

# The MFAC Report

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## Traditional Medicare or Advantage Plan (Not An Easy Choice)

By Karen Cho, CPA/PFS

Since its inception in 1965, Medicare has been the primary health insurance provider for individuals age 65 and over, as well as others who meet special needs. Since 1997, Medicare has worked with private companies approved to provide different options for beneficiaries' health care needs. The Medicare plan chosen affects many things, such as cost, benefits, doctor choice, convenience and quality.

The "traditional" Medicare option provides Medicare Part A (Hospital Insurance) and Part B (Medical Insurance) coverage. This is a fee-for service arrangement and is available nationwide. The participant can go to any provider (doctor) that is enrolled in and accepts Medicare. While it pays benefits for many health care services and supplies, it doesn't pay all health care costs. The participant pays coinsurance, copayments, and deductibles. These costs are called "gaps". Medigap policies are available to cover these gaps.

Alternatively, a Medicare participant may choose to receive all benefits through a Medicare Advantage (MA) plan, which allows choice of a plan with the most coverage for the services needed. These plans offer a different way of paying and receiving healthcare services. Unlike traditional Medicare, the government

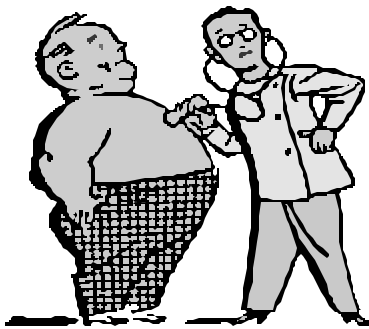
doesn't pay providers directly but instead pays insurance plans to manage care. While these plans are required to offer coverage that meets or exceeds the standards of the traditional Medicare option, they are not required to cover every benefit the same way. There are several different types of MA plans. There are Medicare Health Plans (like HMOs and PPOs), Private Fee-For Service Plans and Special Needs Plans. Because these Plans are run by private companies, they often involve networks, which mean that participants may have to see doctors who belong to that network or go to certain hospitals to get covered services. In many cases the costs for services can be lower than in traditional Medicare, but it is important to check with the plan because the costs for services vary. Private-Fee-For-Service plans allow an individual to go to any Medicare-

approved provider that accepts the plans' payment. Special Needs Plans are a type of coordinated care plan. These plans target enrollment to one or more types of special needs individuals identified by Congress as 1) Institutionalized; 2) Dually eligible for both Medicare and Medicaid; and/or 3) Individuals with severe or disabling chronic conditions.

Over 10 million (about one-fifth) Medicare participants are currently enrolled in MAs, with enrollment increasing every year. However, as the nation grapples with the financial

issues of health care and Social Security, MA plans are under attack from many quarters. President Obama has called the program "a wasteful subsidy for the health insurance industry" and Congress is looking for ways to pay for a \$1 trillion overhaul of healthcare. But the program remains popular with seniors who fear they may have to either pay more, or be forced into the traditional Medicare program.

When evaluating MA plans, it is important to understand and compare each plan. No matter which option is chosen, it is vital to continue to have access to the benefits and services desired. To compare health plans and to find out which Medicare plan to choose, you can go to the Medicare website at [www.medicare.gov](http://www.medicare.gov). Don't get lured into a plan just because it offers low premiums. You need to read the coverage and benefits carefully, especially because some plans carry an out-of-pocket maximum because they don't cap expenses. Additionally, sometimes insurers decide not to offer a particular plan under Medicare. This forces the beneficiary to find another plan. As the enrollment season moves closer, seniors need to pay close attention to ads and direct-mail pieces regarding any changes to plans. With so many options available, it is important to consider the factors affecting personal circumstances to determine which option will work best to keep costs down and obtain needed medical services.



# Tips and Alerts

## Water Woes

By Janet Gardner

California is experiencing its third consecutive year of drought. Water agencies throughout the state have passed ordinances mandating conservation and rationing. In many communities, residents have been put on notice that rates will rise dramatically. Fines and/or tiered rates for high usage have been initiated. Conservation not only helps the state save water, **it can make a difference in your finances** as well because the new rates are many times higher than the old ones. In order to save money and be eco-friendly try the following:

- Many communities now have sprinkler ordinances in effect. Only water when it's allowed. In the city of Los Angeles, it is Mondays and Thursdays before 9 AM and in other parts of the county it is two days per week within designated hours.
- When washing your car turn off the water while applying soap and only turn it back on to rinse. Better yet, go to a commercial car wash. The average homeowner uses more than 100 gallons to wash a car, while the average car wash that recycles water uses less than 30 gallons per car.
- Don't run the dishwasher unless it's completely full and don't pre-rinse. Unnecessary rinsing can waste nearly 20 gallons of water per load.
- Consider replacing older, less water efficient appliances, with new, water saving ones. For example, a new ultra-low-flush toilet uses only 1.6 gallons of water and a new Energy Star dishwasher must use no more than 5.8 gallons of water per cycle. In many cases, there are rebates or tax credits available that will help subsidize the cost.

If you put your mind to it, you will think of lots of little ways to make changes to keep your water use down.

# Tax Notes

## Tax Relief for Ponzi Scheme Losses

By Tom Trent, EA

The Internal Revenue Service (IRS) has issued guidance to taxpayers who were victimized by Ponzi-type investment schemes that have been perpetrated by Bernard L. Madoff and others. While none of our clients have incurred such losses, we feel it makes sense to disseminate the new rules to readers who may not have been so fortunate.

