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Upcoming Workshop

Mid-Year LPL Review
August: TBD

Check out our newly updated website www.iwmpartners.com for upcoming events and important notices.

To request a formal invitation to one of the events above, please email Dana at dpecenka@iwmpartners.com or by calling us at (714) 962-8000

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This Issue:

Keep Calm, Stay on Plan

Expect more volatility, but avoid letting the headlines alter your plans.

Recent headlines have disturbed what was an unusually calm stock market. The political uproar in Washington may continue for weeks or months, and it could mean significant, ongoing turbulence for Wall Street. As an investor, a retirement saver, how much will this turmoil matter to you in the long run? Perhaps, very little. There are many good reasons to remain on plan.

The earnings recession has ended, and the economy has strengthened. This past earnings season was a superb one. The first quarter of 2017 saw the biggest annualized leap in corporate profits in five years – nearly 15%, according to S&P Capital IQ. The good news hardly ends there. We may be at or near full employment – both the headline jobless rate and the U-6 rate measuring underemployment are back to where they were before the Great Recession

Could Unclaimed Money Be Yours?

How can you find & obtain it?

More than $40 billion in unclaimed cash & property waits to be returned. At first glance, that figure seems staggering, unbelievable – and, yet, it is true. To be more exact, the National Association of Unclaimed Property Administration (NAUPA), a coalition of state unclaimed property programs, puts the total at $41.7 billion.1

How do you find out if some of this money is rightfully yours? As a first step, you can either go to missingmoney.com (a NAUPA website), or the website of your state's unclaimed property program. A search should let you know the answer. Aside from searching in the state where you currently reside, you can also search for unclaimed assets in states where you previously worked or lived.1 In all 50 states, financial institutions and insurers must escheat (i.e., hand over) account assets to the state if the owner has failed to contact the institution or insurer for a year or longer. The onus is then on the state's unclaimed property department to find the owner, or at least make public that such assets are waiting to be claimed. How long does an original owner or an heir have to claim the forgotten assets? Usually, there is no statute of limitations.1 All kinds of assets are held by these state programs – payroll and dividend checks that were never cashed, death benefits from life insurance policies, distributions from trusts, and, of course, stock certificates and property that once occupied safe-deposit boxes.1 This is just at the state level. More unclaimed money awaits at the federal level; although, no convenient central database exists to find it. (Unclaimed.org, another NAUPA site, is a good place to start.) In March 2016, the Internal Revenue Service stated that this year's tax deadline was also the deadline for Americans to claim almost $1 billion in federal income tax refunds from the year 2012. (Next April will represent the last chance to claim 2013 refunds.) Beyond what the IRS has, federal coffers contain undeemed U.S. savings bonds, checking and savings account deposits from failed banks and credit unions, refunds on FHA-insured home loans, and unremembered pension money.1,2

$7.4 billion in life insurance payouts also remain to be collected nationwide. So says the Florida Office of Insurance Regulation, which recently issued a report on the subject. Some policies are simply forgotten, and some heirs have never learned that they are beneficiaries.3 In 15 states, you can hunt for lost life insurance policies through free, online search engines: Alabama, Kansas, Louisiana, Massachusetts, Missouri, New Hampshire, New York, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, Tennessee, Texas, and Vermont. A search at missing-money.com may also help. Another option is to try the MIB Group Inc. (mib.com), which maintains a policy locator service. For $75, it will search applications made to more than 400 North American insurers during the past 20 years.3

How do you claim these assets? It varies, depending on whether you are an heir/beneficiary or an original owner. The process is usually straightforward; though, not always swift. If you are the original owner, you can almost always submit a claim form through the relevant website, or by mail. The unclaimed property program will almost certainly want your current address and your Social Security number, and it may request more than that.1 If you are an heir or a named beneficiary of the policy or asset, then you can file a claim identifying yourself as such. The unclaimed property program will probably ask you for the full name and Social Security number of the original owner and a death certificate copy certifying his or her passing. It also may want you to provide proof that you are a named beneficiary.1

Who knows? You might come into some money. Searching for these forgotten assets is relatively easy, thanks to the Internet, and it can literally pay off for you.

