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- **Investments** – IRAs, Annuities, Mutual Funds, 401(k)s, Professional Money Management*

An economic and investment update

THE FINANCIAL INSIDER

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Are You Planning an Early Retirement?

As your 62nd birthday approaches, the dream of early retirement may be a possibility. From that day on, you may qualify for Social Security retirement benefits. But as attractive as monthly checks may be, seriously consider your financial position to be sure you can afford to walk away from the nine-to-five routine.

When reviewing your retirement income, incorporate accurate Social Security figures into your financial equation. Keep in mind that Social Security benefits paid at an early retirement age will be less than the benefits paid at full retirement age (65–67, depending on your date of birth). To estimate your Social Security benefit amount, go to the Social Security Administration's website at www.ssa.gov to use the agency's online calculator.

Go Beyond Social Security

Beyond your Social Security benefits, however, are other major factors, such as your overall financial situation, prospects for future income, and satisfaction with your job. If early retirement seems a reasonable goal, determine how much income you can count on from savings to supplement your Social Security benefits. Remember to include income from employer-sponsored retirement

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Curb Your Runaway Expenses and Still Have Fun

In the ever-changing game of life, expenses are a constant. For most of us, the prices of everyday goods and services seem to have risen faster than our income. In some cases, it may be more than just costs that have risen; it may be that our *consumption* has grown, as well. If you are looking for ways to reduce your expenses and curb consumption while still having fun, consider the following suggestions:

Saving Begins at Home

If you are in the market for a new home, shop around for the best rates available for your mortgage and any equity loans. Also, make sure you are deducting what is allowable under current Internal Revenue Service (IRS) rules.

Review your home heating and utility consumption for the last 12–24 months (or as long as you have owned or rented the property. Check to see if your utility companies offer a budget plan that divides your annual energy costs into equal payments to help equalize your monthly bill amounts throughout the year. Remember during winter months to take another degree off the thermostat to help save on your heating bill.

Contact your local electric and water departments for free conservation programs and tips. Expect their rates to continue rising, and adjust your lifestyle accordingly. When using air conditioning, remember to adjust the thermostat.

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Are You Planning an Early Retirement?

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plans, such as **401(k) s**, **Individual Retirement Accounts (IRAs)**, or **annuities**.

Once you have determined your retirement resources, add up your current living expenses and calculate a rough estimate of how much income you may need during retirement. It is possible to live on less than your pre-retirement income, depending on your lifestyle. If you find that your retirement funds will be insufficient, explore the possibilities of selling your home, and moving to an area with a lower cost of living, or finding part-time employment where compensation is within allowable Social Security limits to avoid benefit reduction.

Other Considerations

Another critical point to consider is whether retiring from your job would leave you without **life** and **health insurance** or other necessary benefits. You may want to investigate the cost of private health coverage until you reach the age that you will be eligible for **Medicare**. It is also important to prepare for medical costs in retirement, including potential long-term care needs. Typically, many people underestimate the cost of long-term care and overestimate the funding that will be available through public programs and private health insurance. In reality, Medicare only covers short-term care. It may also cover some nursing home or assisted living costs, but only for skilled care that is deemed medically necessary for the duration of an illness, usually limited to 100 days following a three-day hospital stay.

Consequently, Medicaid has become the primary source of public funding for long-term care. But, because it is a government program designed to help those in financial need, individuals must "spend down" their personal assets and meet the Federal poverty guidelines before qualifying for assistance.

However, **Long-term care insurance** is an alternative that can help cover extended care expenses before you or a loved one become eligible for Medicaid. Policies vary, but in general, they provide a daily, set amount of coverage that can be used in a number of ways. This type of insurance may help cover the expenses of nursing homes, assisted living facilities, adult day health programs, and/or at-home care. The cost of coverage is typically based on your age, current health status, and specific policy features, such as scope of coverage, levels of care, and duration of benefits.