Revenue Ruling 2009-9 clarifies that such losses are considered theft rather than capital losses. As such, they are not limited to the \$3,000 per-year limitation on capital losses. Furthermore, they are not subject to either the 2% of Adjusted Gross Income (AGI) limit on miscellaneous itemized deductions nor the 10% of AGI limit on casualty losses. The ruling also specifies that the year of deduction is the year of discovery, unless there is a "reasonable prospect of recovery," in which case the deduction would be delayed until the year that it "can be ascertained with a reasonable certainty whether or not the reimbursement will be received." However, because taxpayers often cannot make this determination with certainty, the IRS also issued Revenue Procedure 2009-20 which provides a safe-harbor means for determining the year of deduction.

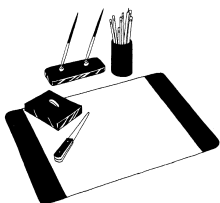
Despite its budget woes, California has announced that it will follow the Federal rules, at least "to the extent Federal and California laws are the same." However, if you or someone you know was unlucky enough to have substantial Ponzi-type losses, you may have a net operating loss (NOL) that can be carried back or carried forward. California law does not currently allow carrybacks of NOLs originating before 2011. For most taxpayers, California carryforward NOLs are suspended for tax years 2008 and 2009 so obtaining a tax benefit is likely to be delayed under such circumstances. California tax law and procedures related to Ponzi scheme losses are still a bit murky and the state legislature may or may not address the issue in a manner that taxpayers deem satisfactory.

Taxpayers who do not use the safe-harbor for California purposes may file an amended return (claim for refund) for prior years, as long as the statute of limitations is still open. Generally, the period for claiming a California refund is four years from the date the original return was filed, or one year from the date the tax was paid, whichever is later. In order to keep the statute open, the Franchise Tax Board (FTB) has advised affected taxpayers to file a protective claim, which the FTB will hold until the law related to the treatment of Ponzi scheme losses is clarified.

# From The Corner Office

## A MOVING EXPERIENCE

By Mitchell Freedman, CPA/PFS, AIF®



Mitchell Freedman Accountancy Corporation and MFAC Financial Advisors, Inc. moved the physical location of their offices on June 30, 2009. We have settled into our new suite and business life has normalized. Our move took us to Westlake Village, CA from Sherman Oaks, CA. For those who may have not received (or misdirected) the announcement of our move here is our new address:

3027 Townsgate Road  
Westlake Village, CA 91361

We "ported" our old telephone number so we can still be reached at (818) 905-0321. We also have a new telephone number that can be used, (805) 409-0250. Our new Telecopier (fax) number is: (805) 494-7371.

This is an exciting move for us after having our offices in the same location for 18 years in a high-rise office building in the San Fernando Valley section of the City of Los Angeles. We are now in a brand-spanking-new three story office building in a beautiful

part of Westlake Village.

Some clients and friends have asked why we decided to move out of Los Angeles County. There are several reasons for doing so. We truly like the "Class-A" building, the area, and the environment where we currently house our offices. The building is a state of the art, "green" low rise office building. Parking is convenient and getting into and out of our office likewise is convenient. Economics and traffic also played roles in our decision to relocate. When we moved to Sherman Oaks 18 years ago, from the Century City area, some thought that was unwise because so many entertainment attorneys, agents, managers, publicists, etc. – and so much of our competition were located in Beverly Hills, Century City, and West Los Angeles. We were one of the "pioneer" firms moving to "The Valley," but ultimately much of our competition followed us "over-the-hill."

In recent years we have found that we are obtaining an ever-increasing number of clients West and North of the San Fernando Valley and a physical presence here will help us to better serve this market.

With today's technology physical location of offices is not nearly the issue that it was 20 years ago. We continue to be only a telephone call, email, fax, Tweet, or Facebook post away from our clients and friends. We are still in the Metro-LA area so that client and



other professional meetings are not an inconvenience, whether held in our office or if we travel to them. We continue to maintain an extremely high level of technology and our latest enhancement is a state of the art VoIP (Voiceover Internet Protocol) telephone system which will help to improve service to our clients.

## Heard In The Hall

Mitch Freedman was invited to participate on the AICPA Advanced Personal Financial Planning (PFP) Conference Planning Committee for the third consecutive year. He attended a meeting of that committee in Durham, NC on April 23, 2009 to begin planning the 2010 conference. April 27<sup>th</sup> & 28<sup>th</sup> he was in San Francisco for an AICPA PFP Networking Group meeting. On April 30<sup>th</sup> and May 1<sup>st</sup> he attended a CalCPA State PFP Committee Meeting in Yosemite.

On May 26<sup>th</sup> Mitch gave a presentation titled, "Fallout from Madoff: How to Counsel your Clients to Avoid Scams," to the Inaugural CalCPA Los Angeles Chapter/San Fernando Val-

ley Bar Association Discussion Group meeting. On June 17<sup>th</sup> he attended the California CPA Education Foundation Entertainment Industry conference along with Tom Trent, Karen Cho, and Tad Jakes. Mitch was also a panelist at the conference for a presentation titled, "The Business Manager and Accountant as Fiduciary-How Far Do The Obligations Go."

*We're always looking for a few new good clients. Your referrals will be appreciated.*

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