LET'S TALK MONEY®

September/October 2019

Spousal Catch-Up

While many Americans have difficulty putting enough money away for retirement, stay-at-home spouses have even greater difficulty due to typically low or no lifetime earnings. This can affect how much they get in Social Security benefits and via retirement plans. If this sounds familiar to you, take hope: There are ways to help ensure your retirement income.

Special Rules

Most retirement plans require earned income to offset qualified contributions, which can be a problem for stay-at-home spouses. Fortunately, federal tax law and the Social Security Administration offer vehicles to provide for retirement for spouses with little income.

A spousal IRA is one such vehicle, and it is no different than other IRAs except that the spouse needn't have earned income. The reason? Contributions to the spousal IRA cannot exceed the total earned income of both spouses.

If you meet this requirement in 2019, you can contribute up to $6,000 to a traditional IRA, plus another $1,000 annually if you're at least age 50. If you fall within income limits and you file a joint tax return, you also get a tax deduction for contributions. Your accounting professional can tell you more. And, if you're looking for potentially tax-free withdrawals in retirement, you might opt for a spousal Roth IRA.

Social Security

You will need earned income to receive your own Social Security benefits, but the hurdle is very low. Your monthly payment will be based on your earnings history. Alternatively, you might opt to receive a spousal benefit, which is typically equal to 50% of what your spouse receives.

Unless you're divorced or widowed, you can't begin payments until your spouse does. If your spouse or ex-spouse is deceased, your benefit will be substantially higher, based on a variety of formulas, and up to almost 100% of what your spouse would have received.

Social Security benefits for those using a deceased spouse's wages can begin at a variety of different ages (and affect the amount of payments), which your financial professional and Social Security office can help you understand.*

Understanding your retirement and Social Security rights as a stay-at-home spouse, can help you better prepare for your financial future.

*https://www.ssa.gov/pubs/EN-05-10084.pdf

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Karen Petrucco
Account Manager

LTM Client Marketing
125 Wolf Road, Suite 407
Albany, NY 12205

Tel: 518-870-1082
Fax: 800-720-0780
kpetrucco@ltmclientmarketing.com
www.ltmclientmarketing.com

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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Know Your 401(k) Words

If you're like many workers, you contribute to a company-sponsored 401(k) plan, but you might not understand all the financial jargon that comes with one. If you're among the justifiably confused, some of these definitions may clear up any uncertainty.

Beneficiary

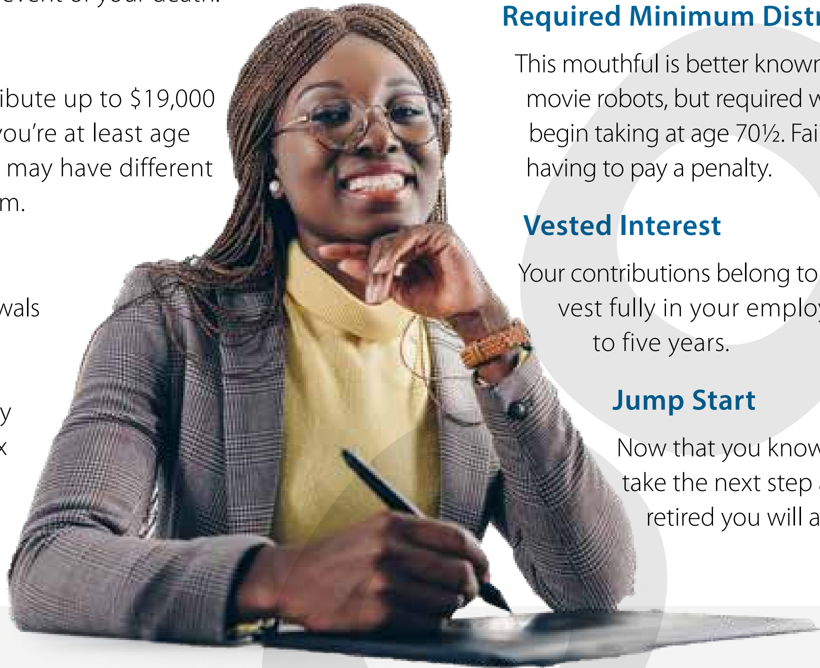
As with a life insurance policy, you'll need to name one or more beneficiaries of your 401(k) plan so its assets can pass as intended in the event of your death.

