Interactive Financial Advisors

CARES Connection

Winter 2019

To our friends & clients,

Something exciting has happened in our life.

We recently spent two days in Florida. We joined an organization and now represent Your Family Bank®. This company is one of the largest & fastest growing in the industry.

We have learned a great deal about their products & services and feel confident in representing them.

We feel that we have a responsibility to offer our friends, relatives, & clients the latest and most innovative ways to show how to be debt free in 9 years or less without spending any more money than you're currently spending.

We would appreciate the opportunity to share the benefits the program might have for you & your family. You can also call us at 860-678-7806 ext. 203 to schedule a time to discuss.

Thank you in advance.

-Ed & Kara

Top 3 Ways to Make Your Money Work for You

MIRIAM CALDWELL

One of the biggest differences between the wealthy and the less wealthy is that wealthy people earn interest and everyone else pays interest. It is important to realize that money is a tool that can help you to achieve your goals. For you to reach true financial independence, you need to have your money begin to work for you—not you for it. Here are three things you can do to start making your money work for you. These three steps can also help you break free of the bad financial habits passed down through your family. If you can follow them, you will begin to manage your money.

Budget

The most important way to change the way you handle your money is to budget. When you are budgeting, you are making your money do what you want it to. By assigning each dollar to a category, you are controlling where your money goes and what it does. This will help you to begin to reach your financial goals.

Your budget is the best tool you have next to your income to build wealth. Your budget gives you control over your finances and allows you to make financial decisions at the beginning of each month. When you master budgeting, you will be able to reach your financial goals more quickly and avoid debt. A budget is similar to a fitness tracker and it helps you monitor your spending and income.

If you want to change your financial picture, your budget is your first step to doing that. Often people will create a budget, but fail to follow through on sticking to it or stop after a month. You need to create your budget each month, track your expenses and make changes as needed, so you are always spending less than you earn. When you make the decisions on how you will spend your money at the beginning of the month, you can decide what priorities are the most important to you and begin to make progress on your goals.

Get Out of Debt

Do you know how much money you are paying in interest each month? How much of your monthly budget is being eaten up by student loans, car payments, and credit card bills? If you could take all of that money and put it into retirement, it is amazing at how quickly you could save for your retirement and other things that you want. Debt often becomes a burden and limits the choices that you can make. One of the best things you can do with your money is to get out of debt and stay out of debt!

Your debt limits your other opportunities. Just think what you could do with the extra money you would have each month if you were completely out of debt. You may also be able to start your own business or quit a job you hate if you were debt free. Take the time today to start getting out of debt.

If you have a lot of debt, it may seem like a problem that is too big to tackle. You can start by just clearing up your smaller debts and then work on tackling the bigger ones with the extra money that you have. As you pay off more debt and then apply that money to the next debt, you begin to build momentum, and you will be surprised at how quickly you can get out of debt.

Save and Invest Your Money

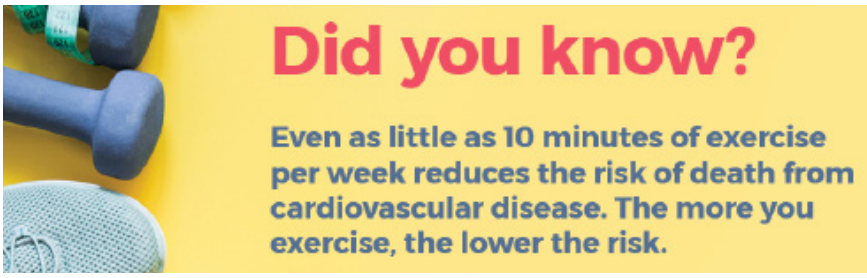
Once you have freed up all that extra money from paying off your debt you need to begin saving aggressively. There will be a point when the money you have will earn more than you do in a month. This takes quite a bit of money, and in order for this to happen, you need to put a large amount away each month. Once you have a six-month emergency fund saved, you will need to begin investing your money. This how you can grow your wealth the most effectively. Additionally saving money can help you be prepared to handle the ups and downs that will happen throughout your life.

