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Fialkow Planning Planning offers hourly based, as-needed, financial planning and advice as an alternative to traditional commission or percentage based fee approaches. I believe hourly-based fees are the most objective and prudent way to provide financial advice and mitigate conflicts of interest.

My clients retain control of their assets while I assist them in making sound financial decisions by providing advice based on their unique circumstances and desired outcomes.

To find out more, please visit my website which includes information on how to schedule a no obligation consultation to determine if my services are a good fit for your financial planning needs.

Should you have questions on any of the topics in this newsletter, please don't hesitate to contact me, I would enjoy hearing from you!

Best regards,

Ira

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Your Personal Planner

From Data Breaches to Ransomware: How to Avoid Becoming the Victim of a Cybercrime

Each time you connect to the Internet, you risk becoming the victim of a cybercrime. It's the price we pay for living in a digital world — whether it's at home, at work, or on your smartphone.

According to the Identity Theft Resource Institute, the number of U.S. data breaches in 2016 increased by 40%. And as recently as May 2017, a widespread "ransomware" attack targeted personal computers across the globe. While software companies are continually developing strategies to combat the latest cybercrimes, there are some steps you can take to help protect yourself online.

The stronger, the better

It's a scary thought — most of us have a large amount of financial and personal information that's readily accessible through the Internet, in most cases protected by nothing more than a username and password.

Create a strong password by using a combination of lower- and upper-case letters, numbers, and symbols or by using a random phrase. Avoid using a password with your personal information such as your name and address. In addition, have a separate and unique password for each account or website that you use.

If you have trouble keeping track of all your password information or you want an extra level of password protection, consider using password management software. Password manager programs generate strong, unique passwords that you control through a single master password.

Follow the 3-2-1 rule

Backing up your online data is critical to avoid losing valuable information due to a cyber attack. If you have digital assets that you don't want to risk losing forever, you should back them up regularly. This pertains to data stored on both personal computers and mobile devices.

When backing up data, a good rule to follow is the 3-2-1 rule. This rule helps reduce the risk that any one event — such as a computer hacker gaining access to your computer — will compromise your primary data and backups. In order to follow the 3-2-1 rule:

- Have at least three copies of your data (this means a minimum of the original plus two backups)
- Use at least two different formats (e.g., hard drive and cloud-based service)
- Ensure that at least one backup copy is stored in a separate location (e.g., safe-deposit box)

Stay one step ahead

Finally, the best way to avoid becoming the victim of a cybercrime is to stay one step ahead of the cybercriminals. Here are some extra precautions you can take before you go online:

Consider using two-step authentication. Two-step authentication, which involves using a text or email code along with your password, provides another layer of protection for your sensitive data.

Keep an eye on your accounts. Notify your financial institution immediately if you see suspicious activity. Early notification not only can stop the cyber thief but may limit your financial liability.

Think twice before clicking. Beware of emails containing links or asking for personal information. Never click on a link in an email or text unless you know the sender and have a clear idea where the link will take you.

Be careful when you shop. When shopping online, look for the secure lock symbol in the address bar and the letters *https:* (as opposed to *http:*) in the URL. Avoid using public Wi-Fi networks for shopping, as they lack secure connections.

Life Is for the Living, and So Is Life Insurance

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Life insurance guarantees are based on the claims-paying ability and financial strength of the life insurance company issuing the policy.

Life can be busy. The requirements of work and family often leave little time to step back and think about where you've been and where you're heading. But as your responsibilities grow, so does the need to evaluate what would happen if life for you stopped. September is Life Insurance Awareness Month and a good time to reflect on how life insurance can help those you leave behind — the living.

Your spouse or life partner

A successful marriage is often predicated on sharing and providing for one another, and that includes each other's financial obligations. If you were suddenly no longer in the picture, would there be enough money to pay for your final expenses, cover debt, and buy some time to allow your significant other to adjust to a new way of life? Life insurance can provide funds to cover immediate expenses and income to help support your surviving loved one.

Your children

You've worked hard to provide for your kids, to give them the chance to realize their hopes and dreams. Your children are likely your greatest responsibility — a responsibility that doesn't end with your passing. Whether your children are in diapers or about to enter college, if something happened to you or your spouse, or both of you, would there be enough income to continue to provide financially for your children? Life insurance can help provide the resources for their continued growth and maturation.

Your home

Buying a home may be the largest single expenditure of your life. While being a homeowner is exciting, mortgage payments, often lasting 30 years, along with maintenance, utility costs, homeowners insurance, and real estate taxes can add up to a long-term financial commitment. Adequate life insurance protection can provide funds that could be used to cover these expenses, allowing your family to remain in their home.