— Mico

1 - desmoinesregister.com/story/money/business/columnists/2016/08/23/how-find-and-claim-forgotten-funds/89203934/ [8/23/16]
2 - forbes.com/sites/kellyphillipserb/2016/03/10/does-the-irs-have-your-money-nearly-1-billion-in-old-tax-refunds-outstanding/ [3/10/16]
3 - usatoday.com/story/money/personalfinance/2016/06/11/unclaimed-life-insurance-money-payout/85718732/ [6/11/16]

began. Inflation has, at last, picked up, and the manufacturing and service sectors have been growing.1,2

The market is still having a good year. At this writing, the S&P 500 is up more than 5% year-to-date; the Nasdaq Composite, about 12% year-to-date. Given the economic trends mentioned in the above paragraph – and the possibility of more dovishness from the Fed – these indices could certainly see further 2017 gains.3

Remember that many investors come to regret emotional decisions. Emotions drove many people away from equities in the 2007-09 bear market, and they paid a price; after sinking to a bottom on March 9, 2009, the S&P 500 appreciated 100% in just four years. Some of those who sat on the sidelines as the bull market started ended up buying high after selling low.4 Here is another dramatic example: the S&P rose 15.2% in a month (in terms of total return) after hitting a low on October 9, 2002. So, just as the market can drop quickly, it can also recover quickly.4

Breaking news should not dissuade you from pursuing your long-term objectives. Your retirement savings effort is not momentary, but lifelong. The Dow,

The Advantages of HSAs

Health Savings Accounts offer you tax breaks & more.

1 - thebalance.com/hsa-vs-ira-you-might-be-surprised-2388481 [10/12/16]
2 - shrm.org/resourcesandtools/hr-topics/benefits/pages/irs-sets-2017-hsa-contribution-limits.aspx [5/2/16]
3 - tinyurl.com/hhpdb3y [1/27/17]
4 - marketwatch.com/story/a-health-savings-account-could-power-your-retirement-2017-01-13 [1/13/17]
5 - nerdwallet.com/blog/taxes/health-savings-accounts/ [3/23/15]

Why do people open up Health Savings Accounts in conjunction with high-deductible health insurance plans? Well, here are some of the compelling reasons why younger, healthier employees decide to have HSAs.

#1: Tax-deductible contributions. These accounts are funded with pre-tax income – that is, you receive a current-year tax deduction for the amount of money you put into the plan. Your annual contribution limit to an HSA depends on your age and the type of high-deductible health plan (HDHP) you have in conjunction with the account. For 2017, limits are set at $3,400 (individual plan) and $6,750 (family plan). If you are 55 or older, those limits are nudged $1,000 higher.1,2

#2: Tax-free growth. In addition to the perk of being able to deduct HSA contributions from gross income, the interest on an HSA grows untaxed. (It is often possible to invest HSA assets.)3

#3: Tax-free withdrawals (as long as they pay for health care costs). Under federal tax law, distributions from HSAs are tax-free as long as they are used to pay qualified medical expenses.4

Add it up: an HSA lets you avoid taxes as you pay for health care. Additionally, these accounts have other merits.

You own your HSA. If you leave the company you work for, your HSA goes with you – your dollars aren't lost.5

Do HSAs have underpublicized societal benefits? Since HSAs impel people to spend their own dollars on health care, the theory goes that they spur their owners toward staying healthy and getting the best medical care for their money.

The HSA is sometimes called the "stealth IRA." If points 1-3 mentioned above aren't wonderful enough, consider this: after age 65, you may use distributions out of your HSA for any purpose; although, you will pay regular income tax on distributions that aren't used to fund medical expenses. (If you use funds from your HSA for non-medical expenses before age 65, the federal government will hit you with a 20% withdrawal penalty in addition to income tax on the withdrawn amount.)1,2 In fact, you can even transfer money from an IRA into an HSA – but you can only do this once, and the amount rolled over applies to your annual IRA contribution limit. (You can't roll over HSA funds into an IRA.)1

How about the downside? In the worst-case scenario, you get sick while you're enrolled in an HDHP and lack sufficient funds to pay medical expenses. It is worth remembering that HSA funds don't pay for some forms of health care, such as non-prescription drugs.5 You also can't use HSA funds to pay for health insurance coverage before age 65, in case you are wondering about such a move. After that age limit, things change: you can use HSA money to pay Medicare Part B premiums and long-term care insurance premiums. If you are already enrolled in Medicare, you can't open an HSA; Medicare is not a high-deductible health plan.1,5 Even with those caveats, younger and healthier workers see many tax perks and pluses in the HSA. If you have a dependent child covered by an HSA-qualified HDHP, you can use HSA funds to pay his or her medical bills if that child is younger than 19. (This also applies if the dependent child is a full-time student younger than 24 or is permanently and totally disabled.) 2

Who is eligible to open up an HSA? You are eligible if you enroll in a health plan with a sufficiently high deductible. For 2017, the eligibility limits are a $1,300 annual deductible for an individual or a $2,600 annual deductible for a family.2

Your employer may provide a match for your HSA. If an HSA is a component of an employee benefits program at your workplace, your employer is permitted to make contributions to your account.5 With the future of the Affordable Care Act in question, and more and more employers offering HSAs to their employees, perhaps people will become more knowledgeable about the intriguing features of these accounts and the way they work.

