. Your job is your best investment. The ability to recover from sleep deprivation and long hours begins to wane for most of us in our mid to late 40's. Replacing some income with administrative tasks or less stressful areas in the ED should be an option as needed.

RETIREMENT FUND:

- ◆ Continue to maximize your contribution to a 401K or IRA.
- ◆ Utilize outside assistance if you are not adequately diversified and rebalancing your investment portfolio annually.
- ◆ Monitor your performance focused on three and five year returns, and against comparable asset allocation and target funds.
- ◆ Assess periodically how you are doing. Are you on target to reach your goal amount?
- ◆ Consider establishing a Roth IRA as an element of your retirement plan. Although contributions to a Roth IRA are with after tax dollars, all growth in the fund is tax free and not subject to a mandatory distribution at age 70½.

HOUSING:

- ◆ Upsize your house as the need, affordability and investment potential dictate.
- ◆ Think long and hard before purchasing a vacation home. Far too often it ends up being a purchase you wish you hadn't made. It turns out to be a poor investment; or the location becomes less desirable in subsequent years; or renting in retrospect would have been a better choice.

SAVINGS:

- ◆ Accumulate savings equal to four to six months of wages for unanticipated emergency needs.
- ◆ Start accumulating other personal assets aside from your home and retirement fund.

INSURANCE:

- ◆ Periodically reassess the adequacy of your disability and term life insurance needs.

LUXURY PURCHASE:

- ◆ Consider a luxury purchase, assuming all other planning needs are met and you have got to have it.

HEALTH AND WELLNESS:

- ◆ Same as in your 30's. Balance, balance, balance.

ESTATE PLANNING:

- ◆ If you haven't already addressed this in your 30's now is the time to do it. Seek advice in beginning to develop an estate plan. You need wills for you and your spouse and you should assess the value of establishing a family trust. As your net worth grows it becomes increasingly beneficial to have a family trust in order to avoid estate taxes on your half until your spouse also passes on.

EDUCATION FUNDING:

- ◆ Continue contributing to your children's college savings through a 529 education fund.

In Your 50's

You are clearly on the downside of the curve with regard to your career and life expectancy. Hopefully you have been judicious with your planning since your early 30's and able to slow down.



WORK:

- ◆ You should have begun to reduce your clinical work hours to provide for ample recovery time, especially after night shifts. Having done this, work will become more enjoyable, burnout less likely, and performance parameters more likely to be comparable to your younger partners.
- ◆ Teaching, administrative responsibilities, less stressful work areas in the ED and pursuing outside interests are all potential options.

HOUSING:

- ◆ Is it time to downsize? Are your kids out of the house? Do you want to retire elsewhere? Is the timing right to purchase that retirement home and rent it until you are ready to move?

RETIREMENT FUNDING:

- ◆ Same as in your 40's, but now is the time to pay even closer attention to your performance. Annually assess your performance and adjust accordingly.
- ◆ Revise your family trust and wills as needed. That means have your lawyer/tax advisor review them. Have the laws changed? Have you transferred all your assets to the trust?

INSURANCE:

- ◆ Cut back or eliminate your term life insurance if your retirement plan balance dictates that you no longer need it.
- ◆ Review your disability insurance. Is it more or less than you need? Disability insurance only pays to age 65 so you may have enough in your retirement plan to meet your needs. Revise as appropriate.

HEALTH AND WELLNESS:

- ◆ Regular screening exams and tests are a lifetime commitment. Having lots of money but poor health is not a choice you would pick as you get closer to retirement. Exercise consistently, keep your weight down and eat healthy. Balance professional and personal pursuits to maintain a healthy lifestyle.

In Your 60's



WORK:

- ◆ Continue to cut back your work hours and consider a full transition to a lower acuity area of the ED. Working 20 hours a week should be enough to keep your skills current, provide adequate income now that your expenses are less, and provide a transition from a very demanding career to full retirement. You may be surprised how much you will enjoy work again.

HOUSING:

- ◆ Consider paying off any existing mortgage. Although there may still be some interest tax deductions, there is something to be said for the peace of mind gained by owning your house outright.

RETIREMENT FUNDING:

- ◆ Hopefully you are on autopilot. Assess annually and adjust accordingly. Think about delaying distributions as long as you can. You are eligible to begin at 59½ but it does not become mandatory until 70½. The longer you delay the more years you can take advantage of the compounding effect.
- ◆ Even though you are getting ready to retire, your money isn't. Keep your portfolio oriented to growth in both equities and bonds. Remember to factor the impact of inflation on your future income needs.
- ◆ Accumulating personal assets through after tax investments will provide you with the opportunity for another income source at retirement.
- ◆ Social Security becomes available in your 60's. The longer you delay receiving your payments, the greater the monthly amount. In 2010 dollars, assuming you had paid fully into Social Security taxes during your employment years, the amount you would receive would be roughly \$2,200 per month. Your spouse would also receive Social Security benefits at his/her eligible age.