Retirement Checklist

To begin preparation for retirement, read the following statements. If you have given careful consideration to the task, check it off.

- ❑ I have completed an assessment of my current financial situation, including income, expenses, assets, and liabilities.
- ❑ I have determined which of my expenses may be lower after I retire and which may be higher.
- ❑ I have determined how much I can expect from Social Security, veterans benefits, and pension plans.
- ❑ I have estimated how much I expect to receive from interest on my savings, real estate rentals, etc.
- ❑ I have reviewed my insurance policies to ensure that they meet my present and future needs.
- ❑ I have organized a strategy to pay off my large bills and debt before retirement.

Final Assessment

If you have any doubts about being able to make ends meet, working for a while longer may help improve your financial situation. If, however, income from savings, rents, royalties, or other non-employment sources, combined with Social Security benefits, is enough to meet your projected retirement expenses, you may want to focus on making your dream of an early retirement a reality. $

Practical Uses for Practical Trusts

Trusts are valuable tools that can help you meet a variety of financial and estate planning goals. As you plan your long-term strategies, you may find many practical ways to use trusts to manage your investments, retirement, children's education, and your estate. Let's look at several types of trusts that may be helpful to you.

Revocable Trusts. Assets in a revocable trust avoid probate, which is the judicial process that determines the validity of a will and ensures it is faithfully executed. Incorporating a revocable trust into your estate plan may save your heirs time and money, as well as preserve your family's privacy. Furthermore, with advance planning, these trusts can also be used to help married couples minimize estate taxes.

Irrevocable Life Insurance Trusts (ILITs). When properly implemented, the proceeds of an ILIT will not be included in your estate. They will be payable to the ILIT's **beneficiaries** (generally, children and grandchildren) without incurring any estate tax consequences. In more advanced uses, an ILIT can be a useful strategy to help ensure continuity in a closely-held business. Passing a family-owned business of substantial value to heirs may be hampered by potentially large estate taxes. These taxes, in some instances, may require a forced sale of the business in order to raise the necessary cash to pay them. However, an ILIT can purchase a life insurance policy on the owner, with the death benefit providing the cash needed to help meet estate tax obligations and keep the business in the family.

Qualified Residence Trusts. Putting your home in a trust can help reduce the potential estate or gift taxes on your personal residence.

Education Trusts. If you hope to help fund your grandkids' college education, you know how challenging it can be to determine how much each grandchild will need. You could simply give money directly to your children, with instructions for them to use the money for that purpose, but that doesn't guarantee the money will be available when your grandchildren need it. To help ensure this objective is met, consider establishing a trust and give the trustees (possibly your children or a financial institution) discretion to allocate the funds among your grandchildren as appropriate to provide incentives for them to pursue their higher education.

Trusts for Creditor Protection. Many parents have had the unfortunate experience of making large gifts to a married child who subsequently gets divorced and much of those assets go to the former in-law. In other instances, the child may be subject to claims from a lawsuit. A trust can be an excellent vehicle for making gifts to your children in a way that makes the assets available for their use, but prevents them from being depleted to satisfy the claims of potential creditors.

Spendthrift Trusts. You may have a child or relative who needs your financial support, but cannot effectively manage the assets. A trust can be established that will help assure both you and your intended beneficiary that the funds will be available when they are truly needed. The trust can be structured to distribute assets when the beneficiary reaches a certain age or to allow the beneficiary to become a co-trustee. With the latter approach, the beneficiary may participate in, but not have sole responsibility for, management of trust assets.

Trusts for Medicaid/SSI "Supplemental Needs." If your child has disabilities that may qualify for government assistance, the receipt of an inheritance or gift normally will disqualify them from such benefits until the gift is "spent down" and only exempt resources remain. In that situation, it's critical to leave assets in a carefully drafted discretionary trust that permits the trustee to expend needed resources for the child's benefit in a manner that supplements, but does not replace, governmental resource payments.

