



## Countdown To Retirement: Seven Steps To Get Ready

**A**re you among the millions of Baby Boomers counting down the days to retirement? Before you move into the next stage of life, it's important to get all of your financial ducks in line. To prepare yourself, consider these seven practical suggestions.

1. Rebuild the budget. You've probably been living on a monthly budget that takes into account your usual expenditures and income. But that's about to change in a big way. For example, once you stop working, your expenses for a business wardrobe and commuting will also end, but so will the regular paychecks you've been living on.

Come up with a new plan. Identify what you expect to have coming in and going out. Remember that you won't be able to rely on 401(k) deferrals to reduce your taxable income after retirement, but you should still keep saving.

2. Zone in on a homestead. You could be planning to pull up stakes and move to a smaller home, perhaps downsizing from the place where your kids grew up and you might hope to end up in a warmer climate or in a less expensive area (or both). Or perhaps you're contemplating a move to a retirement community. But this kind of upheaval isn't for everyone, and you just might decide to stay put. In any event, your choice will affect numerous other aspects of retirement.

Also, don't assume that you and your spouse share the same vision. If you haven't talked about it yet, bring up the subject before you call it quits.

3. Review your investments. As you head into the home stretch before retirement, compile a list all of the investment assets you own, including amounts parked in taxable accounts, bank savings or checking accounts, and



tax-favored retirement accounts such as 401(k)s and IRAs. Consider whether you will want to keep retirement plan assets where they are when you retire or consolidate them

into other accounts. Similarly, consider the best use of life insurance policies.

One thing to think about is whether to convert your traditional IRAs to a Roth IRA. Although the conversion is taxable, your future withdrawals from the account will normally be tax-free. Check with a professional to crunch the numbers.

4. Settle on Social Security. If you retire before full retirement age (FRA)—age 66 for most Baby Boomers—you'll receive less in monthly Social Security benefits. You can apply for benefits as early as age 62. Waiting until after you reach FRA, on the other hand, can result in bigger monthly benefits. The longer you wait, until you turn 70, the larger your benefit checks will be.

But if you and your spouse will both receive Social Security payments, there

## The Stock Market Has Been Great, But Will This Continue?

**T**his is a fun question to ask, but it's also the wrong question to ask. Better questions are: "Am I on track to meet my retirement goals?" and "Can I live the life I desire to live?"

Occasionally, we will experience great portfolio returns like 2017. Experienced investors know there are good years, there are great years and there are bad years. In the long run, you will average somewhere in the middle. It's not the returns you get that determine your success, but rather your disciplines, behaviors and choices that make or break your retirement dreams.

I understand it's fun to review your statements when times are good. I also understand it's boring to work on a long-term financial plan. So, let us do the hard work for you. With a few simple inputs from you, we can crunch the numbers and help you develop a plan. More importantly, success is achieved not by a one-time event of building a plan, but the multitude of decisions you make over time.

We are interested in developing long-term relationships where we walk side by side with you through life and help you succeed. Give us a call.

*Ron Dickinson*

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# 6 Ways To Close The Retirement Gap

**A**ccording to a recent article in *The Washington Post*, 71% of Americans aren't saving enough for retirement. If you're in this predicament, what can you do to close the gap? Here are six practical suggestions.

1. Bolster your 401(k). Much as it may pain you, try to allocate more of your paycheck to your 401(k) account or similar retirement plan. In addition, to supplement an employer-based plan, you might contribute to an IRA. The tax law allows generous contribution limits. Contributions grow and compound tax-deferred until you're ready to make withdrawals.

2. Invest wisely. If you can, investing additional money outside your retirement accounts can be very helpful. For taxable accounts, you may want to emphasize assets that don't produce a lot of taxable income in the form of mutual fund distributions, stock dividends, and bond interest. Although the fundamental principles of asset allocation and diversification aren't foolproof—there are no guarantees against loss of principal, especially in a declining market—they have performed well historically.

3. Don't squander your tax refund. The IRS says that the average tax refund received in 2017 (for the 2016 tax year) exceeded \$3,000. What did you do with your refund? Instead of spending most or all of it each year, you might plow part of it back into savings earmarked for your retirement years. This money, along with some of your periodic pay raises, can help you fund your 401(k), IRA, and taxable accounts.



4. Get your tax money faster. Of course, money that's refunded to you after you file your taxes was really yours all along, and adjusting your withholding can reduce the size of your interest-free loan to the government. For example, rather than getting a \$5,200 refund, you could take home an

additional \$100 each week. It's easy to fill out a new W-4 for your employer.

5. Bank the raise. Salary increases may be needed to help you keep up with inflation. But to the extent you can, set aside some of your raise. Again, that could go to increase your 401(k) contributions. If you get a 3% raise, say, you might use a third of it to boost your salary deferral by a percentage point—maybe from 12% of your salary to 13%. Some of the money might also go to bolster the emergency fund that's there to tide you over if you have a big expense or lose your job. Year-end bonuses can be helpful in a similar way.