ESTATE PLANNING:

- ◆ It's time again to undergo a comprehensive estate plan review. Options for professional assistance abound. Many brokerage companies (e.g., Charles Schwab or Fidelity) offer an outstanding assessment for little to no fee if you use them for your retirement funds.

HEALTH AND WELLNESS:

- ◆ You should have more time for personal pursuits than you have had your whole career. Take advantage of it to step up your exercise commitment, travel, pursuit of hobbies, more time for your grandchildren, and giving back.

ADDITIONAL LINKS TO ARTICLES



“How to Make the Most of your 401k”, *Wall Street Journal*

<http://guides.wsj.com/personal-finance/retirement/how-to-make-the-most-of-your-401k-plan/>

“Reluctant Retirement for Older Workers”, *Kelly Evans & Sarah Needleman, Wall Street Journal, December 8, 2009*

http://online.wsj.com/article/SB126022997361080981.html?mod=WSJ_RetirementPlanning_RetirementPlanning_2

“How to Start a 529 Plan”, *Wall Street Journal*

<http://guides.wsj.com/personal-finance/saving-for-college/how-to-start-a-529-college-savings-plan/>

“How Much You Should Spend on a Home”, *Wall Street Journal*

<http://guides.wsj.com/personal-finance/buying-a-home/how-much-you-should-spend-on-a-home/>

“Should You Buy Term Life Insurance?”, *Miriam Gottfried, Smart Money Magazine, Sept. 10, 2009*

<http://www.smartmoney.com/personal-finance/insurance/should-you-buy-term-life-insurance/>

“Do You Need Disability Insurance?”, *Stacey Bradford, Smart Money Magazine, September 10, 2008*

<http://www.smartmoney.com/personal-finance/insurance/do-you-need-disability-insurance-17318/>

“Planning for the Long Term (Care)”, *Peter Keating, Smart Money Magazine, Sept. 18, 2009*

<http://www.smartmoney.com/personal-finance/retirement/planning-for-the-long-term/>

“How Much Life Insurance Do You Need?”, *February 9, 2009*

<http://www.smartmoney.com/personal-finance/insurance/how-much-life-insurance-do-you-need-12949/>



SUGGESTED ALLOCATIONS – JANUARY 2010

With the continued uncertainty surrounding credit markets, housing, and government spending (taxes), investors should remain cautious here are some suggested allocations that you can use to invest your 401(k) plan. The suggested allocations were created by Chris Renner and do not represent the opinions of MedAmerica or Schwab Retirement Plan Services, Inc. and its affiliates.

Based on principals of diversification, performance during poor stock market periods and years until retirement, these allocations are meant to be cautious. You can change your allocations directly at schwab.com/workplace.

For those retiring before 2015:	Conservative Risk	Moderate Risk	Aggressive Risk
Schwab Stable Value Fund ¹	45%	35%	26%
PIMCO Total Return Bond Fund ²	20%	15%	13%
Invesco Real Estate Fund ³	4%	5%	6%
Oakmark Equity Income Bal. Fund	10%	12%	10%
Europacific International Fund ⁴	10%	14%	17%
Schwab Large Cap Value Fund	6%	10%	12%
SEI Small Cap Value Fund ⁵	2%	9%	16%
Schwab Total Stk Mkt Index	2%		
Growth Fund of America	1%		
Calamos Aggr. Growth Fund	0%		
Vanguard Explorer Fund ⁵	0%	0%	
For those retiring 2015 - 2025:	Conservative Risk	Moderate Risk	Aggressive Risk
Schwab Stable Value Fund ¹	33%	25%	19%
PIMCO Total Return Bond Fund ²	15%	12%	9%
Invesco Real Estate Fund ³	6%	8%	8%
Oakmark Equity Income Bal. Fund	10%	8%	5%
Europacific International Fund ⁴	14%	14%	20%
Schwab Large Cap Value Fund	12%	11%	10%
SEI Small Cap Value Fund ⁵	10%	5%	7%
Schwab Total Stk Mkt Index		5%	7%
Growth Fund of America		4%	7%
Calamos Aggr. Growth Fund		4%	5%
Vanguard Explorer Fund ⁵		4%	5%
For those retiring after 2025:	Conservative Risk	Moderate Risk	Aggressive Risk
Schwab Stable Value Fund ¹	28%	20%	15%
PIMCO Total Return Bond Fund ²	14%	8%	8%
Invesco Real Estate Fund ³	7%	8%	9%
Oakmark Equity Income Bal. Fund	10%	5%	4%
Europacific International Fund ⁴	13%	16%	17%
Schwab Large Cap Value Fund	12%	10%	10%
SEI Small Cap Value Fund ⁵	16%	5%	7%
Schwab Total Stk Mkt Index		10%	10%
Growth Fund of America		7%	8%
Calamos Aggr. Growth Fund		6%	7%
Vanguard Explorer Fund ⁵		5%	5%

Investors should carefully consider information contained in the prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-435-4000. Please read the prospectus carefully before investing.

