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Oracle Financial Planners, LLC provides financial planning, socially responsible investing, retirement planning, educational planning and life insurance.

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CAMBRIDGE
INVESTMENT RESEARCH, INC.

The Oracle's Investment Letter

Providing Financial Planning and Life Insurance

Points to Consider If Your Retirement Goal Seems Out of Reach

Each year in its annual Retirement Confidence Survey, the Employee Benefit Research Institute reiterates that goal setting is a key factor influencing overall retirement confidence. But for many, a retirement savings goal that could reach $1 million or more may seem like a daunting, even impossible mountain to climb. What if you're investing as much as you can, but still feel that you'll never reach the summit? As with many of life's toughest challenges, it may help to focus less on the big picture and more on the details.* Start by reviewing the following points.

Retirement goals are based on assumptions

Whether you use a simple online calculator or run a detailed analysis, your retirement savings goal is based on certain assumptions that will, in all likelihood, change. Inflation, rates of return, life expectancies, salary adjustments, retirement expenses, Social Security benefits--all of these factors are estimates. That's why it's so important to review your retirement savings goal and its underlying assumptions regularly--at least once per year and when life events occur. This will help ensure that your goal continues to reflect your changing life circumstances as well as market and economic conditions.

Break it down

Instead of viewing your goal as ONE BIG NUMBER, try to break it down into an anticipated monthly income need. That way you can view this monthly need alongside your estimated monthly Social Security benefit, income from your retirement savings, and any pension or other income you expect. This can help the planning process seem less daunting, more realistic, and most important, more manageable. It can be far less overwhelming to brainstorm ways to close a gap of, say, a few hundred dollars a month than a few hundred thousand dollars over the duration of your retirement.

Make your future self a priority, whenever possible

While every stage of life brings financial challenges, each stage also brings opportunities. Whenever possible--for example, when you pay off a credit card or school loan, receive a tax refund, get a raise or promotion, celebrate your child's college graduation (and the end of tuition payments), or receive an unexpected windfall--put some of that extra money toward retirement.

Retirement may be different than you imagine

When people dream about retirement, they often picture images like exotic travel, endless rounds of golf, and fancy restaurants. Yet a recent study found that the older people get, the more they derive happiness from ordinary, everyday experiences such as socializing with friends, reading a good book, taking a scenic drive, or playing board games with grandchildren. (Source: "Happiness from Ordinary and Extraordinary Experiences," *Journal of Consumer Research,* June 2014) While your dream may include days filled with extravagant leisure activities, your retirement reality may turn out much different--and that actually may be a matter of choice.

The bottom line

Setting a goal is a very important first step in putting together your retirement savings strategy, but don't let the number scare you. As long as you have an estimate in mind, break it down to a monthly need, review it regularly, and increase your investments whenever possible, you can take heart knowing that you're doing your best to prepare for whatever the future may bring.

**All investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful.*

See disclaimer on final page

Evaluating College Acceptances

Comparing costs

To compare colleges based on costs in an apples-to-apples way, determine your out-of-pocket cost, or net price, at each college. Your out-of-pocket cost is the total cost minus any grant or scholarship aid the college is offering. Once you know your out-of-pocket cost at each college, determine how much, if anything, you or your child will need to borrow. Then calculate what the monthly loan repayment amount would be for borrowing amounts at different colleges.

For the majority of high school seniors, spring is crunch time. Most college acceptances arrive in March or April, and a deposit must be received by the college the student plans to attend by May 1. The period of time between acceptances and deposit can be intense as students and their parents weigh a number of factors. Here are two questions to ask as your family evaluates college acceptances.

How well does the college meet your child's needs?

Presumably, all the colleges your child applied to would do a good job of meeting your child's needs; otherwise he or she wouldn't have applied there in the first place. But now that your child has a definite list of options, it's time to look at things a little more closely.

Most colleges host an accepted students day geared exclusively to incoming students. Even if your child has already visited the college, visiting again might be helpful. Your child will meet other accepted students, hear in more detail about the offerings related to academics, extracurricular activities, and student life, and possibly notice things on campus that he or she might have missed the first time around. Some colleges even offer overnight stays in the dorms that can give your child an extra taste of life at that college. Your child might also have the opportunity to explore the surrounding area and see what it would be like to travel back and forth from home. Does the college still have the same appeal that it did when your child applied? If not, why?