Saving for an emergency fund may be the first step, but you will begin to really build wealth when you invest. Think beyond savings for retirement and find a good financial planner to help you save and invest your money. Take the time to really start saving your money today.

As you begin to invest, it is important to remember to diversify your portfolio. You never want to have all of your money invested in just one type of stock and especially not all in one business. You may get to the point where you want to purchase investments that

generate income for you. Many people consider real estate a good investment option because it will generate a monthly income once you have paid off the property.

It helps to have a specific set of goals that you are saving for and investing in since it will help focus your spending and give you motivation. Think about the things that you need to pay for like your child's education, purchasing a home, or early retirement. These goals may also drive what types of investments you choose to use.



Am I Able to Get Social Security Retirement Benefits if I'm Working?

Claiming while working is possible, but consider it carefully

TIM PARKER

In the past, most of the workforce may have had a more clear-cut approach to retirement. You worked long hours for roughly four decades and at around the age of 65, you retired. Of course, there were plenty of people who didn't follow the traditional path, but today, the dividing lines for retirement are much less clear. The Great Recession of 2008 pushed retirement back for many people.[1]

Some people consider working and collecting Social Security benefits. The question is, can you get Social Security retirement benefits while still actively working? The answer is yes, but consider this choice carefully.[2] Here are a few things to look at first.

Earn Your Credits

The point of Social Security is to have consistent income once you retire, but you first have to pay into the program by earning credits. In 2019, you need to earn at least $1,360 to receive one Social Security credit, and you can earn a maximum of four credits per year. This equates to $5,440 in 2019. For 2020, you need to earn at least $1,410 to receive one Social Security credit, or $5,640 to earn all four credits for the year.[3]

If you were born in 1929 or later, you need 40 credits, or 10 years of earning the minimum amount to receive full retirement benefits. For many people, this may be an easy goal to achieve.

The amount you must earn to receive one credit adjusts each year.

Before you make a decision on taking benefits while still working, contact Social Security and check your credit balance. If you haven't yet earned your 40 credits by age 62, consider working a few more years. If you don't have the required credits, you aren't eligible for Social Security retirement benefits unless you qualify for other types of benefits.[4]

Learn About the Ages

Social Security offers retirement benefits based on age. Here's a brief rundown of the ages you should know.

Full retirement age is between 65 and 67, depending on the year you were born.[5] The younger you are, the higher your retirement year. Once you reach full retirement age you can work as much as you would like without it having any impact on your Social Security benefits.[2]

If you were born after 1959, your full retirement age is 67.

You can't receive Social Security retirement benefits until you reach the age of 62, so working and receiving benefits isn't possible until you reach that age.[6]

The younger you are when you start receiving benefits, the less you will receive. For example, if you start receiving benefits at age 62, your monthly benefit amount is reduced by 30% for the rest of your life. The longer you wait, the more you keep, and if you wait until after full retirement age, your checks are even higher.[7]

You can delay retirement until you're 70 years old if you'd like, which is past your full retirement age. This may allow you to earn the highest Social Security benefit possible.

"The place between your comfort zone and your dream is where life takes place."

Helen Keller

Can you answer this riddle?

What does a snowman like to eat for breakfast?

answer on page 4!

Consider the Penalties

While the Social Security Administration seeks to keep your contributions as long as possible so the money can be distributed to a larger pool of payees, it does provide information about working while receiving benefits in your retirement years.[8]

If you're below your full retirement age but are 62 years or older, you can work and receive Social Security benefits at the same time. If you are achieving normal retirement age in 2020, you can earn up to $17,640 in 2019 and still receive your normal benefit amount without any penalty. In other words, if you want to work and collect benefits, you can do it as long as you stay below the $17,640 annual income threshold.[2] For those achieving normal retirement age in 2021, you can earn up to $18,240 in 2020 without penalty.[9] The limit applies to the year before you reach normal retirement age.

