The right partnership makes it possible.
Laraway
Financial Advisors, Inc.

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The Laraway Report

# Gen Xers Risk Coming Up Short in Retirement

*by Steven A. Laraway, J.D., CPA®, CFP®*

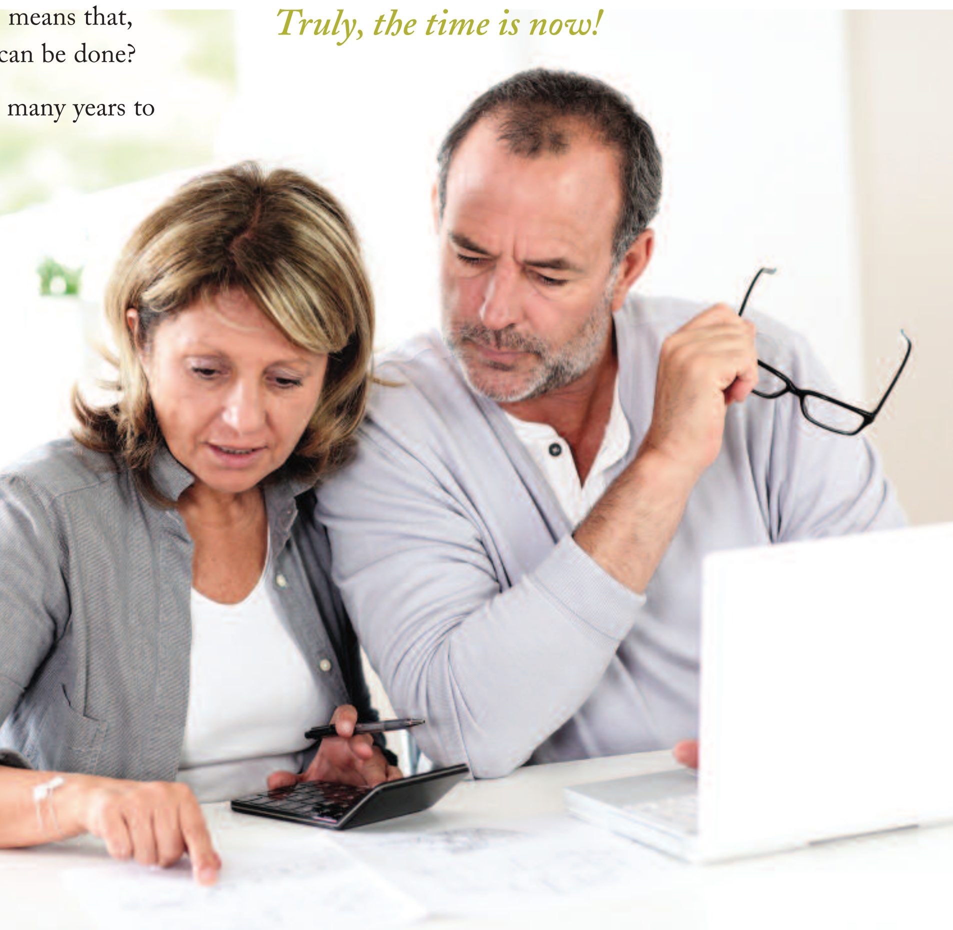
Generation Xers are defined as those individuals born between 1965 and 1980, who today would be from age 38 to 53 today. Generation Xers have done a poor job saving for retirement. Some telling statistics are that only 60% of this generation has put money aside for retirement and 70% of those have less than $250,000 saved. Previous generations could count on pension payments and social security benefits for retirement. Today only 4% of companies offer a pension plan and unless drastically changed, Social Security will run out of funds in about 2040, which means that estimated tax revenues at that time will only be able to fund app 76% of scheduled benefits. In addition, life expectancy has increased dramatically over the years and a recent study pointed out that it is likely that a couple will have one spouse live to nearly 100 years old. This means that, retirement funds will be stretched. So what can be done?

