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THE WEALTH ADVISOR

WINTER 2018

PUMP UP YOUR RETIREMENT SAVINGS

Don't just give up on your retirement goals if you find you've entered middle age with little to no retirement savings. It may be harder to reach your retirement goals, but here are some strategies to consider:

- **REANALYZE YOUR RETIREMENT GOALS.** First, thoroughly analyze your situation, calculating how much you need for retirement, what income sources will be available, how much you have saved, and how much you'll need to save annually to reach your goals. If you can't save that amount, it may be time to change your goals. Consider postponing retirement for a few years so you have more time to accumulate savings as well as delay withdrawals. Think about working after retirement on at least a part-time basis. Even a modest amount of income after retirement can substantially reduce the amount you'll need to save. Look at lowering your expectations, possibly traveling less or moving to a less-expensive city or smaller home.
- **CONTRIBUTE THE MAXIMUM TO YOUR 401(K) PLAN.** Your contributions, up to a maximum of $18,500 in 2018, are deducted from your current-year gross income. If you are age 50 or older, your plan may allow an additional $6,000 catch-up contribution, bringing your maximum annual contribution to $24,500. Find out if your employer offers a Roth 401(k) option. Even though you won't get a current-year tax deduction for your contributions, qualified withdrawals can be taken free of income taxes. If your employer matches contributions, you are essentially losing money when you don't contribute enough to receive the maximum matching contribution. Matching contributions can help significantly with your retirement savings.
- **LOOK INTO INDIVIDUAL RETIREMENT ACCOUNTS (IRAS).** In 2018, you can contribute a maximum of $5,500 to an IRA, plus an additional $1,000 catch-up contribution if you are age 50 or older.

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TALKING TO PARENTS ABOUT FINANCES

Often, our parents need a gentle nudge or reminder to take their medication or make it to a doctor's appointment. Other times, there's the need for full financial intervention. The tough job is knowing the difference.

You may want to consider some degree of financial intervention if your parents repeatedly exhibit multiple symptoms, such as the following: inability to handle day-to-day details, exorbitant expenditures, grandiose thinking, reluctance to spend money, increase in the number of checks written, excessive opening and closing of accounts, uncharacteristic withdrawals of large sums of cash, unattended long-term obligations, or unpaid bills.

At issue is the element of control — most seniors loathe giving up control in their lives. The best approach is to appeal to their sense of protection where you're concerned. For example, you might say something like, "I'm attempting to do my own financial planning, but I need to know more about yours in order to plan accordingly." This can then open a discussion about their plans for long-term care. In some cases, the most effective strategy may

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Pump Up

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Even if you participate in a company-sponsored retirement plan, you can make contributions to an IRA, provided your adjusted gross income does not exceed certain limits.

❍ **Reduce your preretirement expenses.** Typically, you'll want a retirement lifestyle similar to your lifestyle before retirement. Become a big saver now and you enjoy two advantages. First, you save significant sums. Second, you're living on much less than you're earning, so you'll need less for retirement. For instance, if you live on 100% of your income, you'll have nothing left to save. At retirement, you'll probably need close to 100% of your income to continue your current lifestyle. With saving 10% of your income, you're living on 90%. At retirement, you'll probably be able to maintain your standard of living with 90% of your current income.

❍ **Move to a smaller home.** As part of your efforts to reduce your preretirement lifestyle, consider selling your home and moving to a smaller one, especially if you have significant equity. If you've lived in your home for at least two of the previous five years, you can exclude $250,000 of gains if you are a single taxpayer and $500,000 of gains if you are married filing jointly. At a minimum, this strategy will reduce your living expenses so you can save more. If you have significant equity in your home, you may be able to use some of the proceeds for savings.

❍ **Substantially increase your savings as you approach retirement.** Typically, your last years of employment are your peak earning years. Instead of increasing your lifestyle as your pay increases, save all pay raises. Anytime you pay off a major bill, such as an auto loan or your child's college tuition, take the money that was going toward that bill and put it in your retirement savings.

❍ **Restructure your debt.** Check whether refinancing will reduce your monthly mortgage payment. Find less-costly options for consumer debts, including credit cards with high interest rates. Systematically pay down your debts, and most important — don't incur any new debt. If you can't pay cash for something, don't buy it.

