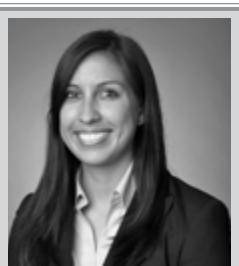


THE ALTFEST ADVISORY LETTER

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5 Things You Should Know About Health Insurance Exchanges



by: **Kelly Metzler**

The new health care exchanges established by the Affordable Care Act create a marketplace for individuals and small businesses

to compare plans and buy health insurance coverage. Open enrollment for the health insurance marketplaces began on October 1st, with coverage beginning January 1, 2014. Although both federal and state exchanges encountered technical troubles in the rollout, we think it's still important for our clients to be informed of how these exchanges operate and who may potentially benefit.

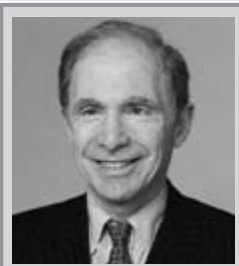
Below are some things you should know about the exchanges:

Who should shop the exchanges?

Individuals who are not covered by an employer plan or who buy their own insurance should investigate the exchanges. This includes self-employed individuals, owners and employees of small companies, and early retirees who don't yet qualify for Medicare. Even if you already buy individual insurance directly from an insurance company, it may still be

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Time to Consider Alternative Investments



by: **Lewis J. Altfest**
Ph.D., CFP®, CPA, CFA

The current period of stock market euphoria is likely to come to an end. The question is when. This period has been staged by the Federal Reserve whose intent is to rekindle economic growth in the United States and around the world. The decline in interest rates to absurdly low levels and the loose money supply when first started had a significant effect on the economy, and with government aid it kept us out of

a depression.

At the present time the Fed's quantitative easing policy is having little effect on the economy, although it is distinctly possible that business conditions will pick up momentum. Instead the money is going into riskier investments like junk bonds, social media and other technology stocks, and also into high quality real estate buildings in select markets. A broad based basket of U.S. stocks has moved up sharply as well. In effect the Federal Reserve has engineered a material turn up in stocks, bonds, and single family homes, which has strengthened household balance sheets around the country. If the stock market continues to climb at the pace of the last 1½ years, stocks will move seriously ahead of economic growth, with risk of a material correction and even a recession.

With the exclusion of selected tax free municipals, the usual recourse to safer bonds isn't appealing now as any pickup in the economy will bring about a turn up in interest rates. That doesn't mean that positive returns aren't possible or that bonds shouldn't be placed in accounts. It means overall bond returns will be meager with periods of negative results. The problems for bonds are enhanced by the possibility of a pickup in inflation which could raise interest rates even further and bring about a greater decline in bond prices. I believe stocks would also decline on a hike in inflation but before too long would recover as corporations raise their prices for their goods.

What to do? Alternative investments can help. Alternatives can

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5 Things You Should Know About Health Insurance Exchanges

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worth exploring the exchanges to see what plans are available. You may find plans that have lower costs or that offer better coverage.

What if I'm covered by Medicare?

People who qualify for Medicare are generally going to be better off sticking with their Medicare plan. In fact, it is against the law for someone to sell you a Marketplace plan if they know you have Medicare. The exchanges are designed primarily for people without health insurance and won't have any impact on your Medicare coverage. The Marketplaces also do not offer Medicare supplemental plans.

How do I pick a plan?

Plans are categorized into four different tiers – bronze, silver, gold, and platinum. These tiers are based on the percentage of medical costs covered. For example, bronze plans are expected to cover 60% of the cost of essential care, while platinum plans cover 90%. Although platinum plans offer the highest level of coverage, these plans will also have higher premiums.

While all plans on the exchanges are required to

offer the same set of “minimum essential benefits,” including preventative care, physician and hospital services, and prescription drugs, not all plans within a given tier will provide the same services and coverage. It is important to compare the additional benefits that plans offer. In addition, compare premiums, co-pays, deductibles, and the maximum out-of-pocket costs associated with available plans.

We recommend also checking with your current health care providers to see if they are in a prospective plan's network.

Who qualifies for premium subsidies?

Insurance plans purchased through the Marketplace may be eligible for federal subsidies depending on income and family

size. Only individuals and families with household income that is less than 400% of the federal poverty line (\$45,960 for individuals, \$62,040 for a family of two, \$78,120 for a family of three and \$94,200 for a family of four) will qualify for subsidy premiums.

Are there any opportunities for small businesses?

The Affordable Care Act does not require small

(Continued on page 3)

Even if you already buy individual insurance directly from an insurance company, it may still be worth exploring the exchanges to see what plans are available.