If your child can't visit, there are other ways to do additional research. Your child might e-mail a particular department, professor, or student ambassador with specific questions. Your child could also browse online forums for student reviews of specific colleges. While no college is immune from the occasional "sour grapes" reviewer, there might be a ring of truth to a particular issue if more than one student brings it up across multiple forums. At the very least, a cluster of negative reviews might prod your child to investigate further.

Finally, don't overlook academic flexibility. Many college students end up changing their majors down the road. If your child decided to change majors, would he or she be able to find another one relatively easily? Or is the school very focused in one area--for example, business, creative, or technology--where that would be difficult?

What is the cost to you and your child?

Parents of college-bound kids have likely seen the steady stream of news stories about skyrocketing student loan debt and the debilitating effects of taking on too much debt. For many parents, a thorough review of the affordability of each college is mandatory.

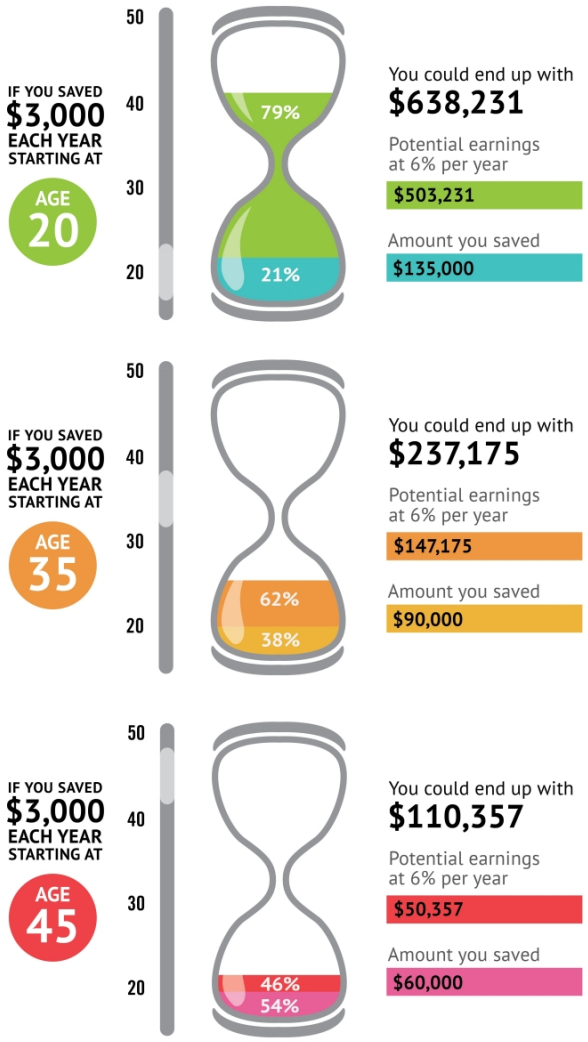
A college acceptance packet should include a detailed breakdown of any financial aid the college is offering, whether it's loans, grants, scholarships (need-based or merit-based), or a work-study job. Make sure to read the fine print carefully and understand *exactly* what the college is offering. For example, a college might say, "Congratulations! You've been awarded $25,000..." which you might think is a scholarship but which actually includes $5,500 in loans. As you review the award, keep in mind that if a college says it is meeting "100% of your demonstrated need," the college is the one who defines your need, not you.

The goal is to compare your out-of-pocket cost at each college. To do this, look at the total cost of attendance for each school (this figure includes tuition and fees, room and board, plus a discretionary sum for books, personal expenses, and transportation). Next, list any grants or scholarships the college is offering--this is "free" money. If the grant or scholarship is merit-based, find out whether it's guaranteed for all four years and the requirements that must be met to qualify each year (for example, a 3.5 minimum GPA, participation in certain activities). If the grant or scholarship is need-based, find out whether you can expect a similar amount each year as long as your income and assets stay roughly the same (and you have the same number of children in college), and ask whether it increases each year to match any annual increases in tuition or room and board.