6. Reduce monthly expenses. Finally, don't assume that your monthly budget is fixed in stone. If you take time to examine how and where you're spending your money, you might find some expenses that could be pared back almost painlessly. Costs for cable television, mobile phones, and other electronics can be good candidates for reductions, and you might also be able to reduce dining expenses.

These odds and ends add up over time and can help you come from behind to achieve real retirement security. ●

## This Tax-Free Rollover Goes Right To Charity

**T**he tax law provides a unique planning opportunity for retirees who have to take required minimum distributions (RMDs). You're allowed to transfer funds directly from your traditional IRA to a qualified charitable organization without paying any federal income tax on the distribution. Although the contribution isn't tax deductible, it does count toward your RMD for the year.

This tax break—sometimes called a “charitable rollover”—had expired and been reinstated several times. Thanks to the Protecting Americans from Tax Hikes (PATH) Act of 2015, however, the tax provision is

now permanent.

Under the PATH Act, someone who's at least age 70½—the age at which RMDs must begin—can instruct an IRA custodian to move up to \$100,000 of funds from that person's IRA to a favorite charity. A married couple can transfer up to \$200,000, assuming they're both old enough to begin taking RMDs.

Can't you accomplish the same result by taking a taxable IRA distribution and then donating that amount to charity? Not exactly. There are several other factors to consider, including annual limits on deductions for donations to charity, plus potential

tax return complications. What's more, the direct rollover is valuable to non-itemizers who aren't eligible to deduct charitable contributions. And this method is simpler.

There are, however, a few more details to attend to with this approach. To qualify for the tax exclusion, the distribution must be made directly from the IRA trustee to a qualified charitable organization. You're not allowed to use the funds temporarily before transferring them to the charity's coffers.

In addition, the contribution must otherwise qualify as a charitable donation. If the deductible amount

# New Year's Resolution: Review Your Estate Plan

**B**efore you ring in another New Year, you may want to take time out of your busy schedule to observe another annual ritual: a review of your estate plan. If you're like most people, you probably stuck your will and other documents in a drawer or a safe deposit box as soon as you had them drawn up—and have rarely thought about them since. But changes in your personal circumstances or other events could mean it's time for an update.

It normally makes sense to review an estate plan at least once a year, just to make sure it's still meeting your main objectives.

## Events That Could Spur Changes

What sort of changes might necessitate a change in your plan? Here are events that require alterations in your will or other estate documents.

- The birth or adoption of a child, grandchild, or great-grandchild;
- The death of a spouse or another family member;
- Marriage, divorce, or re-marriage;
- Illness or disability affecting you or another family member;
- A child or grandchild reaching the age of majority;
- A child or grandchild in need of education funding;
- The death of a guardian, executor, or trustee;
- Taking on or paying off a

decreases because of a benefit received in return — for example, the value of a dinner at a fundraiser — or the deduction would not be allowed due to inadequate substantiation, you can't take the exclusion.

A bonus is that you're required to start taking RMDs in the year after the year in which you turn age 70½. If you take a charitable rollover, you can meet this obligation without paying the usual tax on an IRA distribution.

This tax law provision also applies

sizeable debt;

- Significant changes in the value of your assets;
- The sale of your residence or a second home;
- A significant promotion at work or a change in jobs;
- Retirement of you or your spouse;
- A large gift or inheritance;
- Sale of a business interest;
- Revisions in federal or state income tax or estate tax laws.

## What You May Need To Do

If one or more of these events happens to you, there are several legal documents you may need to revisit.

**Your will:** As the centerpiece of your estate plan, your will dictates who gets which assets, and it also specifies a guardian for any minor children. Changes in your life since you had the will drafted could require significant alterations. (Note: If a will is kept in a bank safe, it may be sealed upon death. It's better to keep it in another safe.)

Often that will include revisions in the bequests for some of your heirs. For instance, you might expand the list of beneficiaries to include a newborn in the family or reduce it if you've had a falling-out with a relative. A divorce could necessitate a complete overhaul. Also, you might decide to switch executors. Finally, your will may need to be updated to reflect changes in state or federal laws.

**Revocable living trusts:** Similar to a will, a revocable living trust provides for the distribution of assets transferred to the trust. Unlike a will, however, these assets don't have to pass through probate upon your death. This can save both time and money, and you might decide to use a living trust to supplement your will.

Because the trust is "revocable," you retain the right to change beneficiaries and reallocate assets designated for certain beneficiaries. The same sort of additions and subtractions used for a will might apply to the trust. In addition, depending on your situation, you could amend other terms, such as changing the guardian of minor children, a trustee, or successor trustees.

**Durable power of attorney:** A power of attorney is a legal document authorizing someone (the "attorney-in-fact") to act on your behalf in financial affairs. A "durable" power of attorney stays in force if you become incapacitated. This can be a vital component of your estate plan.