❍ **Stay committed to your goals.** At this age, it's imperative to maintain your commitment to saving. Please call if you'd like to discuss this in more detail. ❍❍❍

Your Financial Plan and Life Events

There are certain life events that trigger the need for a financial plan or the review of a current plan. If you experience any of these life events, take the time to plan:

You Graduated — This is an important time to develop a plan, because most graduates have student loan and credit card debt. Financial planning is equally as important for paying off debt as it is for saving and investing.

Your First Job — Developing a financial plan early in your life is one of the best things you can do for yourself. There are many things you probably want such as a new car, and there are many more life events you should plan for while you are young.

A Walk Down the Aisle — As couples marry later these days they often have more assets, so combining finances can be quite complicated. This is an extremely important time to develop a joint financial plan so there are no misunderstandings.

A Pink or Blue Bundle — It's a very busy time in your life, but as you're picking out the perfect name and getting everything ready for your baby, you should also fit in some time for financial planning. With college tuition soaring, it is not too early to begin saving for college. It is also advisable to review any existing life insurance policies or obtain a policy.

California or Bust — If you are moving to a new state, you should also make a move to review your financial plan. Tax rates and the cost of living could be dramatically different in your new locale. You may also have some significant moving-related expenses you have to cover.

Aunt Millie Left You an Inheritance — While you are touched by her generosity, receiving a lump sum of money also comes with financial responsibility. In addition to ensuring you don't blow all the money, there are other things you need to plan for, including taxes and ongoing money management.

A Generous Severance — While some people are devastated, others are planning a vacation. Either way, this is an emotional time, and it's important to understand the financial issues associated with severance packages. Make sure you understand all of the conditions of the severance and the tax implications before you sign the agreement.

Retirement Is Closer Than You Think — Retirement is probably the single biggest event you will ever save for, so start a plan as early as possible to make sure you are saving enough during your peak earning years. If you are in your 40s or 50s and have not yet developed a financial plan for retirement, get started as soon as possible with retirement catch-up strategies. ❍❍❍

Talking to Parents

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be to engage the services of a third-party expert, such as a financial planner, tax advisor, and/or elder law attorney. Utilizing the services of an outside professional will help let them know that you have their best interests at heart.

However you deal with decisions about parents, you'll need to find the paperwork listed here:

- ❍ **Sources of retirement income** — If your parents don't keep good records, this may mean checking the mail regularly to wait for income checks and bank or investment statements.
- ❍ **Residential preference** — You should regard staying in the family home as a temporary situation that must eventually change regardless of your parents' wishes. Should your parents develop an illness or dementia, they will likely need 24-hour care at some point, and not many adult children can provide this on their own.
- ❍ **Last will and testament** — While it's important to honor your parents' wishes, it's also important to stave off sibling arguments and discord in the future. Ensuring your parents write a will helps make sure assets get distributed according to their wishes.
- ❍ **Durable power of attorney** — This is legal authorization to take over your parents' finances and make decisions on their behalf. A durable power of attorney for healthcare (DPAHC) allows you to make healthcare decisions on their behalf.
- ❍ **Living will** — A living will is similar to a DPAHC, but is also an advance directive of the actual wishes of the incapacitated person regarding healthcare, such as life-sustaining measures or resuscitation.
- ❍ **Funeral arrangements** — Many times seniors make these arrangements but forget to tell their children.
- ❍ **Updated beneficiary forms** — These may be outdated and include everything from insurance policies to investment payouts.
- ❍ **A plan created for estate taxes** — The larger the estate, the more prudent it may be to seek advice from an estate attorney or financial advisor.

Please call if you'd like to discuss this in more detail. ❍❍❍

Keeping Track of Retirement Funds

Most of us change jobs at least twice before retiring, leaving a trail of retirement nest eggs behind us. Now that defined-contribution plans are much more prevalent than defined-benefit plans, we have more responsibility for financing our retirement. So it's important to manage our retirement accounts actively. But how can you do that if your accounts aren't even located in one place? Here are a couple of tips:

Organize your records. As long as you continue to hold your account in a former employer's plan, you should receive statements. Keep them all in a file — or even better, enter them all in a spreadsheet, tracking the combined balances and amounts in each type of investment. At a minimum, managing your retirement accounts means knowing how you're diversified and the weighting of the different types of investments.

Consolidate your accounts. It's much easier to manage your assets if they're all in one place. Fill out the paperwork necessary for rolling them over into one account. That single consolidation account could be the plan you're currently contributing to if it permits rollover contributions. You can also open a rollover individual retirement account (IRA) and have the funds from your other accounts directly transferred there. Be careful about asking for a check. Withholding taxes may be taken out, and you may have to pay a penalty if you don't deposit the check into a qualified account within 60 days.

