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Introducing The C&A Advantage: We hope you like our new look! We think it is more readable and user-friendly. While the Newsletter may look different, the content will not change. The Newsletter will continue to provide timely and pertinent information that enhances your practice and financial well-being.

2012 Caribbean Seminars Set: We are pleased to announce two exciting new locations during prime winter travel season. We will be in Antigua at the very upscale Galley Bay Resort and Spa from Jan. 30 – Feb. 3. We have a limited number of rooms at this boutique property, and they are already being reserved. On St. Thomas (Feb. 6 – 10) we are switching to the four-star and completely renovated Marriott at Frenchman's Reef. Call our toll-free seminar line at (888) 888-4840 to reserve your spot. We look forward to seeing you at one of these great tax-deductible getaways!

Pin-Debit Card Processing Transactions: Every day, a large number of transactions taking place in a doctor's office are "pin-debit" eligible. This is where the patient pays with a debit card, the card is physically swiped as a credit, not debit, and the patient enters their 4-digit pin. Pin-debit transactions are processed over the bank networks and not the credit networks resulting in lower costs and fees. Less than 25% of practices use pin-debit, primarily because the card processors do not want it to be widely used.

Pin-debit is the lowest cost form of processing with the lowest actual pass through cost and, typically, the smallest processor profit. The average cost on pin-debit transactions is 1%. This is based on the weighted average of the rate and item fee from the various bank networks. If you do not have pin-debit, these transactions are most likely coming through at "signature debit" interchange levels. Depending upon your plan type you could be paying anywhere from 1.4% to 2.10% if you have a tiered pricing plan or about 1.26% to 1.36% with a cost plus plan.

Pin-debit is also advantageous because processors historically could not mark up the rate, they can only mark up the item fee. But, as more and more businesses adopt pin-debit, the processors have looked for other ways to recapture this lost profit. Some are now incorporating the ability to mark up the rate as well. If you adopt pin-debit transactions, ask them to agree that the only mark-up they can make is on small cents-per-item fee.

The sneakier sales people will make these three points. 1) Your patients don't want to use debit cards for high dollar transactions; 2) You don't want to go through the added step of entering the pin, as this will slow the checkout process down; and 3) Why buy that extra expensive equipment? This might sound persuasive, but it's not fact-based. According to Dental Card Services Alliance and the data from their various processors, the average dental practice sees actual debit card usage in the 25% to 50% range. The extra steps of entering the pin is negligible, and the whole process is something debit card users are more than accustomed to using. Third, the equipment costs $70 to $100, and on average save practices <u>that are already on cost plus plans</u> anywhere from $100 to $1,000 a year.

<u>News To Watch For</u>: On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 1075 of the Act (the "Durbin Amendment") requires the Federal Reserve Board ("FRB") to implement regulations relating to debit interchange, debit networks and merchant routing and acceptance of debit transactions. The Board is required to issue the final rule on interchange fees by April 21, 2011, and the rule will become effective on July 21, 2011. <u>If this law does take effect on July 21, dental practices that are utilizing pin-debit and have pin-debit pass-through pricing will see a tremendous drop in their costs above and beyond what they are seeing today.</u>

<u>Even Though Patients May Use Debit Cards, We Don't</u>: They offer convenience but the risks are too high. These look like credit cards but act differently. They take money directly out of the customer's bank account at the time of purchase. It is not a credit transaction. The main problem is that they do not have the same protection against fraudulent use as credit cards have. Someone who improperly uses my debit card can tap my bank account, and I don't know it until I get my next statement – or until my banker calls to tell me that the account is overdrawn. With a credit card I'm responsible for a maximum $50 in fraudulent charges and that will often be waived. A different set of rules govern debit cards. Many banks will limit the customer's loss <u>IF</u> he or she promptly notifies the bank of the card's loss. <u>Even if</u> the bank will restore the fraudulent withdrawals, it will still be a hassle dealing with the bank and those who hold bounced checks.

Another issue is that some merchants, like rental car companies and hotels, routinely block out what they expect the full bill will be at the outset. That is not a problem if a credit card is used, unless I'm already near my credit limit on that card. Debit users take the risk that this large charge made to their checking account before they expect it can result in bounced checks and the attendant fees and embarrassment. We have told our bank not to send us debit cards. It does anyway. We cut them up on arrival.

<u>It's Best To Use Your Airline Miles For Airfare, Not Merchandise</u>: Buying plane tickets with the accumulated miles can be difficult, because the airlines allocate a limited number of seats for rewards use. But from a return on investment standpoint, it's better to wait to use the miles for future flights than to apply them to merchandise or gift cards.

Here is how to compare the alternatives: Assume you can use 50,000 points (miles) to purchase a $500 round-trip ticket. Dividing $500 by 50,000 points means that each mile is worth 1.0 cent. (If you are lucky enough to buy a $500 ticket with only 25,000 miles, then each mile is worth 2.0 cents.) Compared to the value of miles spent on merchandise, these are good deals. For example, Delta SkyMiles recently offered a $50 gift card for 1-800-Flowers or Macys for 18,000 miles, meaning that your miles are worth only 0.28 cents. That card was also offering Bose noise-cancelling headphones worth $300 at retailers for 68,100 miles, which values the miles at only 0.44 cents. Whatever you're deciding to spend the miles on (airfare, hotels, rental cars, or merchandise), simply divide the fair market value of the product by the amount of miles it takes to buy it. Ideally, we'd be getting at least one cent per mile.