If you earn more than the maximum annual income limit in one year, Social Security will withhold $1 for every $2 you earn above that threshold. For example, let's say that you are age 63 and earn $35,000 in 2019. Social Security will withhold $8,680 from your benefits check. That equates to a loss of $723 each month on top of the 25% benefit reduction for taking benefits before reaching full retirement age.[2,7] That's a big financial hit.

Once you reach full retirement age, things change. If you are achieving normal retirement age in 2019, you can earn up to $46,920 during the months leading up to your birthday before getting penalized.[9] So if you earned that same $35,000, you wouldn't receive a penalty. But if you earned $55,000, Social Security would withhold $1 for every $3 you earned over the limit. So on your $55,000 earnings, you'd lose $2,693, or $224 per month, leading up to the month you achieve normal retirement age. This penalty is far less severe because you're so close to full retirement age. If you're achieving normal retirement age in 2020, the limit is $48,600.[9] This limit applies to the year in which you achieve retirement age.

Anything you earn after reaching normal retirement age is yours to keep and your monthly benefits will not be reduced.

Do You Get the Money Back?

Unfortunately, the answer is no. Once Social Security collects the money from the penalty, you won't get it back in the form of a higher benefit amount. This is because it's not technically a withholding, it is a type of penalty. However, once you reach full retirement age, your benefit amount will be recalculated without the earnings penalty and should increase to your full amount.[2] But remember, because you took benefits prior to full retirement age, your check will not be as large as if you had waited.

Tax Implications

Another issue with receiving Social Security benefits while working is the potential tax liability. If you and your spouse are married filing jointly and earn more than $44,000, up to 85% of your Social Security benefit may be taxable. If you and your spouse are married filing jointly and have combined earnings between $32,000 and $44,000, up to 50% of your benefits may be taxable.[10]

If you're not married, filing single, and earn more than $34,000, up to 85% of your Social Security benefits may be taxable. If you earn between $25,000 and $34,000, up to 50% of your benefits may be taxable.[11]

About 40% of all people receiving Social Security benefits have to pay taxes on them.

You Have to Estimate Your Earnings

You have to provide Social Security with an estimate of what you expect to earn so the agency can adjust benefits accordingly. If the estimate isn't provided and a filer goes over the annual earnings limit, the worker may get a letter demanding repayment of a portion of the Social Security benefits they received.[12]

The Bottom Line

Most financial planners agree that waiting to take benefits until you reach full retirement age may be best, if you can afford to do that. If you can't wait and must take benefits prior to full retirement age, you should consider only working up to the earnings limit for that year to avoid hurting yourself financially. The penalty for exceeding the annual income limit, plus the reduced benefit amount that comes from taking Social Security benefits prior to full retirement age, is a loss of benefits that doesn't make sense in most cases.

Although it seems like continuing to work once you're in your retirement years will produce more income, that may not necessarily be true when Social Security is involved. Because Social Security benefits can be complicated, especially when combined with other financial factors in your life, it may be best to talk to a financial planner about the best way to maximize your benefits.

Quarterly Economic Data for Q3 2019

Quarter in Brief

Movement in U.S.-China trade negotiations, an accommodative Federal Reserve, evidence of decent economic growth – all this brought some fourth-quarter tailwinds to Wall Street. The S&P 500 advanced 8.53% in the final three months of the year. Foreign stock markets also posted Q4 gains, and some clarity emerged regarding the Brexit. Gold and oil both posted Q4 gains. Home buying tapered off. As the quarter ended, a new federal law was passed, affecting both retirement savers and retirees.[1]

Domestic Economic Health

In the fourth quarter, traders reacted to even the tiniest bits of news concerning U.S.-China trade relations. New 15% tariffs were scheduled for select Chinese imports on December 15. Those tariffs were never implemented, for on December 13, Chinese and U.S. officials announced an agreement on a preliminary trade pact. In this "phase-one" deal, to be signed in Washington this month, the U.S. agrees to phase out existing tariffs on Chinese products, and China agrees to buy more U.S. crops. The phase-one deal also made a start in addressing the most pressing issue in Sino-American trade relations: the protection of U.S. intellectual property in China.[2]