Contribution Limit

In 2019, you may contribute up to $19,000 plus another $6,000 if you're at least age 50. Your plan, however, may have different limits, so ask about them.

Distributions

The IRS refers to withdrawals as distributions. Taking distributions before age 59½ will cause you to pay a penalty and income tax on the amount, with a few exceptions.



Match

That's how much of your contributions an employer matches. Make it a point to contribute enough to take full advantage of the match.

Required Minimum Distributions

This mouthful is better known as RMDs. They are not space movie robots, but required withdrawals you generally must begin taking at age 70½. Failure to do so may result in you having to pay a penalty.

Vested Interest

Your contributions belong to you, but you may not immediately vest fully in your employer's match, which can take up to five years.

Jump Start

Now that you know a few more 401(k) plan words, take the next step and begin contributing more. The retired you will appreciate your early efforts.

Building an Emergency Fund

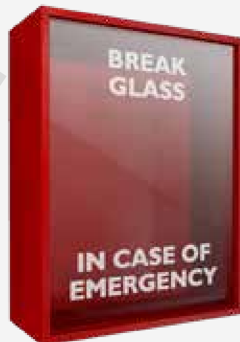
When the government partially shut down last January, we learned that many Americans didn't have even one paycheck's worth of savings to tide them over. Having an emergency fund is essential to help ensure funds are available when unexpected financial hardships occur.

Put It in Writing

For many people, writing it down makes saving money for an emergency fund real, not theoretical. Talk with your loved ones to discuss how much you need and solicit ways to find the extra dollars that can add up over time. Make a chart and track how much you're able to save each month toward your goal.

Show Me the Money

Whether part-time gigging or selling unwanted items via the Internet or smartphone apps, you can potentially increase your disposable income — and your emergency funds — quickly. Same thing goes for raises and bonuses from work. Keep your car an extra year or two to go without monthly car payments. Keep your phone, too, with new smartphone prices soaring.



Make Small Sacrifices

Passing on one $5 designer latte, one $10 lunch and one $75 dinner every two weeks are other ways to help increase your funds quickly.

Make Bigger Sacrifices

Still looking for free money to increase your emergency funds? Maybe you need to free it up by first creating a budget that includes your income and itemized expenses. Little adjustments add up. Scour your phone and cable bills to eliminate unneeded services. Study your clothes and grocery bills to find additional savings. Write down every dime you spend to get the best idea of where your money goes.

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Preparing Financially for Winter

Severe winter weather can create havoc both personally and financially, so it makes sense to prepare for the season by looking at ways to keep ice, snow and extreme cold at bay and save some money in the process.

Serious Stuff

A fluffy snowstorm may fill children with joy, but severe snow, ice and cold are not laughing matters. They can increase vehicle accidents and cause property damage, hypothermia, heart attacks and carbon monoxide poisoning. They can create power outages that last for weeks.

The following tips and the federal government website www.ready.gov/winter-weather can help you prepare and survive severe winter weather.

Prepare

Ice storms, high winter winds and heavy, wet snow can cut off your power, so it makes sense to consider your options to deal with them. Caulk leaky windows and weather-strip your exterior doors to keep the cold out and heat in. If power outages are common, consider buying a gas generator, but make sure to keep it outside your home to vent.

Make sure your storm drains are clear of debris so water can flow off your roof properly during a warm-up, and clear your walkways to prevent serious slips and falls, as well as potential financial liability. Check that you have the right amount of property and liability insurance, and consider disability income insurance.