Vanguard's Dividend Appreciation ETF "VIG": If you are looking for a core stock fund of high quality blue chip companies that are paying nice dividends, look into VIG. This Morningstar 5-star fund uses certain standards to limit its investments in companies with financial strength, including only selecting companies that have increased their dividends for 10 straight years. The 10 biggest holdings are Chevron, Coca-Cola, ExxonMobil, IBM, McDonalds, Pepsi, Proctor & Gamble, United Technologies, Wal-Mart and Johnson & Johnson. This is a high quality stock portfolio with good, but not sky-high, dividends. There are other dividend-focused ETFs such as DVY, which may pay more in dividends, but have lower-quality portfolios.

Job-Hunting And Moving Expenses: If a family member or friend is unemployed, tell them that they should be keeping track of their job hunting and moving expenses. These are deductible as miscellaneous itemized deductions to the extent they exceed 2% of adjusted gross income. These costs include food, lodging, and transportation if the search requires leaving town overnight, cab fares, employment agency fees, printing resumes, business cards and postage. These things can add up!

Job hunting expenses for someone's first job in a new field (which will always be the case for recent graduates) don't qualify for deductions, but moving expenses to get there do. These include the cost of getting you and your household goods to the new location (16.5 cents per mile for driving your own car) plus parking fees and tolls. To qualify, the job must be at least 50 miles from your old home. These are deductible whether or not you itemize.

Military Reservist Travel Costs Deductible Too: You must travel more than 100 miles from home and spend at least one night away. If so, lodging, 50% of meals and 55 cents per driving mile (plus tolls and parking) are deductible whether or not you itemize.

Scary Fact About Digital Photocopiers: Almost every copier built since 2002 contains a hard drive that stores an image of everything copied. If the copier is leased, at the end of the term, it will be returned to the leasing company and be re-leased or sold. The hard drive is transferred over too. If the drive ends up in the wrong hands, it can lead to the disclosure of confidential and very private patient or client information like social security numbers, tax returns, medical procedures and drug prescriptions. What to do? When you turn back the machine, demand that the leasing company erase the drive and give you the hard drive to keep. If, for some reason, you do not trust them, have them give you the drive and you privately arrange for the contents to be erased. They should not object to this, as their cost to install a new drive should be negligible. (The same applies to old computers. A good I.T. firm can effectively scrub the hard drive before the computer is disposed of.)

Why We Think We're Better Off To Start Collecting Social Security's Smaller Monthly Payments Earlier Than Its Larger Monthly Payments Later: On the issue of when to start collecting social security benefits, we've long been proponents of starting Social Security benefits at the earliest date that benefits are not scaled back if we continue to work. The earliest age we can start collecting is age 62, but if we continue working past that age, then our social security benefits will be severely reduced. For most people considering this issue, their normal retirement age ("NRA") is 66. Once we reach NRA, Social Security benefits will not be reduced if we keep working.

As of 2011, the largest possible monthly benefit for a person retiring at his normal retirement age of 66 is $2,366. If we delay the starting date until age 70, the benefit rises by 8% per year or (32% total) to $3,123. If we start collecting early at 62, the benefits are reduced by 25% to $1,775. Our calculations confirm what we've always believed – that we're better off collecting the smaller benefit at our NRA instead of waiting for our larger benefit at 70.

Our assumptions are: (1) that we will not need the money to live on; and (2) that the payments will be invested at assumed rates of 8%, 6% and 4%. (*Of course, if we needed the money to live on or if our life expectancy was short, those would also dictate taking the money sooner.*) We calculated what the monthly payments, invested at these rates would grow to at ages 85, 90, 95 and 100. At each projected age, the extra four years of smaller monthly payments starting at age 66 gave the greater amount. The only exception was with the too-low (in our opinion) long-term growth rate of 4%, particularly as bond interest rates begin to rise at the end of the Fed's QE2 bond-buying program. Even then, the break-even point doesn't arrive until age 90.

We see articles on this topic where the authors say that if you have a long life expectancy, then you should delay benefits until age 70. These articles usually ignore the concept of the "float" or our ability to earn income on the invested benefit payments. Second, basing this decision on the prospect of a long life expectancy makes us recall the old Yiddish proverb of "Man plans, and God laughs."

Investing Monthly Payments at 8%:	**At Age 85**	**At Age 90**	**At Age 95**	**At Age 100**
$2,366 starting at age 66 grows to:	**$1,259,618**	**$2,050,483**	**$3,228,749**	**$4,984,185**
$3,123 starting at age 70 grows to:	**$1,080,677**	**$1,839,511**	**$2,970,055**	**$4,654,393**

Investing Monthly Payments at 6%:	**At Age 85**	**At Age 90**	**At Age 95**	**At Age 100**
$2,366 starting at age 66 grows to:	**$1,002,190**	**$1,516,880**	**$2,211,120**	**$3,147,545**
$3,123 starting at age 70 grows to:	**$ 908,227**	**$1,442,954**	**$2,164,220**	**$3,137,100**

Investing Monthly Payments at 4%:	**At Age 85**	**At Age 90**	**At Age 95**	**At Age 100**
$2,366 starting at age 66 grows to:	**$ 806,031**	**$1,141,025**	**$1,550,051**	**$2,049,470**
$3,123 starting at age 70 grows to:	**$ 768,541**	**$1,145,437**	**$1,605,626**	**$2,167,516**