Your business

Do you own your own business? Life insurance can fit into your business plan in many ways. It can be part of an employee benefit program, with coverage under a group plan. Life insurance purchased on the lives of certain key employees can protect your company from the loss of talented and valuable workers. And life insurance can be used to fund a buy-sell agreement.

Caring for an aging parent or loved one

Are you caring for an aging parent or loved one? Would the people who depend on you be able to afford quality health care and a comfortable place to live without your financial support? Life insurance can become extremely important in these situations, helping to provide for these individuals in the event of your death.

Planning for retirement

Preparing for retirement probably means you're saving as much as you can in your 401(k), IRA, or other savings vehicle. If you die before you get to enjoy your retirement, will your retirement plan die for your surviving loved ones as well? Not only will your salary be unavailable to help pay for current living expenses, but your income won't be there to build the nest egg for the retirement of your spouse or life partner. Life insurance can help provide funds that can be used for your spouse's or life partner's retirement.

Your health has changed

If your health declines, how will it affect your life insurance? A common worry is that your insurer could cancel your coverage should your health change. However, changes to your health will not affect your current insurance coverage, provided you continue to pay your premiums on time. In fact, you should take a closer look at your life insurance policy to find out if it offers any accelerated (living) benefits that you can access in the event of a serious or long-term illness.

Leaving a legacy

Life insurance can be used to increase the size of an estate for your heirs. The death benefit could provide your beneficiaries with a larger legacy than might otherwise be possible. The cost of life insurance may be significantly less than the proceeds of the policy paid to your beneficiaries when you die.

Charitable giving

Donating a life insurance policy to a charity may enable you to make a larger gift than you otherwise could afford. Further, the government encourages charitable giving by providing tax advantages for certain charitable donations (the charity must be a qualified charity). This means that both you and the charity could benefit from your donation (though some charities may not accept a gift of life insurance for various reasons).

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Seven Questions and Answers About ABLE Accounts

The ABLE National Resource Center's website, ablenrc.org, contains links to state ABLE programs and a comparison tool.

****Before investing in an ABLE plan, consider whether your state offers an ABLE plan that provides residents with favorable state tax benefits. Consult a tax professional for more information.***

*****Participating in an ABLE account may involve investment risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful. Carefully consider a portfolio's risk, charges, and expenses before investing. Read the program's disclosure statement to learn more about the program, including investment objectives, risks, and tax implications.***

Upon an account owner's death, states can file a claim for Medicaid expenses paid while the ABLE account was open. Check with an estate planning professional.

ABLE accounts are tax-advantaged savings accounts that were created as a result of the Stephen Beck Jr. Achieving a Better Life Experience (ABLE) Act. Now that many states have launched ABLE programs, you may have questions about how these accounts work and how they may help you or a family member save for disability-related expenses.

Why open an ABLE account?

Retaining eligibility for Medicaid, Supplemental Security Income (SSI), and other much-needed public benefits depends on meeting a means or resource test. Individuals may have only $2,000 in countable assets, such as savings and retirement funds. This makes it very difficult to establish financial independence and save for most disability-related expenses, including those not covered by public benefit programs.

ABLE accounts help address this problem. Because funds in an ABLE account will generally not count toward this asset limit, individuals with disabilities may put money aside for their future needs without jeopardizing their eligibility for public benefits. Regardless of the balance, money in an ABLE account does not affect an individual's eligibility for Medicaid, but any account balance over $100,000 may temporarily affect SSI eligibility. When an ABLE account exceeds $100,000, SSI payments will be suspended until the account balance falls back to the level required.

Who is eligible to open an ABLE account?

If you have a significant disability that began before age 26, you may be eligible to open an ABLE account. If you meet that age criteria and are already receiving SSI or Social Security Disability Insurance (SSDI), you automatically qualify. You may also qualify if you're not receiving those benefits but you meet Social Security's definition of disability and are able to obtain certification from a physician.

If you have a family member who qualifies, you may be able to open and oversee an ABLE account on that person's behalf if you are legally authorized to do so (for example, you're the parent or legal guardian of a minor or someone who is legally unable to manage his or her account, or you have power of attorney). The individual with the disability remains both the account owner and the beneficiary. No matter who opens the account, each eligible beneficiary can have only one ABLE account.

Can you open an account in any state?

You can open an ABLE account in your own state if your state has an ABLE program or in any state that allows nonresidents to join (most do).* Contributions can then be made by the account owner or by family members, friends, employers, or others who want to provide financial support.

What investment options can you choose?

Plans generally offer several investment options that target different investment strategies and levels of risk. Some programs also offer an interest-bearing option such as a checking or savings account. Account contributions will be invested in whatever option(s) you choose. Federal rules allow you to reallocate previously invested money twice per calendar year, but you can change your investment options for new contributions at any time.**

How much can you contribute?