Save The Date

June 3, 2014

Altfest Annual Event

A lively panel discussion with

Buzz Zaino of

The Royce Opportunity Fund

and

Katrina Dudley of

Franklin Mutual European Series Fund

Moderated by Lew Altfest

A reception, catered by noted chef Tom Colicchio, will precede the event

Apella, 6:00pm - 8:30pm



This past December, the Altfest team visited the United Nations. We had the opportunity to tour the impressive building and afterwards we had our holiday lunch at the UN Delegates Dining Room

5 Things You Should Know About Health Insurance Exchanges

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businesses to provide health coverage to employees, but there are new insurance exchanges geared just for them. The Small Business Health Options Program (SHOP) Marketplace allows businesses with 50 or fewer employees to purchase health insurance for their employees. Just like the exchanges for individuals, you will be able to compare qualified health plans offered by different health insurance companies. Online enrollment for the federal SHOP exchange has been delayed until the 2015 open enrollment period, but small businesses can submit paper applications for 2014. State-run exchanges will still be able to offer online enrollment, however.

Some small businesses may be eligible for tax credits. To qualify for the Small Business Health Care Tax Credit, a business must have 24 or fewer full-time equivalent employees that make an average of \$50,000 (excluding the salary of owners) or less. In addition, the employer must pay 50% or more of employees' premium costs to be eligible. Previously, the tax credit was worth up to 35% of an employer's premium contribution. In 2014, the

maximum credit has increased to 50% of an employer's premium contribution and will be allowed for any two consecutive years, but it will only be available if coverage is purchased through a SHOP exchange.

In 2014, businesses in states that participate in federally run exchanges will be limited to offering a single plan to employees. However, states that operate their own exchanges, including New York and Connecticut, may offer employees a choice between multiple plans. In 2015, the federal SHOP marketplace and all state SHOP exchanges will be required to offer employee choice.

You can visit the federal marketplace at www.HealthCare.gov and New York State's marketplace at <http://nystateofhealth.ny.gov>.



Kelly Metzler is a Financial Advisor at Altfest. Kelly graduated from Northwestern's Financial Planning Program and received her Bachelor of Arts from UC Berkeley with high honors, graduating Phi Beta Kappa.

Altfest in the Media

- ① Lew Altfest was again named to the list of "The 150 Best Financial Advisors for Doctors" by *Medical Economics* magazine, a recognition he has continuously received since 1998.
- ② Lew Altfest spoke with CNBC.com on the importance of timely tax preparation for the segment "Get Busy: Advisors Urge Clients to be Proactive with 2014 Tax Planning."
- ③ Karen Altfest highlighted how to start the New Year off on the right foot financially in interviews with BankRate.com, Nasdaq.com, and *The New York Daily News*.
- ④ Andrew Altfest discussed "Ways to Avoid Mistakes with Donor-Advised Funds" in an interview with *The Wall Street Journal*.
- ⑤ Mike Prendergast appeared in the October issue of *Kiplinger's Personal Finance*, in the articles "8 Questions to Help Assess a Financial Adviser" & "5 Signs It's Time to Fire Your Financial Adviser."
- ⑥ Lew Altfest was quoted in the *Barron's* article "Don't Overlook Your Fund's Shareholder Letter."
- ⑦ Karen Altfest was featured in the Medscape.com article "Doctors' 5 Most Common Financial Blunders."

If you would like a copy of any of the appearances mentioned, contact David Novak at (212) 406-0850 or at dnovak@altfest.com. You can also stay up to date on our latest comments and most recent media appearances by visiting www.altfest.com/more

Time to Consider Alternative Investments

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be defined as anything other than straight up investments in stocks, bonds and cash. The possible alternatives can be divided into public and private investments with the word private meaning they don't trade on an exchange and generally cannot be liquidated easily. Alternative investments can also mean placing money into publicly traded securities but structured in a way to attempt to make them less volatile. We will discuss both types. Some of the investments discussed below may already be in your portfolio. We have and will continue to investigate these investment options.

Private Alternative Investments

1) Real Estate

Most people have familiarity with private real estate which can provide a hedge against inflation, and historically generally has not moved down when stocks have declined sharply. Obviously then it is a good portfolio diversifier. There are a number of semi-liquid private funds and many individuals have the option - for part of their portfolio - of buying an extra home or two in a still depressed market and renting it out. Private funds can range from "plain vanilla" operations to value oriented ones buying depressed assets, from equity to real estate lending. Our use of TIAA-CREF

real estate is an example of plain vanilla. If you haven't been contacted about its new easier qualification guidelines, please reach out to your team representative.

2) Energy Partnerships

Many oil and gas drilling and income partnerships have historically been highly rewarding. New technology has reduced the potential for dry holes. Today we would place gas ahead of oil. The current U.S. gas price is around \$4 per MCF compared with \$12 in China and other foreign markets. U.S. prices are suffering from oversupply caused by widespread utilization of fracking techniques. New liquification plants being built will allow gas to be transported abroad with some cost which will permit the U.S. to move closer to international gas prices, a clear "home run" for longer lived domestic gas wells. Many of our older clients in particular are familiar with our investments in 5 States oil and gas deals.