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MEDAMERICA RETIREMENT PLANS

INVESTMENT PERFORMANCE UPDATE (COMPOUNDED MONTHLY THROUGH JUNE 30, 2010)

Fund	Quarter	YTD	1 Year	3 Years	5 Years
Schwab Stable Value Fund ¹	0.70%	1.34%	2.97%	3.85%	4.22%
PIMCO Total Return (Bond) Fund ² (PTTRX)	2.75%	5.80%	13.31% (43)	11.12% (2)	7.44% (2)
Invesco Real Estate Fund ³ (private)	(3.57%)	3.95%	49.68% (68)	(7.27%) (18)	1.61% (12)
Oakmark Equity Inc. Balanced Fd (OAKBX)	(8.00%)	(3.68%)	11.30% (75)	0.29% (11)	5.00% (4)
Europacific Int'l Growth Fund ⁴ (AEPGX)	(11.97%)	(11.26%)	9.81% (36)	(7.64%) (11)	5.29% (12)
Schwab Large Cap Value Fund (DODGX)	(13.34%)	(7.64%)	15.24% (28)	(13.82%) (97)	(2.75%) (89)
SEI Small Cap Value Fund ⁵ (SMVIX)	(9.01%)	(0.99%)	25.85% (17)	(9.48%) (59)	0.04% (62)
Schwab Tot Stk Mkt Index Fund (SWTSX)	(11.08%)	(5.72%)	15.99% (22)	(9.03%) (56)	(0.18%) (49)
Growth Fund of America (RGAFX)	(11.60%)	(7.84%)	10.73% (76)	(8.23%) (51)	1.13% (23)
Calamos Aggr. Growth Fund (CVGRX)	(8.63%)	(5.67%)	19.79% (26)	(7.49%) (35)	0.22% (43)
Vanguard Explorer (SmCap) Fund ⁵ (VEXRX)	(9.85%)	(2.12%)	20.51% (51)	(8.84%) (51)	0.07% (58)
Index	Quarter	YTD	1 Year	3 Years	5 Years
S & P 500 Stock Index	(11.43%)	(6.65%)	14.43%	(10.26%)	(0.79%)
BarCap Aggregate Bond Index	3.49%	5.33%	9.50%	7.76%	5.54%
MSCI EAFE Int'l Index	(13.97%)	(13.23%)	(11.26%)	(14.73%)	5.29%
<i>Avg. Defined Benefit Plan</i>	<i>(4.67%)</i>	<i>(0.46%)</i>	<i>11.72% (69)</i>	<i>(2.79%) (31)</i>	<i>2.27% (31)</i>

Investors should carefully consider information contained in the prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-435-4000. Please read the prospectus carefully before investing.

*** Numbers in parentheses indicate the 6/30/2010 percentile rank within investment style. For example, (9) indicates fund outperforms 91% of all similar styled funds.

Capital Preservation Funds (Lowest risk)

Schwab Value Advantage Fund

Balanced Funds (both stocks and bonds) (Moderate Risk)

Oakmark Equity Income Balanced Fund

Large Company Stock Funds (Risk shown)

Growth Fund of America (Higher)

Schwab Large Cap Value Fund (High)

Schwab Total Stock Market Index Fund (Higher)

International Equity Funds (High Risk)

Europacific Growth Fund

Bond Funds (Low Risk)

PIMCO Total Return Fund

Real Estate Funds (Moderate Risk)

Invesco Real Estate Fund

Small / Mid Comp Stock Fds (Risk shown)

SEI Small Cap Value Fund (High)

Calamos Growth Fund (Highest)

Vanguard Explorer Fund (Highest)

¹ Charles Schwab Stable Value Fund™ is a collective trust fund managed and distributed by Charles Schwab Trust Company (CSTC), a division of Charles Schwab Bank. Interests in the Fund are sold through CSTC and Charles Schwab & Co., Inc., (Member SIPC) a registered broker-dealer. CSTC acts as trustee, manager, and distributor of the Funds' investment sub-advisors. The Fund is not a mutual fund, and its units are not registered under the Securities Act of 1933, as amended or applicable securities laws of any state or other jurisdiction. The Fund is not registered under the Investment Company Act of 1940, as amended, or other applicable law and unit holders are not entitled to the protections of the 1940 Act. The Fund is not insured by CSTC, any of its affiliates, the FDIC or any other person. As defined in the Fund's Declaration of Trust and Participation Agreement, the Fund is available for investment by eligible qualified retirement plans only. The unit value of the Fund will fluctuate, and investors may lose money.

² Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed-income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors.

³ Risks of the REIT's are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and credit worthiness of the issuer.

⁴ International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets.

⁵ Small cap funds are subject to greater volatility than those in other asset categories.





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