

# SOLUTIONS

August ♦ 2011

## Professionally Speaking

Nonprofit organizations as diverse as the Arts & Business Council of Greater Philadelphia, Project Twenty1, Delaware County SPCA, YouthBuild Philadelphia Charter School, Keystone Energy Efficiency Alliance, Young Entrepreneurs of the Future, Tribe 12, and more joined our nonprofit experts, Accounting and Auditing Manager **Frances Sperling Feldbaum, CPA** and Tax Manager **Cheryl A. Post, CPA**, on June 17<sup>th</sup> at The Pyramid Club for a delicious breakfast and dynamic discussion that ranged from best practices in board governance to restricted gifts. Fran was joined on the panel by Mark Wille, Nonprofit Practice Leader for J.F. Smith & Associates, and Laura Solomon, Esq., a local attorney specializing in not-for-profits. St. Clair CPA Solutions was proud to co-sponsor the event, which gave attendees valuable takeaway information as well as much food for thought.

In support of our commitment to serving nonprofit organizations, we are also proud to be a new sponsor of The Nonprofit Center at LaSalle University, which provides a wealth of educational opportunities and resources for nonprofits of all types and sizes. **Mark your calendar for October 6, 2011**, when we will host a "Smartie" breakfast session for the Nonprofit Center in our Conshohocken office on how nonprofits can maximize their use of QuickBooks. Learn more at [www.lasallenonprofitcenter.org](http://www.lasallenonprofitcenter.org).

### Presented by

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*Dear Clients and Friends*

## Wall Street Journal Makes a Case to Buy an Annuity

A January 2011 survey by the Society of Actuaries (SOA) found that nearly half (48%) of Americans ages 45-70 are not financially prepared to protect themselves against the rising cost of health care and the possibility of outliving their assets. Additionally, the survey reported that while 37% of these individuals are worried about running out of money during retirement, only 20% plan to purchase an annuity or other form of guaranteed lifetime income to help protect their assets.

Citing the SOA survey in a March 8, 2011 article, former Dow Jones Newswires reporter Lavonne Kuykendall writes in the *Wall Street Journal*: "Many investors approaching retirement think they have no need for annuities. But the lifetime-income guarantees offered by these insurance-company products can add security to portfolios that are mostly composed of stock and bond mutual funds."

We agree that certain retirees—particularly those in good health and those who have a family history of longevity—may find good reasons to augment their portfolios with both immediate and variable annuities that have lifetime-income benefits.

In an immediate annuity, investors pay an insurer a lump sum in exchange for a promise of regular payments that can last as long as they live. Buyers of variable annuities invest in subaccounts that are like mutual funds, but they may also choose to buy income benefits, in the form of riders for an additional cost, that can help reduce the potential impact of a market downturn during retirement.

Kuykendall says that analysts and academics who cite the benefits of annuities make a persuasive case. She writes, "A market downturn that hits right before or early in retirement can leave even conservative investors with far less money to draw from than planned and little time to recoup their losses, increasing the risk they could run out. By putting a portion of their retirement funds in annuities, some investment researchers say, investors can arrange for a more dependable income stream for life."

Furthering the case, Financial Research Corp., a Boston-based research firm, describes an example in which a 65-year old retiree who invests \$400,000 in an immediate annuity may be able to reduce the risk of running out of money before age 92 from 25% to 6%. *Please note that this is a hypothetical example and is for illustrative purposes*

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## Alan Gubernick Receives Martins Run Leadership Award



(l to r) Alan and Julie Gubernick receive Martins Run Leadership Award from Lenore Forsted and Linda Sternhaus, May 11, 2011.

**Congratulations to Alan B. Gubernick, CPA, MST**, and his wife, Dr. Julie Gubernick, on receiving the prestigious Martins Run Leadership Award. The Gubernicks were recognized for their many years of service to the not-for-profit senior living community at its Leadership Award Celebration, held May 11, 2011. The Award was presented by Martins Run Current Board Chair Lenore Forsted and Executive Director Linda Sternhaus. Alan is a founding partner of St. Clair CPA Solutions.