If You've Lost Track of Accounts

If you've lost track of one or more of your accounts with a former employer, contact your old employer and ask them to confirm that you participated in the plan and the steps you need to take to get a current statement of your account. Or find an old statement and look for a contact phone number or address. As long as there are assets in the account, the financial institution can probably still account for them. ❍❍❍

Financial Data

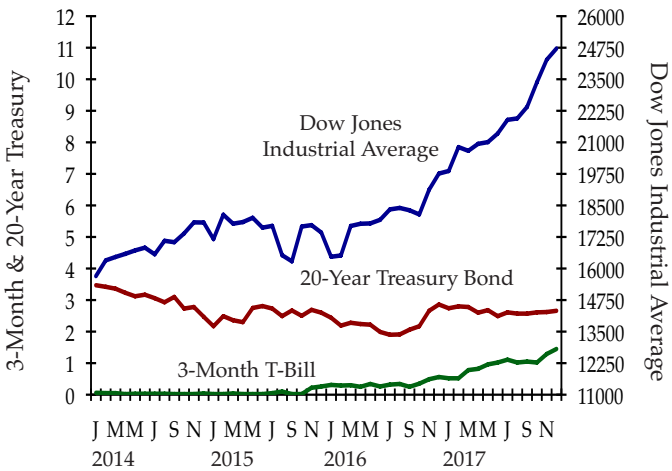
Indicator	Month-end Oct-17	Nov-17	Dec-17	Dec-16	Dec-15
Prime rate	4.25	4.25	4.50	3.75	3.50
Money market rate	0.32	0.33	0.33	0.29	0.27
3-month T-bill yield	1.02	1.29	1.45	0.56	0.26
20-year T-bond yield	2.61	2.62	2.66	2.86	2.60
Dow Jones Corp.	3.08	3.11	3.13	3.17	3.43
30-year fixed mortgage	3.55	3.46	3.51	3.68	3.58
GDP (adj. annual rate)#	+1.20	+3.10	+3.20	+2.10	+1.40

Indicator	Month-end Oct-17	Nov-17	Dec-17	% Change 2017	2016
Dow Jones Industrials	23377.24	24272.35	24719.22	25.1%	13.4%
Standard & Poor's 500	2575.26	2647.58	2673.61	19.4%	9.5%
Nasdaq Composite	6727.67	6873.97	6903.39	28.2%	7.5%
Gold	1270.15	1280.20	1296.50	11.9%	9.1%
Consumer price index@	246.80	246.70	246.70	2.2%	1.7%
Unemployment rate@	4.20	4.10	4.10	-10.9%	-8.0%
Index of leading ind.@	128.90	130.40	130.90	5.6%	0.1%

— 1st, 2nd, 3rd quarter @ — Sep, Oct, Nov Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

January 2014 to December 2017



Past performance is not a guarantee of future results.

News and Announcements

The Need for an IRA

In some ways, a 401(k) or defined-benefit plan from an employer can provide a false sense of security. Without analyzing the situation, you may feel that you're saving enough for retirement. But the reality is the plan may not be enough to provide the retirement you had in mind. Thus, you may also want to contribute to an individual retirement account (IRA) for some or all of the following reasons:

- **You'll probably need the additional funds for retirement.** Even with Social Security and pension or 401(k) benefits, you'll probably need other savings to fund your retirement. There are a variety of ways to save, but an IRA can be a good alternative for retirement.
- **You'll lower your taxes.** You can lower your taxes currently by contributing to a traditional deductible IRA or in the future by contributing to a Roth IRA. With a traditional deductible IRA, you receive a tax deduction on your current-year income tax return. When you withdraw the funds in the future, you'll owe ordinary income taxes on the contributions and earnings. With a Roth IRA, you don't receive a current-year tax deduction, but qualified distributions are withdrawn without paying any federal income taxes.
- **You're more likely to use the funds for retirement.** If you save in a taxable account, it's easy to use the funds for other purposes. However, the government discourages the use of IRA funds for other purposes by assessing a 10% federal income tax penalty when funds are withdrawn before age 59½ (except in certain limited circumstances). That makes it more difficult to withdraw the funds and more likely they'll stay put.
- **You have a wide variety of investing options.** With a 401(k) plan, you typically have a limited number of investment options. However, with an IRA, there are a wide variety of investments to choose from. ❍❍❍

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CPA, PFS, AEP, CFP