Are you planning to buy or sell assets or undergo life-threatening surgery? A durable power of attorney may be especially beneficial in these situations. Include this document in your estate plan if you haven't already done so.

**Living will:** Finally, a living will can provide guidance to your loved ones should they face difficult end-of-life scenarios. This can be combined with a health care power of attorney to ensure that your physicians and the hospital comply with your wishes.

Living wills are often associated with elderly people, but issues can arise at any stage of life. In your review of your estate plan, look again at this document to see whether it still accurately reflects how you feel. And if you don't have these documents yet, consider adding them to your plan.

Once you've completed the year-end review of your estate plan, circle back to your professional advisors for assistance in implementing any changes that are needed. When you're done, you can look forward to a happy New Year! ●



to Roth IRAs, though it may not be advisable to take this approach with a Roth. Roth IRA distributions to account holders over age 59½ are usually tax-free, and it doesn't make sense to use money that isn't taxed to make a donation that isn't deductible. But a portion of a distribution may be taxable if your Roth hasn't been in existence for at least five years. In that case, it might be reasonable to transfer the taxable amount directly to a charity. ●

# Watch Out For “Grandparent Scams”

It started innocently enough. Bill Frieland picked up the phone one recent morning at around 10 am. The person on the line said, “Hi Grandpa, it’s Jason.” To Bill, the voice sounded close enough to his grandson’s that he didn’t worry. The two chatted amiably a few minutes about family and school and nothing else in particular.

But then “Jason” dropped the hammer. He told Bill that he had been in a drunk driving accident in a neighboring state. Someone else had been injured and Jason needed \$1,950 to keep his name out of the records. An attorney who was supposedly advising him could make it all go away for that fee. But Jason said he needed the money right away and that he was afraid to tell his parents. And he asked that Bill not tell anyone else about it because he was ashamed.



Bill was almost convinced and ready to ante up. But when the caller requested the money, there was something about his voice that made Bill pause. He had his wife call Jason’s personal cellphone from her own phone while Bill was still talking to the person asking for money. It turned out Jason was safely at home, hadn’t left the state in weeks and had not been in any accident. When Bill confronted the caller with this information, the imposter quickly hung up.

Bill was fortunate that he didn’t fall for this “grandparent scam,” but many others haven’t been as lucky. Scammers are able to find out personal information and sound enough like the people they are impersonating to be believable.

They target elderly people and pull on their heartstrings with a story about needing cash in a hurry.

If you get a call that sounds

suspicious, the worst thing you can do is to help out the caller by referring to other confidential information (for example, the names and locations of other family members). Here’s what the Federal Trade Commission (FTC) advises:

- Resist the urge to act immediately no matter how desperate the caller’s plight appears to be.
- Verify the person’s identity by asking questions a stranger couldn’t answer.
- Call a phone number for your grandchild that you know is legitimate.
- Check out the story with trusted family members or friends even if you’ve been told to “keep it a secret.”
- Don’t wire money, send a check or money order, or use an overnight delivery service or courier to get cash to your “grandchild.”
- Finally, the FTC advises consumers to report the incident at [ftc.gov/complaint](http://ftc.gov/complaint) or call 877-FTC-HELP. ●

## Countdown To Retirement

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will be other factors to consider. For instance, a higher-earning spouse might wait longer to claim benefits to provide greater protection for a surviving spouse if the higher-earning spouse dies first.

### 5. Learn all about Medicare.

Usually, retirees opt to be covered by Medicare once they become eligible at age 65. But you will have a number of options to consider, so it’s best to familiarize yourself with the key elements of Medicare before then. Estimating your future out-of-pocket costs, including premiums, deductibles, and prescription drug costs will help you decide which Medicare benefits to opt for and whether you’ll need to supplement Medicare with coverage

from a private insurance plan. Try to investigate all of the possibilities before the time comes to make your decisions.

### 6. Develop a draw-down strategy.

Control the distribution of funds in your retirement by deciding which accounts you want to tap first. Although everyone’s circumstances are different, often the best plan is to withdraw funds from your taxable accounts first (because you’ll owe only capital gains taxes, which are usually much lower than taxes on distributions from 401(k)s and traditional IRAs), then from those other tax-deferred accounts, and finally from your Roth IRAs. This sequence enables you to benefit from tax-free compounding of



investment income within a Roth for as long as possible.

But taxes aren’t the only consideration. You may have other reasons for withdrawing funds from some accounts and holding onto others.

### 7. Meet with your financial advisor.

As you can see, you’ll be facing some difficult decisions during your countdown to retirement, and the financial consequences can be significant. But you don’t have to do it all by yourself.

Schedule a meeting with your advisor to assess and review your situation well before your expected retirement. The countdown to retirement won’t be as nerve-wracking if you’re well prepared. ●