There are numerous ways for people with different income levels to use a trust in their estate planning and normal life circumstances. For specific guidance, be sure to consult your qualified financial, tax, and legal professionals. $

Preparing for a Small Business Conference

Are you looking for an opportunity to network and acquire new techniques, strategies, and ideas that could benefit your small business? If so, consider attending a small-business conference. The following tips can help you get the most out of your next business conference:

Do your research. It's important to research the event before you register to make sure it's right for you. Find out who is hosting the conference to get an idea of what to expect. Once you decide on a conference, be sure to take a look at the schedule ahead of time to choose which sessions to go to. Undoubtedly, there will be some sessions you won't want to miss, so try to plan your day around them. In addition, if there will be key people attending who you would like to connect with, you may want to contact them in advance to coordinate schedules.

Plan ahead. Working on projects while you're out of the office can be difficult. So try to get as much done before the conference as you can, to avoid a stockpile on your desk when you return. If possible, assign your work to others, to maintain your productivity. Also, be sure to let your clients know in advance that you'll be traveling. Showing your clients consideration goes a long way. Inform them of your availability—or inaccessibility—while you're away; for example, tell them whether you'll be checking your email or voicemail a few times during the day, or not at all, during the conference.

Bring business cards. Whether you're attending the conference as a speaker, participant, or vendor, passing out business cards is an absolute must in conference networking situations. Bring plenty of cards with you. Remember, a good business card can help make a strong first impression. If your cards need updating, have them revised before the conference.

Pack smart. In addition to your business cards, here are a few other items to bring along:

- **Itinerary.** Keep travel documents with you, particularly your hotel confirmation, conference registration ticket, car service information, and a photo ID.
- **Wireless devices.** Most conference venues provide Wi-Fi access, so consider bringing a laptop, iPad, and/or smartphone with you for taking notes and staying connected with your colleagues back at the office.
- **Chargers.** Regardless of which mobile devices you bring, don't forget to also bring their chargers for optimal performance wherever you are.

Taking some time to properly prepare for a small-business conference before you leave can help free you up to make the most of your time there. $

Financial Recordkeeping Makes Sense

Every April, two things come to mind: 1) it's finally spring, and 2) tax season is here again. When you put your income taxes together this year, you'll probably file away a copy of your income tax return for your own records. More than likely, you've done the same thing in years past. However, at one point or another, you've probably asked yourself: "How long should I keep this stuff, anyway?" Well, don't be too quick to throw it all away.

A good rule is to hold on to tax records for at least six years. That includes all tax forms, investment statements, bank statements, proof of deductions, and so on associated with a particular return. In addition, any records pertaining to capital gains and capital losses, or the carryover of capital losses or charitable deductions, should be retained until they are no longer pertinent. Generally, the IRS has up to three years to carry out an audit. If the IRS suspects that income has been misreported by more than 25%, it has up to six years to perform an audit. There is no statute of limitations for fraudulent filings.

Old sales receipts or checks that may be necessary for the future calculation of capital gain or loss on an asset should be kept until they are no longer relevant. In addition, if you own a business, it may be wise to hold on to accounting ledgers, check registers, and employment contracts for at least ten years.

The bottom line: use common sense when assessing what you should keep and what you can purge. Before you throw anything away, be sure to review the item's importance. Once you have determined what should be retained, carefully store the records in a well-marked box or file drawer for future reference. A record retained is better than a penalty gained! $

The Importance of Disability Income Insurance

Many of us would rather not think about what would happen if we became unable to work for a period of time due to an unexpected illness or injury. Perhaps it's easier to believe this could never happen. However, the statistics tell a different story.

According to the latest statistics from the Council for Disability Awareness, just over one in four of 20-year-olds today will become disabled before they reach their full retirement age. More than 37 million Americans are classified as disabled, which is approximately 12% of the population. More than half of those individuals are between the ages of 18–64. Moreover, the average individual disability claim lasts more than 31 months.