Annual and lifetime contribution limits apply. Each year, contributions from all donors combined may not exceed the annual federal gift tax exclusion for that year. In 2017, this limit is $14,000. Each state sets its own lifetime limit, which is also the state's maximum limit for Section 529 college savings plans. In many states this limit is at least $350,000.

What tax benefits do ABLE accounts offer?

Any account earnings accumulate tax deferred at the federal level (and in some cases at the state level). When money is withdrawn, the earnings on these distributions will be tax-free if they are used to pay qualified expenses. While no federal income tax deduction is available, some states may offer tax incentives to residents. Check with your financial or tax professional for more information on your state tax benefits, and information on your situation.

What can ABLE funds be used for?

Money in an ABLE account must be used for qualified disability expenses. In general, a qualified disability expense is one related to living with a disability, including transportation, health care, personal assistance, assistive technology, employment training, and legal fees. It's up to you to track how ABLE funds are spent — you won't be required to submit documentation to the program. However, keep in mind that the earnings portion of a withdrawal not used for a qualified expense may be subject to ordinary income tax and a 10% federal income tax penalty.

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How do economists measure inflation, and why does it matter to investors?

The Federal Open Market Committee (FOMC) adjusts interest rates to help keep inflation near a 2% target. The FOMC's preferred measure of inflation is the Price Index for Personal Consumption Expenditures (PCE), primarily because it covers a broad range of prices and picks up shifts in consumer behavior. The Fed also focuses on core inflation measures, which strip out volatile food and energy categories that are less likely to respond to monetary policy.

The typical American might be more familiar with the Consumer Price Index (CPI), which was the Fed's favorite inflation gauge until 2012. The Consumer Price Index for All Urban Consumers (CPI-U) is used to determine cost-of-living adjustments for federal income taxes and Social Security.

The CPI only measures the prices that consumers actually pay for a fixed basket of goods, whereas the PCE tracks the prices of everything that is consumed, regardless of who pays. For example, the CPI includes a patient's out-of-pocket costs for a doctor's visit, while the PCE considers the total charge billed to insurance companies, the government, and the patient.

The PCE methodology uses current and past expenditures to adjust category weights, capturing consumers' tendency to substitute less expensive goods for more expensive items. The weighting of CPI categories is only adjusted every two years, so the index does not respond quickly to changes in consumer spending habits, but it provides a good comparison of prices over time.

According to the CPI, inflation rose 2.1% in 2016 — right in line with the 20-year average of 2.13%.[1] This level of inflation may not be a big strain on the family budget, but even moderate inflation can have a negative impact on the purchasing power of fixed-income investments. For example, a hypothetical investment earning 5% annually would have a "real return" of only 3% during a period of 2% annual inflation.

Of course, if inflation picks up speed, it could become a more pressing concern for consumers and investors.

[1] U.S. Bureau of Labor Statistics, 2017 (data through December 2016)

What is a pet trust?

A pet trust is an arrangement to provide for the care and financial support of your pet(s) upon your disability or death. You fund the trust with property or cash that can be used to provide for your pet based on your instructions in the trust document.

Your pet trust should name a trustee who will carry out your instructions for the care of your pet, including handling and disbursement of trust funds and turning your pet over to the person or entity you designate to serve as your pet's caregiver. The trustee and caregiver could be the same person or entity.

As with most trusts, you can create your pet trust while you're alive (an inter vivos or living trust) or at your death through your will (a testamentary trust). In either case, you can generally change the terms of your pet trust at any time during your lifetime to accommodate changing circumstances. If you create an inter vivos trust, you can fund it with cash or property either during your life (needed if the trust is to care for your pet if you become incapacitated) or at your death through your will. A testamentary trust is only funded after you die.

Some of the instructions to consider for your pet trust include: provisions for food and diet, daily routines, toys, medical care and grooming, how the trustee or caregiver is to document expenditures for reimbursement, whether the trust will insure the caregiver for any injuries or claims caused by your pet, and the disposition of your pet's remains.

You may also want to name a person or organization to take your pet should your trust run out of funds. Also consider naming a remainder beneficiary to receive any funds or property remaining in the trust after your pet dies.

A potential problem arises if your pet is expected to live for more than 21 years after your death. That's because, in many states, the "rule against perpetuities" forbids a trust from lasting beyond a certain period of time, usually 21 years after the death of an identified person. However, almost every state has laws relating to pet trusts that address this issue in particular and allow for the continued maintenance of the trust, even if its terms would otherwise violate the rule.

Note that there are costs and expenses associated with the creation of a trust.

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