Survive

Make sure smoke and carbon monoxide detectors are working, and clear your heating system's outdoor vents to let the poisonous gas escape. If you live in a heavy snow area, keep a roof shovel to prevent collapses. Create an emergency survival kit in case you become stranded in your vehicle.

Four Ways to Curb Holiday Spending

Although the winter holidays are a ways away, now is a great time to prepare financially for them. For many people, this means starting with a plan, creating a budget and sticking to it. Here are a few ways you might accomplish this.

Be Accountable

Set a holiday budget. Create a list of items you intend to buy with expected prices, and match the total cost to your budget. Hold yourself accountable. If it's not on the list, don't buy it. Try this exercise weekly to keep your spending goals front and center.

Be Thrifty

You can find coupons for just about anything online, in print and through apps. Many stores also offer cash and discount rewards, but beware of the many that won't honor multiple promotions. Also, don't buy a sale item if it wasn't on your original list, no matter how low prices go. No discount is more than the 100% you save by not buying an item.

Be Card-Smart

One of the easiest ways to not overspend during the holidays is to leave your credit cards at home. It's hard to exceed your budget when you only have cash. If you do use a card, use those with the best cash-back offers for additional savings, and pay your cards off in full each month.

Be Money-Smart

If the thought is what counts, consider baking cookies and gifting them in a nice tin during the holidays. Have to give multiple gifts at work? Re-gift unused gifts you received in the past (but remember who gave you what the year before).

Holiday Spending Soars

Holiday online spending via the MasterCard payments network from November 1 through December 24, 2018 increased 5.1% to around $850 billion. Online holiday spending comprised 13% of total holiday sales, an increase of 19.1%, according to MasterCard Spending Pulse. Here's how we spent some of those billions online:

Home improvement up

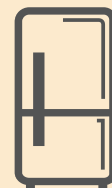
9.0%

Electronics up

8.5%

Apparel up

7.9%



Home furniture/furnishings up

2.3%

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Moving the Starting Line

As you near retirement, you'll need to make some financial decisions that will affect the rest of your life. We say *will* because even inaction is a decision. Foremost among these decisions is when you begin drawing retirement income, from Social Security and a Health Savings Account to an IRA and 401(k) plan. Everyone's situation is different, but the following diverse scenarios may ring a bell with you.

Pre-Retirement Medical

Need money for medical care before you begin retirement? If you have a high deductible health plan with an accompanying Health Savings Account, tap the account for tax-free qualified withdrawals.

Pre-Retirement Withdrawals

It's easy to think about taking money from an IRA or other retirement plan once you reach age 59½, when there are no penalties for early withdrawals.* But if you're still working and contributing to one, consider taking a loan instead (if available), and only as a last resort. Retirement funds are meant for retirement.

Healthy and Wealthy

If you're healthy and you have a guaranteed pension from which to draw, consider delaying Social Security payments past normal retirement age, as well as delaying IRA* or 401(k) plan* withdrawals until they must begin at age 70½.

Healthy, Not Wealthy

If you're healthy, like your job and are short of your retirement financial goals, why not keep working? You can reduce or delay retirement withdrawals and, if you have an employer retirement plan, continue putting money away while you continue to work.

Down Year

Taxes on your retirement income are a wild card depending on the whims of lawmakers and your state laws. But if you meet qualifications and your income is down, you might convert a portion of a tax-deferred IRA or 401(k) to a Roth IRA.** You'll pay taxes on the converted amount, but qualified distributions are tax-free.

** Distributions from traditional IRAs and employer-sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% IRS tax penalty.*

*** To qualify for tax-free and penalty-free withdrawals of earnings, a Roth IRA must be in place for at least five tax years, and the distribution generally must take place after age 59½, with few exceptions.*

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Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

May 10, 2019

Reference: **FR2019-0425-0033/E**

Org Id: 8408

1. 2019 LTM Sept/Oct Retirement
   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

David Y. Kim
Senior Analyst

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Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850

t 240 386 4500
f 240 386 4568