— Shawn

Saving $1 Million for Retirement

How can you plan to do it? What kind of financial commitment will it take?

1 - investopedia.com/articles/personal-finance/011216/average-retirement-savings-age-2016.asp [12/8/16]
2 - time.com/money/4258451/retirement-savings-survey/ [3/14/16]
3 - interest.com/retirement-planning/news/how-to-save-1-million-for-retirement/ [12/12/16]
4 - reviewjournal.com/business/money/how-realistically-save-1-million-retirement [5/20/16]

How many of us will retire with $1 million or more in savings? More of us ought to – in fact, more of us may need to, given inflation and the rising cost of health care. Sadly, few pre-retirees have accumulated that much. A 2015 Government Accountability Office analysis found that the average American aged 55-64 had just $104,000 in retirement money. A 2016 GoBankingRates survey determined that only 13% of Americans had retirement savings of $300,000 or more.1,2 A $100,000 or $300,000 retirement fund might be acceptable if our retirements lasted less than a decade, as was the case for some of our parents. As many of us may live into our eighties and nineties, we may need $1 million or more in savings to avoid financial despair in our old age.

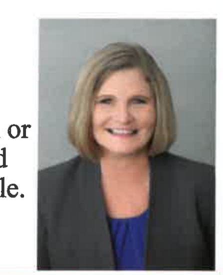
The earlier you begin saving, the more you can take advantage of compound interest. A 25-year-old who directs $405 a month into a tax-advantaged retirement account yielding an average of 7% annually will wind up with $1 million at age 65. Perhaps $405 a month sounds like a lot to devote to this objective, but it only gets harder if you wait. At the same rate of return, a 30-year-old would need to contribute $585 per month to the same retirement account to generate $1 million by age 65.3 The Census Bureau says that the median household income in this country is $53,657. A 45-year-old couple earning that much annually would need to hoard every cent they made for 19 years (and pay no income tax) to end up with $1 million at age 64, absent of investments. So, investing may come to be an important part of your retirement plan.4

What if you are over 40, what then? You still have a chance to retire with $1 million or more, but you must make a bigger present-day financial commitment to that goal than someone younger. At age 45, you will need to save around $1,317 per month in a tax-advantaged retirement account yielding 10% annually to have $1 million in 20 years. If the account returns just 6% annually, then you would need to direct approximately $2,164 a month into it.4 What if you start trying to build that $1 million retirement fund at age 50? If your retirement account earns a solid 10% per year, you would still need to put around $2,413 a month into it; at a 6% yearly return, the target contribution becomes about $3,439 a month.4

This math may be startling, but it is also hard to argue with. If you are between age 55-65 and have about $100,000 in retirement savings, you may be hard-pressed to adequately Finance your future. There are three basic ways to respond to this dilemma. You can choose to live on Social Security, plus the principal and yield from your retirement fund, and risk running out of money within several years (or sooner). Alternately, you can cut your expenses way down – share housing, share or forgo a car, etc., which could preserve more of your money. Or, you could try to work longer, giving your invested retirement savings a chance for additional growth, and explore ways to create new income streams.

How long will a million-dollar retirement fund last? If it is completely uninvested, you could draw down about $35,000 a year from it for 28 years. The upside here is that your invested retirement assets could grow and compound notably during your "second act" to help offset the ongoing withdrawals. The downside is that you will have to contend with inflation and, potentially, major healthcare expenses, which could reduce your savings faster than you anticipate. So, while $1 million may sound like a huge amount of money to amass for retirement, it really is not – certainly not for a retirement beginning twenty or thirty years from now. Having $2 million or $3 million on hand would be preferable.

— Barbie



Summer Facts

- July is National Ice Cream Month, more Americans buy ice cream in July than any other month
- Hamburgers are the most common grilled food during summer with steaks coming in second and hot dogs coming in third
- Watermelon is summer's most popular fruit and is 92% water
- Set your thermostat to 78 degrees instead of 72 degrees to save 6-18% on electricity costs
- Students lose 2-3 mon of reading & language skills over summer

Nasdaq, and S&P 500 have climbed higher through all kinds of disruptions in their long history. The S&P has advanced in 72% of the years it has been in existence. Look at the big picture of market performance over time. Understand that pronounced, daily volatility is a disruption of the market norm, not the norm itself.4

— Jim

1 - cnbc.com/2017/05/12/corporate-profits-just-posted-their-biggest-jump-in-five-years.html [5/12/17]
2 - nytimes.com/2017/05/05/upshot/were-getting-awfully-close-to-full-employment.html [5/5/17]
3 - markets.wsj.com/us [5/18/17]
4 - thebalance.com/u-s-stock-bear-markets-and-their-subsequent-recoveries-2388520 [9/23/16]