Disability income insurance can play an important role in your overall financial well-being by helping to protect your most valuable asset—your ability to earn an income. In exchange for purchasing a policy and paying periodic premiums, the insurance company would pay you a predetermined benefit amount if you sustain a qualifying disability that prevents you from working.

In order to obtain the appropriate amount of disability income insurance, review any coverage you already have in place. For instance, you may have some type of disability insurance coverage through your employer. If so, find out if the coverage is short-term and/or long-term, what the benefit amount is per type of coverage, and how long benefits last. This information can help you determine if additional insurance is needed to help cover expenses for housing, automobile(s), utilities, food, clothing, education, etc.

If you are self-employed, carefully examine how a disabling injury or illness could affect you, your family, and your business. In addition to any group disability coverage, your business may also have workers compensation insurance, which is required of employers in most states. Keep in mind that workers compensation only covers disabilities that occur on the job. But, disability income insurance can help supplement your other coverage sources. In addition, you may want to consider **business overhead expense (BOE) insurance** to help cover business expenses and other continuing fixed costs, such as utilities, rent, and equipment leases, should you sustain a qualifying disability under the terms of the policy.

Since disability income insurance helps protect your potential earnings, it is an important part of your overall insurance program. Individual policies can be tailored to your individual circumstances. Because features and benefits vary widely from one policy to another, be sure to consult a qualified insurance professional to determine an appropriate amount of coverage. $

Annual Reviews for Long-Term Care Insurance

Once a year, it's critical to review your existing **long term care (LTC)** insurance plan in order to analyze Federal legislation that may impact the tax treatment of your premiums and assess any changes in your personal financial situation.

If you've chosen an inflation protection option, you may want to evaluate your current benefits to see how much they've grown in light of rising health care costs.

Here are the key areas of interest that should be checked carefully in your annual LTC insurance review:

- Ensure that your coverage fits into your overall financial planning.
- Learn about recent or pending tax law changes pertinent to tax-qualified contracts.
- Refresh your understanding of contract specifics and the protection it offers.
- Be confident that your coverage still meets your needs.
- Evaluate your current benefit amounts, especially if you have inflation protection.
- Find out if opportunities exist to upgrade your policy.
- Review ways to qualify for benefits under the policy.
- Revisit claim-filing procedures.

An annual review also gives you a chance to examine your current financial situation and determine what impact recent circumstances might have on your existing long-term care plan. Staying current helps ensure that your coverage continues to meet your short- and long-term financial goals. While the review may only require one or two hours of your time each year, the resulting benefits may be substantial and long-lasting. $

Curb Your Runaway Expenses and Still Have Fun

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Cable and phone service providers have competitive bundled packages for customers that include a flat rate for voice, Internet, and cable TV services. Review your separate cable, phone, or Internet bills periodically to see if you can save money by combining your services.

Shopping By the Numbers

Going to the grocery store? Make a shopping list ahead of time to avoid impulse buying, get a store card for specials, clip coupons, and grab a supermarket circular for weekly deals. These efforts may reduce your weekly food bill by up to 20%. Also, consider joining a warehouse club and buying in bulk.

Clothing prices may seem sky high, but you have the power to bring them down to earth. By learning to shop for quality at retail outlets, waiting for end-of-season sales, and venturing out to explore upscale consignment shops, you can avoid paying designer clothing and accessory prices.

Overall Fitness

A regular fitness program can lead to better health and fewer visits to the doctor or chiropractor. Talk to your health care provider about inexpensive ways to incorporate physical activity into your daily routine, such as walking, without having to pay for a fitness center membership. In addition, if your health care provider agrees, choose generic medications over brand names, and look for pharmacies that offer discounted rates.

Alternatives to Screen Time

Assess your TV-watching habit to see if all those “must-have” channels are really necessary. It may be time for fewer channels and more trips to the library.

The cost of an afternoon or evening at the movies is another runaway expense. Enjoy Friday nights at home with the family making pizza and watching DVDs, which you can get for a nominal fee from your local library. Family game nights are another economical option.