3) Gold

Gold is currently suffering from the previous march up from \$300 to \$1900 per ounce. It has historically been a good inflation hedge when the world panics on traditional investments. However, it can be fickle and unlike the investments

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Altfest Personal Wealth Management Visits the NY Common Pantry



Recently, the Altfest team spent a day volunteering at the New York Common Pantry, contributing to the 2.5 million meals distributed in 2013. Some staff helped fill online orders, while others packed bags of veggies, dairy, and grains, and some met one-on-one with Pantry clients. As you may know, Karen Altfest founded the Pantry, thirty years ago. Today, Altfest makes a donation each time a client refers someone new to our firm.

Time to Consider Alternative Investments

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above does not provide profits or income. I didn't like it in 2011 at a price of \$1422 when I wrote "Gold: It's a Gift, not an Investment" for The Wall Street Journal and I still don't today. At the time of this article it is \$1241. Talk to us at a price of around \$1000 per ounce.

Public Market Based Alternative Investments

1) Long/Short Funds

At their purest, these allow smart managers to simultaneously buy some securities they like and short-sell others they think will underperform. The net effect even when there are more buys than sells is to reduce overall market risk. (The reasoning is explained in the next section). If you have a smart manager, good things can happen but you must watch the overall costs. Several of our funds have selected long-short characteristics such as Mar-

ketfield Fund, JP Morgan Strategic Income Opportunities Fund, FPA Crescent Fund, Templeton Global Total Return, and PIMCO All Asset. You are likely to see more of pure long-short funds with a bias toward more longs than shorts in the future. In a less robust movement upward in the stock market, they can provide positive overall performance and smart managers can provide positive risk-adjusted performance in many types of markets. The ones we select in the liquid area for most of our clients have much lower costs than private investment in hedge funds.

2) Market Neutral Funds

These are long short funds that are fairly closely balanced between total long and total short positions. When you simultaneously buy and sell equally you are actually able to purchase more securities with the same amount of investment dollars. More importantly you can take out or minimize the overall market effect since the 50% of portfolio that has bought securities goes up when the market goes up,

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Lew and Karen Altfest Receive "Lifetime Achievement Influencer Award"

Financial Planning magazine featured Lew and Karen Altfest on the cover of its October issue, announcing that these wealth management innovators had been selected for the esteemed honor of receiving a Lifetime Achievement Award for the profound influence they have had on the financial planning and investment management field. The article opens, "It's easy now to take for granted the concept of unbiased, objective financial advice on a fee-only basis....But that wasn't the case in 1983, when Lew Altfest founded his namesake firm in New York City."

You can read the entire article on our website, www.altfest.com



The Complimentary Altfest Portfolio Review

Specifically designed for family, friends, and colleagues of Altfest clients, an Altfest Portfolio Review is essential to help



ensure hard earned dollars are working their hardest. An Altfest Portfolio Review can help identify portfolio vulnerabilities that can prevent your family members, friends and colleagues from achieving important financial and life objectives. Why should you recommend Altfest Personal Wealth Management? Because at Altfest, we take no commissions; we offer no products to sell; and therefore, we provide independent investment reviews, advice and recommendations. If you know someone who would benefit from an Altfest Portfolio Review, please contact us at 212-406-0850 today.

Altfest

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The Altfest Advisory Letter

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Time to Consider Alternative Investments

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while the other 50% that has sold securities goes down when the market rises. The money is made solely through expertise on the particular stock selection and too often the emperor is seen to have no clothes on (poor returns particularly after expenses). I would steer clear of this area preferring long/short funds.

3) Other Vehicles

There are many other liquid and somewhat liquid funds. This area is somewhat complex and will just be summarized here. Betting on mergers going through, evaluating convertible bonds versus the common stock equivalents, and currency investments are all examples of alternative investment fund strategies. These fund strategies can exist in both liquid and less liquid structures.

Overall

It is difficult to determine how long it will be

before the next significant stock market correction. I think it will be shorter if the market continues up at the torrid pace of the last 12 months and longer if its pace moderates. Guidelines may

be how rapidly the economy grows and very importantly when the Federal Reserve truly acts to end or at least rein in its easy money policy. The aforementioned investments, although not impervious to Fed actions, can cushion the impact. At the same time it can potentially further diversify a portfolio and provide positive relative performance at times of stock and bond weakness. As a firm we have had experience with public and private alternative investments for over 20 years and, as mentioned, are looking at new investments in these areas at the present time. ■

Alternatives can be defined as anything other than straight up investments in stocks, bonds and investing in your own home.

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Lewis Altfest is the Founder, President and Chief Investment Officer of Altfest Personal Wealth Management. He leads the Altfest investment committee.