LET'S TALK MONEY®

July/August 2019

Halftime Review

As summer settles in, now is a good time to review your retirement savings strategy and fine-tune it if necessary. Here's a look at some key areas to review:

Your Goals

Ask yourself if your retirement date, health and anticipated spending in retirement have changed. Perhaps you're willing to live on less in order to retire earlier. Or maybe you believe you will travel more in retirement, which may require greater savings or a later retirement. If your goals are fluid, your strategy should adapt to them.

Your Contributions

How much are you putting away toward retirement? Is the amount sufficient to help you reach your financial goals in retirement? If you are coming up short, contribute a little extra to your retirement plan. In 2019, you may contribute up to $19,000 annually (if your plan allows), plus an extra $6,000 if you are at least age 50. And if you contribute to a 401(k) plan, your contributions are tax-deferred.

Your Investment Mix

Many near-retirees take a more conservative approach with their investments as they near their magic date. You may want to work with a financial professional to make sure your investment mix remains in line with your goals, attitude toward risk and time horizon.

Your Debt

One important way to increase your disposable retirement income is to shed as much debt as you can leading up to your big date, starting with credit card balances. If you're used to buying a new vehicle every few years, try keeping it a while after paying it off. The money you save can go toward paying down other debt.

Your Retirement Income

How much you put away for retirement and how much of it you can spend are two different animals. That's because taxes can have a significant impact on your disposable income. Downsizing your home and even renting can reduce the real estate taxes you'll pay. If you're open to moving, you might want to examine states that treat the taxation of retirement income and Social Security payments favorably. Or, if you qualify by income, consider opening a Roth IRA with its tax-free withdrawals in retirement.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Retirement Version

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Take Charge!

While women have made gains in the workforce and on the financial front, they still have a way to go for full equality on both fronts. Women can overcome these challenges by taking charge and considering these steps:

- Stay connected to maintain career options
- Get insured to protect financial contributions to families
- Put more money away to make up for career breaks and longer lives
- Keep learning and negotiating as a way to reach pay equality
- Review finances at least annually and adjust when life changes

Closing the Gap: Women and Personal Finance

Studies show, on average, women earn less, have smaller retirement account balances and live longer than men. There is a temptation to talk about women's financial challenges rather than their solutions. But the reality is that a need is a need, regardless of gender, and women can better meet their financial needs when they understand their options.

Career Advancement

The U.S. Bureau of Labor Statistics found that 42% of women in the labor force held a Bachelor's degree or higher in 2016, up from 11% in 1970. Having a college degree is a prerequisite for many jobs today — and women are clearly taking up this challenge. They can build on this with continuing education to help them advance in their careers.

Education and training matter for two reasons. One, women may take time off to start and raise a family, putting their career progression on hold. Two, any person taking a career timeout may see an adverse effect on how much they save for future goals. Less money earned is less money saved.

How do you meet these unique challenges? Continue to learn, either through formal or industry education, to increase your marketability. Online courses in both areas are now the norm rather than the exception, making it easier to continue your education while taking a career break. When returning to work, insist on equitable pay. While women are making gains, they still earn just under 82% of what men earn. In times of full employment, you have options if your current employer undervalues your contributions.

Financial Catch-Up

The second part of meeting your unique financial challenges is to make up for lost time, financially speaking. The cold reality of money is that women may save less than men for long-term goals. You can overcome financial time-outs by planning for them both before and after the fact.

Take saving for retirement: The earlier you save, the more opportunity there is for time and compounding to potentially help your savings grow. If you know a career timeout is in your future, double up on your retirement contributions before your break, while finding ways to maintain a disciplined approach once resuming your career.

Get Help

If you aren't sure how to overcome these financial challenges, a financial professional may help you sort out your options. Understand your challenges, however unique they may be, and consider the steps you can take to conquer them. Take the emotion out of your decision-making and empower yourself to take the necessary steps toward a more secure financial future.

When Disaster Strikes

Summer's here and damaging water and wind may soon follow. While you can't stop Mother Nature, you can take steps to limit the financial impact of a hurricane, tornado or flood.