Dining out may not always be a luxury. There are times when busy schedules make eating out a necessity. But, there are “two-for-one” specials and “kids eat free” offers at many restaurants for those times when you don’t feel like preparing a meal.

All the hidden expenses like bank fees, online and print subscriptions, hair and nail care, pet care, and lottery tickets, among others can creep up gradually. So, be sure to analyze all these expenses to see which are truly necessary.

Finally, credit cards, with their associated annual fees and finance charges, will sap your savings unless used wisely. High interest, long-term credit card debt is expensive, so develop a plan to transfer balances to cards with a lower rate that extends beyond the introductory period until you are debt free.

We may not be able to control rising prices, but we are not powerless to change our spending habits. If you have fallen prey to runaway spending and increased consumption, you are not alone. Develop a workable budget today to help minimize your monthly expenses, so you can look forward to a more comfortable and secure future. $

Traditional IRAs vs. Roth IRAs

Currently, there are two popular **Individual Retirement Accounts (IRAs)** vying for your attention: the ***traditional*** **IRA** and the ***Roth*** **IRA**. While both are long-term savings vehicles with tax benefits, each has different rules concerning contributions, age, and income that may change from one year to the next.

Contributions

Perhaps the biggest difference between traditional IRAs and Roth IRAs is how and when taxes apply to the contributions and earnings. Contributions to traditional IRAs can be pre-tax (deductible on the taxpayer's income tax return). Although contributions and earnings accumulate on a tax-deferred basis, income taxes are due when IRA distributions are taken. On the other hand, contributions to Roth IRAs are made with after-tax dollars, and contributions and earnings accumulate tax free. No income tax is due when distributions are taken from a Roth IRA. For tax year 2017, the maximum contribution to either a traditional IRA or Roth IRA is $5,500 ($6,500 for individuals age 50 or older).

Age Restrictions

Contributions to traditional IRAs may be made in the years in which an individual receives compensation prior to attaining age 70½. **Required minimum distributions (RMDs)** must begin by April 1 of the year after an individual reaches age 70½ (or a considerable tax penalty may apply). In contrast, Roth IRAs have neither an age limit for contributions nor minimum distribution requirements. However, both traditional and Roth IRAs have a minimum age for distributions: 59½. Distributions taken prior to age 59½ may be subject to a 10% Federal income tax penalty. Certain situations qualify as exemptions, such as distributions to pay first-time-homebuyer expenses or qualified education expenses. Furthermore, before tax-free distributions can be received from a Roth IRA, the account must be five years old.

Income Eligibility Limits

Depending on your tax-filing status, your income, and whether or not you participate in a qualified employer-sponsored retirement plan, you may be eligible to take an income tax deduction for contributions to a traditional IRA. If you are a single taxpayer, do *not* participate in a qualified employer-sponsored plan, and earn a minimum of $5,500, contributions are deductible regardless of your **adjusted gross income (AGI)**. However, if you do participate in an employer-sponsored retirement plan, income limits apply. Deductions in 2017 phase out for single filers with **modified AGIs (MAGIs)** between $62,000 and $72,000, and for married couple joint filers with MAGIs between $99,000 and $119,000.

The income eligibility requirements are different for Roth IRAs. If you participate in a qualified employer-sponsored retirement plan, you may contribute to a Roth IRA; however, if you are also contributing to a traditional IRA, your contributions may not exceed the annual contribution limits. You are eligible to make a full contribution to a Roth IRA if your MAGI in 2017 does not exceed $133,000 for single filers or $196,000 for married joint filers (contributions phase out for single filers with MAGIs between $118,000 and $133,000, and for married joint filers with MAGIs between $186,000 and $196,000). For a married individual filing separately who participates in a workplace retirement plan, the phase-out range is $1 to $10,000.

A Roth IRA is often a favored choice for those who participate in a qualified employer-sponsored retirement plan and exceed the income limits for a deductible IRA, but who meet the income eligibility requirements for a Roth IRA.