While it is a difficult problem and may take many years to resolve some solutions might be:

1. The obvious solution is to start putting money away for retirement. While this is difficult, it is a key way to build up funds. This might involve giving up some of your material goods. Remember, even small amounts will help, starting small is better than not starting at all!
2. Save in employer sponsored retirement plans; contribute at least up to the match amount.
3. Consider retiring later (not very palatable-but maybe necessary).
4. Consider dropping your idea of current standard of living to a lower standard (not very palatable).
5. Assume you will work part time in retirement (also not very palatable).
6. Consider contacting a financial advisor to help you design a plan that will meet your needs.

Generation Xers will want to take time to develop and fine-tune their retirement plan. Retirement will depend on it.

*Truly, the time is now!*



# Are Your Beneficiary Designations Up to Date?

## Who Should Inherit Your IRA or 401(k)? See That They Do?

*by Chris Wayne, AIF®*

**Here's a simple financial question: who is the beneficiary of your IRA?** How about your 401(k) or annuity? You may be saying, "I'm not sure." It is smart to periodically review your beneficiary designations.

**Your choices may need to change with the times.** When did you open your first IRA? When did you buy your life insurance policy? Was it back in the Nineties? Are you still living in the same home and working at the same job as you did back then? Have your priorities changed?

While your beneficiary choices may seem obvious and rock-solid when you initially make them, time has a way of altering things. In a stretch of five or ten years, some major changes can occur in your life and may warrant changes in your beneficiary decisions.

In fact, you might want to review them annually. Here's why: companies frequently change custodians when it comes to retirement plans and insurance policies. When a new custodian comes on board, a beneficiary designation can get lost in the paper shuffle. (It has happened.) If you don't have a designated beneficiary on your retirement accounts, those assets may go to the "default" beneficiaries when you pass away, which might throw a wrench into your estate planning. An example: under ERISA, your spouse receives your 401(k) assets if you pass away. Your spouse must waive that privilege in writing for those assets to go to your children instead.[1]

**How your choices affect your loved ones.** The beneficiary of your IRA, annuity, 401(k), or life insurance policy may be your spouse, your child, maybe another loved one, or maybe even an institution. Naming a beneficiary helps to keep these assets out of probate when you pass away.

Many people do not realize that beneficiary designations take priority over bequests made in a will or living trust. For example, if you long ago named a son or daughter who is now estranged from you as the beneficiary of your life insurance policy, he or she will receive the death benefit when you die, regardless of what your will states.[2]

You may have even chosen the "smartest financial mind" in your family as your beneficiary, thinking that he or she has the knowledge to carry out your financial wishes in the event of your death. But what if this person passes away before you do? What if you change your mind about the way you want your assets distributed and are unable to communicate your intentions in time? And what if he or she inherits tax problems as a result of receiving your assets?

**How your choices affect your estate.** If you are naming your spouse as your beneficiary, the tax consequences are less thorny. Assets you inherit from your spouse aren't subject to estate tax, as long as you are a U.S. citizen.[3]

When the beneficiary isn't your spouse, things get a little more complicated – for your estate and for your beneficiary's estate. If you name, for example, your son or your sister as the beneficiary of your retirement plan assets, the amount of those assets will be included in the value of your taxable estate. (This might mean a higher estate tax bill for your heirs.) And the problem will persist: when your non-spouse beneficiary inherits those retirement plan assets, those assets become part of their taxable estate, and their heirs might face higher estate taxes. Your non-spouse heir might also have to take required income distributions from that retirement plan someday and pay the required taxes on that income.[4]

If you properly designate a charity or other 501(c)(3) non-profit organization as a beneficiary of your retirement account assets, the assets can pass to the charity without your estate being taxed, and the gift will be deductible for estate tax purposes.[5]



*Citations.*

1 forbes.com/sites/ashleaebeling/2018/01/08/five-retirement-housekeeping-moves-for-the-new-year/ [1/8/18]

2 thebalance.com/why-beneficiary-designations-override-your-will-2388824 [8/28/17]