The Federal Reserve made its third interest rate cut of the year in October – the third cut in three meetings. Then, it signaled that it may not adjust short-term interest rates for all of 2020. In December, the central bank's newest dot-plot (a chart used to convey the benchmark interest rate outlook for coming quarters) showed that none of the 17 members of the Federal Open Market Committee expected a rate cut in 2020, and only four anticipated any kind of rate hike. Currently, the target range for the federal funds rate is 1.50-1.75%.[3]

In terms of economic indicators, the fall increase in hiring was surprising news for labor market analysts. The Department of Labor said that employers added 156,000 net new jobs in October; then, 266,000 in November. These numbers hinted at an economy picking up rather than slowing down. Unemployment was at 3.6% in October, declining to 3.5% in November. The broader U-6 unemployment rate (which counts the underemployed as well as the unemployed) was at 7.0% in October and 6.9% a month later.[4]

Consumer spending, according to the Department of Commerce, rose by 0.4% in November, improving on an October increase of 0.3%. Through November, retail sales were up 3.5% year-over-year, with respective October and November gains of 0.4% and 0.2%. During Q4, the Bureau of Economic Analysis revised its Q3 gross domestic product estimate up from 2.0% to 2.1%.[4]

Households maintained their optimism; however, in December, the Conference Board's Consumer Confidence Index

Riddle answer:

Frosted Flakes

Domestic Economic Health cont.

recorded its fourth decline in five months. With revisions factored in, the index went from 126.1 in October to 126.8 in November to 126.5 in December. The University of Michigan's consumer sentiment gauge, on the other hand, had its best reading since May in December, rising to 99.3. It rose in each month of Q4, ascending to 95.5 in October and 96.8 in November.[5,6]

Inflation picked up in the fourth quarter; the Consumer Price Index rose 2.1% in the 12 months ending in November, 0.3% higher than the annualized inflation seen a month earlier. The core CPI (which factors out energy and food costs) was up 2.3% year-over-year in November.[4]

Manufacturing seemed to stand out as the U.S. economic weak spot in Q4. The Institute for Supply Management's Factory Purchasing Managers Index was below 50 for the whole quarter (indicating an economic sector that is shrinking). The December reading of 47.2 was the poorest since June 2009. ISM's PMI for the larger service sector of the economy was above 50 in both October and November (54.7, and then 53.9).[4,7]

The quarter also saw the passage of the Setting Up Every Community for Retirement Enhancement (SECURE) Act, a major piece of legislation impacting traditional retirement accounts. Under the SECURE Act, the age for required minimum distributions (RMDs) from these accounts rises from 70½ to 72. (This change affects only those who turn 70½ in 2020 or later.) The SECURE Act also lets seniors with earned income keep contributing to these accounts after age 70.[4,8]

Global Economic Health

The IHS Markit Purchasing Managers Index (PMIs) for the eurozone factory sector was at 46.3 in December; a number below 50 indicates a sector in which activity is contracting. Seven of eight countries measured by this index saw manufacturing weaken further in December; Germany's factory sector was in the poorest shape by the end of the quarter, according to Markit's data summary. Factory sectors in Italy and the Netherlands showed their most dramatic monthly contraction since 2013 in December.[9]

The Caixin China General Manufacturing PMI for China was at 51.5 by December, down a bit from 51.8 in November. The rate of new Chinese factory orders declined in Q4, but there was a small gain for export orders. China's state factory PMI had a poorer reading of 50.2 in both November and December. As Q4 ended, China's government announced it would reduce cash reserve requirements for the nation's banks, which would effectively pour another 800 billion yuan into China's financial system.[9,10]

While the quarter opened with much uncertainty about when (and even if) the Brexit would occur, some of this ambiguity was resolved by the end of the year. The Conservative (Tory) Party won a decisive victory in December's United Kingdom general election, and Boris Johnson remained Prime Minister. As a consequence, the Brexit may occur by the extended January 31 deadline set by the European Union, as Johnson and the Conservatives appear to have the votes needed to approve a revised Brexit deal. Their next task: forging a working trade pact with the European Union before 2020 ends.[11]

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