Analyze This

As you investigate which IRA—or combination of IRAs—offers you the best bottom line, you may want to consider the following questions:

- What tax benefits, current and long-term, are available to you?
- Would you like to make contributions beyond age 70½?
- When do you anticipate needing your IRA proceeds?

An analysis of your personal financial situation and retirement objectives with a qualified financial professional can help you develop a financial strategy to meet your specific needs. Scrutinizing the details *now* may save you time and money in the future. $

Diagnosing Your Financial Condition

How healthy are you financially? To come up with a diagnosis, grab a notebook or turn on your computer and conduct a comprehensive financial assessment.

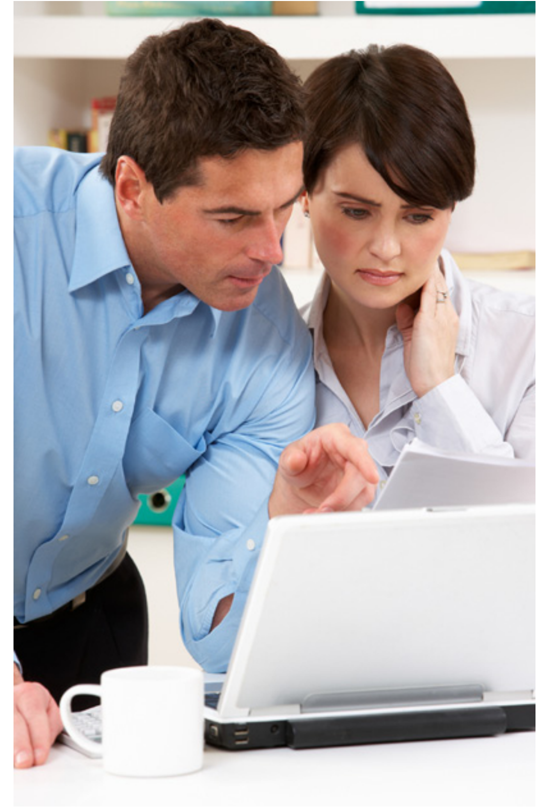
Start with a breakdown of your **net worth**. On separate lines, list your assets. Determine liquid assets first, such as cash and savings. Then, add up the cash value of illiquid assets: retirement plans, real estate, collectibles, other personal property, life insurance, and annuities.

Here are two signs of healthy finances: 1) your liquid assets could cover three to six months of living expenses, in case of emergency, and 2) at least half your assets are appreciating in value.

Once you've determined your assets, add up your **liabilities—**unpaid bills and outstanding loans—and do the math. After totaling your assets, subtract your liabilities to determine your net worth. If the total value of your outstanding debts (including your mortgage) is less than half of your assets, you're in good shape. If your debts are more than half your assets, you may be carrying too much debt.

Now, examine your **cash flow**. Pull out last year's tax information and a clean sheet of paper (or open a new file on your computer). Write down your after-tax income (annual income minus taxes) on the top line. Then take out your checkbook, credit card statements, and other records. Now, determine the amount you spend in the following areas: rent or mortgage and utilities, food and clothing, furniture and appliances, leisure activities, car payments and expenses, professional expenses, and insurance premiums. Write each on a separate line and add lines for special expenses (such as a vacation, education, etc.), or simply add lines labeled "other."

After you add those lines together, subtract that sum from your after-tax income to determine the money available for savings and investment. If this figure is less than what you actually have available, you may have to go back and check your figures. People often underestimate their spending.



If the cash flow worksheet shows that you're saving 5% to 10% of your income, you're doing well. If not, you may want to cut back on your spending and develop a plan to pay off your debt. The worksheet may also reveal areas where you can cut back without making a dramatic impact on your lifestyle.

Determining your net worth and analyzing your cash flow may help you gain a realistic diagnosis of your financial condition, along with ways to work toward a healthier financial prognosis. $

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