The Martins Run Leadership Award was created in 2003 to honor those individuals who have demonstrated devotion to Martins Run and its activities and to the local community through strong leadership in a variety of causes. Alan served as President of the Martins Run Board of

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**Wall Street Journal Makes a Case to Buy an Annuity, continued**

only. No specific annuities were used in this example. Actual results will vary and past performance does not guarantee future results.

Is an immediate annuity or variable annuity right for your portfolio? And when should you invest? Because these products may offer different advantages and risks, an investment strategy should be carefully planned. To discuss whether annuities have a place in your portfolio, or to request a copy of the *Wall Street Journal* story "Making the Case to Buy an Annuity," please call our insurance and investment specialist, Rob Welch, RFC® at 856.482.5600 or email [rwelch@cpasolutionsllc.net](mailto:rwelch@cpasolutionsllc.net).

*Annuities are long-term, tax-deferred investment vehicles designed for retirement purposes. Guarantees are based on the claims-paying ability of the issuer. Withdrawals made prior to age 59½ are subject to a 10-percent IRS penalty tax, and surrender charges may apply. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. The investment returns and principal value of the available subaccount portfolios will fluctuate, so the value of an investor's unit, when redeemed, may be worth more or less than the original value. Optional features available may involve additional fees.*

*Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the variable annuity, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

**Alan Gubernick Receives Martins Run Leadership Award, continued**

Trustees from 1999 to 2001 and as Treasurer from 1994 to 1998. Among his accomplishments, Alan was instrumental in guiding many of the expansion and renovation projects that now make Martins Run such a desirable place to live, including the brand new Energy Club and fitness center and several dining venues. Alan is involved in numerous professional and charitable organizations, and has served or continues to serve as an active member of various nonprofit boards and private foundations.

The Gubernicks first became involved with Martins Run in 1990 when Alan was asked to join the Board. Later, Julie's grandmother became a resident of the community. Founded in 1980 in Marple Township, Delaware County, Pennsylvania, Martins Run is

dedicated to offering residents of all races, religions, and backgrounds a wide variety of recreational and lifelong learning opportunities, and to offering a warm and fulfilling lifestyle. A Residents' Assistance Fund supports those who have encountered financial hardships.

Upon receiving the Leadership Award, Alan said, "As an increasing number of Martins Run residents outlive their financial resources, we are delighted to support the Leadership Award Celebration, which raises money for the Residents' Assistance Fund. Martins Run is a vital community that provides a caring home for senior citizens and it has been our privilege to serve this unique organization. We are honored to receive the Leadership Award." Please join us in congratulating Alan and Julie Gubernick.

**Congratulations to our Clients**

- ♦ **INTECH**...celebrating 25 years of "building trust, delivering excellence" in the construction industry!
- ♦ **Tactix Real Estate Advisors partners Sal Ambrosio and Glenn Blumenfeld**... recognized as Finalists for the 2011 Ernst & Young Entrepreneur of the Year award.

**IRS Releases 2012 HSA Contribution and HDHP Deductible Limits**

Important news for employers and employees: if you have or are considering a High-Deductible Health Plan (HDHP) and/or Health Savings Account (HSA), please note that for 2012 the **maximum HSA contribution limits will increase for all eligible account holders**. This is welcome news for individuals who wish to maximize their pre-tax savings and more fully fund their health care needs.

An advance copy of Revenue Procedure 2011-32, recently released by the IRS, defines the 2012 annual contribution and deductible limits for HSAs and HDHPs as follows:

**2012 Annual Minimum Deductible Limits for HDHPs to Qualify for an HSA (no change from 2011 levels)**

For individuals with **self-only coverage**:

- Annual minimum deductible: \$1,200
- Annual maximum out-of-pocket expense: \$6,050.

For individuals with **family coverage**:

- Annual minimum deductible: \$2,400
- Annual maximum out-of-pocket expense: \$12,100.

**2012 Annual Maximum Contribution Limits for HSAs (increased from 2011 levels)**

- Annual contribution limit for individuals with **self-only coverage** under an HDHP: **\$3,100** (up from \$3,050 in 2011).
- Annual contribution limit for individuals with **family coverage** under an HDHP: **\$6,250** (up from \$6,150 in 2011).

Please call us if you have questions. You can also learn more at [www.irs.gov/pub/irs-drop/rp-11-32.pdf](http://www.irs.gov/pub/irs-drop/rp-11-32.pdf).