The difference between a college's total cost of attendance and any grant or scholarship aid is your out-of-pocket cost or "net price." Compare your net price across all colleges. Next, with your net price in hand, determine how much, if anything, you or your child will need to borrow. Multiply this figure by four to get an idea of what your total borrowing costs might be over four years. Then use a loan repayment calculator to show your child what the monthly loan repayment would be over a standard 10-year term at a fixed interest rate. Armed with this information, you'll be in a better position to make a sound financial decision for your family.

The Cost of Waiting

Starting to save early means your money has more time to go to work for you. Even if you can only afford to set aside small amounts, compounding earnings can make them really add up. It's never too late to begin, but as this illustration shows, the sooner you start, the less you may need to rely solely on your own savings to build your total nest egg.



This illustration assumes annual investments made at the end of each year through age 65 and a 6% fixed annual rate of return. The rate of return on your actual investment portfolio will be different, and will vary over time, according to actual market performance. This is particularly true for long-term investments. It is important to note that investments offering the potential for higher rates of return also involve a higher degree of risk to principal.

The examples do not take into account the impact of taxes or inflation; if they did, the amounts would have been lower. They are intended as hypothetical illustrations of mathematical principles and should not be considered financial advice.

All investing involves risks, including the possible loss of principal, and there can be no guarantee that any strategy will be successful. Past performance is no guarantee of future results.

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How much can I contribute to my IRA in 2015?

The combined amount you can contribute to your traditional and Roth IRAs remains at $5,500 for 2015, or $6,500 if you'll be 50 or older by the end of the year. You can contribute to an IRA in addition to an employer-sponsored retirement plan like a 401(k). But if you (or your spouse) participate in an employer-sponsored plan, the amount of traditional IRA contributions you can deduct may be reduced or eliminated (phased out), depending on your modified adjusted gross income (MAGI). Your ability to make annual Roth contributions may also be phased out, depending on your MAGI. These income limits (phaseout ranges) have increased for 2015:

Income phaseout range for deductibility of traditional IRA contributions in 2015	
1. Covered by an employer-sponsored plan and filing as:	
Single/Head of household	$61,000 - $71,000
Married filing jointly	$98,000 - $118,000
Married filing separately	$0 - $10,000
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	$183,000 - $193,000

Income phaseout range for ability to contribute to a Roth IRA in 2015	
Single/Head of household	$116,000 - $131,000
Married filing jointly	$183,000 - $193,000
Married filing separately	$0 - $10,000

Is there a new one-rollover-per-year rule for 2015?

Yes. The Internal Revenue Code says that if you receive a distribution from an IRA, you can't make a tax-free (60-day) rollover into another IRA if you've already completed a tax-free rollover within the previous one-year (12-month) period. The long-standing position of the IRS was that this rule applied separately to each IRA someone owns. In 2014, however, the Tax Court held that regardless of how many IRAs he or she owns, a taxpayer may make only one nontaxable 60-day rollover within each 12-month period.

The IRS announced that it would follow the Tax Court's decision, but that the revised rule would not apply to any rollover involving an IRA distribution that occurred before January 1, 2015. The IRS recently issued further guidance on how the revised one-rollover-per-year limit is to be applied. Most importantly, the IRS has clarified that:

- All IRAs, including traditional, Roth, SEP, and SIMPLE IRAs, are aggregated and treated as one IRA when applying the new rule. For example, if you make a 60-day rollover from a Roth IRA to the same or another Roth IRA, you will be precluded from making a 60-day rollover from any other IRA--including traditional IRAs--within 12 months. The converse is also true--a 60-day rollover from a traditional IRA to the same or another traditional IRA will preclude you from making a 60-day rollover from one Roth IRA to another Roth IRA.
- The exclusion for 2014 distributions is not absolute. While you can generally ignore rollovers of 2014 distributions when determining whether a 2015 rollover violates the new one-rollover-per-year limit, this special transition rule will NOT apply if the 2015 rollover is from the same IRA that either made, or received, the 2014 rollover.

In general, it's best to avoid 60-day rollovers if possible. Use direct (trustee-to-trustee) transfers--as opposed to 60-day rollovers--between IRAs, as direct transfers aren't subject to the one-rollover-per-year limit. The tax consequences of making a mistake can be significant--a failed rollover will be treated as a taxable distribution (with potential early-distribution penalties if you're not yet 59½) and a potential excess contribution to the receiving IRA.

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