Practical Steps

If you live in a rainy area, it is crucial to make sure gutters and storm drains are clear of debris. Keep valuables and important papers on high ground and raise furnaces and water heaters to help prevent water damage if you live in a flood-prone area. Storm shutters may help prevent some damage if a windstorm strikes. Identify a safe room or area, should you have to shelter in place during a natural disaster.

Get Insured

Owning homeowners or renters insurance may help protect you financially from a variety of perils, but it won't cover flood damage. If you live in an area that may flood, look into the National Flood Insurance Program to make sure you are at least partially protected.

Your property insurance also won't cover earthquake damage. For that, you'll need specialized coverage. Your policy may include coverage for tornado or hurricane wind damage, but it may have a separate and higher deductible than the rest of your homeowners coverage. To learn whether you're covered or not, talk to an insurance professional.

Leaving the Nest

When young adults leave the nest, they will confront a number of financial challenges for the first time in their lives, but there are some things they can do to ensure a successful experience.

- Practice good debt management. Credit cards are not free money, and balances for young adults often come with high interest rates. Paying any balance in full each month will keep the interest charges at bay.
- Start a regular savings regimen with the funds saved by not paying interest on credit card balances and build on it to develop good financial habits early in life.
- Use protection: Insure a first residence and belongings against a loss due to fire, theft and other perils.

When Good Luck is Taxed

You just won money in bingo, a state lottery or a casino and the first thing you're thinking about is how your windfall will be taxed. Okay, maybe that's not the first thing, but you should know how your winnings are taxed because underpaying them could cost you.

A Taxing Situation

When you have gambling winnings, the government becomes a financial partner of sorts. You may receive Form W-2G if your winnings exceed a certain figure, but you'll need to report the smallest amounts, even from a church raffle.

If you itemize on your tax return, you may deduct gambling losses up to the amount of your winnings. You should also keep a record of winnings and losses, including dates, names and locations of where you won or lost, in case you need to back up your tax return numbers. Professional gamblers have different rules.

To learn more about your own tax circumstances, talk to a qualified tax professional.

Slowing Health Insurance Increases

Healthcare costs continue to rise, as does the cost of buying health insurance. Even as prices keep increasing, there are a few ways to reduce your out-of-pocket costs.

Through Work

Employer-provided health insurance is consistently among the top benefits employees want, and for good reason. Group health insurance plans offered in the workplace are usually significantly less expensive than buying the same type of policy outside the workplace. Because some companies offer a choice of health plans, you may want to take the time to examine each offering to make the best choice for you and your family.

Should your employer offer a choice between a traditional and high-deductible health plan (HDHP), you'll find a number of differences. A traditional health plan usually has higher premiums but a lower deductible and coinsurance. The HDHP typically has lower premiums but higher deductibles and coinsurance. Deductibles for single and family HDHP plans start at $1,350 and $2,700, respectively. Total out-of-pocket costs cannot exceed $6,750 for single coverage and $13,500 for a family plan.

A Strong Enticement

While out-of-pocket costs can be burdensome, many employers help lessen the sting by offering a companion Health Savings Account (HSA). This account is triple tax-free, featuring tax-deferred contributions, tax-deferred potential growth and tax-free withdrawals for qualified healthcare expenses. An added feature is that owners may take withdrawals penalty-free for any reason starting at age 65 and pay only ordinary income tax on the amount not used for qualified healthcare.

In 2019, you can contribute up to $3,500 to an HSA if you have a self-only plan, or $7,000 if you own a family plan. If you're 55 or older, you can make an extra $1,000 catch-up contribution.

New Cost-Cutters

Some employers now offer health insurance discounts for those employees who commit to wellness programs. Others include a telemedicine option, which can be a cost-saver for you and your company for everyday illnesses like a cold or the flu.

While it's true that health insurance can be pricey, not having coverage can set you back financially if you become injured or ill. Work with an insurance professional to find the right level of coverage for you and your family.

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 11, 2019

Reference: **FR2019-0212-0071/E**

Org Id: 8408

1. 2019 Lets Talk Money July-August Retirement
   Rule: FIN 2210
   4 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

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Principal Analyst

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