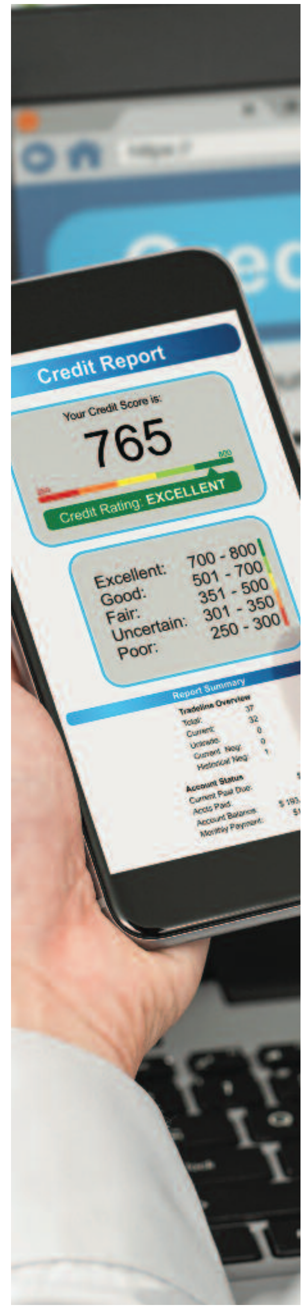
3 nolo.com/legal-encyclopedia/estate-planning-when-you-re-married-noncitizen.html [2/4/18]

4 corporate.findlaw.com/law-library/who-should-be-the-beneficiary-of-your-qualified-retirement-plan.html [2/4/18]

5 ameriprise.com/research-market-insights/financial-articles/insurance-estate-planning/charitable-giving/ [2/4/18]

# Credit Monitoring/Identity Theft

*by Chris Hastings*




Several years ago my insurance company contacted me to let me know we were being dropped from a policy. When I asked why they said, "We constantly review to whom we offer policies, and your family no longer fits our criteria." I quickly found a less expensive policy with the same coverage and felt fine. The surprise came a few months later when I pulled our credit reports and scores prior to refinancing our house. Generally speaking, my wife had a very good credit score, so it came as a huge shock to us when her score was suddenly in the 'poor' range. We found out that someone in a different state had activated a cell phone in my wife's name and never paid a single bill. It was a rude awakening to the reality that identity theft can happen to anyone.

Lenders, such as banks and credit card companies, use credit scores to evaluate the potential risk posed by lending money to consumers and to mitigate losses due to bad debt. Lenders use credit scores to determine who qualifies for a loan, at what interest rate, and at what credit limits. In addition to lenders, potential employers, landlords, insurance companies, utilities, and cell phone companies often access credit scores. A poor credit score can have a huge impact on any one of these areas. What they are basically looking for is whether or not you are a good credit risk, and your score gives a good overview of your past use of credit.

Credit scores are extremely important and should be monitored regularly. One way is to monitor your credit score monthly. The easiest way to do this is by looking at the score provided by many different credit card companies (check to see if yours offers this free service) or though free websites and apps such as *Credit Karma* and *WalletHub*. These websites will also notify you if you've had new credit activity, such as your credit report being requested or a new credit account opened in your name.

If you see a substantial change in your credit score, do some research to see what caused the change. You can do this by monitoring your full credit report, which will give a history of all credit accounts you have opened in a given time frame and which are still open, as well as any personal information creditors have access to.

If you do have a significant concern about your report, you can freeze your credit report while you sort out any issues. However, in some states, this does cost money, and if your credit is frozen, you will not have access to credit immediately. For example, if your credit was frozen, and you saw a new car that you wanted to purchase, the purchase could not be completed with a loan until your credit was unfrozen.

We can't always prevent identity theft or errors on the part of creditors, but we do have the power to mitigate the damage they can cause. Checking your credit report regularly helps you maintain better control over your financial situation and ensures any potential problems are dealt with before you need access to new credit. If you have questions about how to better monitor and manage your credit, **I'm here to help.**

## Next-Gen Talent Joins Laraway

Allow us to welcome and introduce Jennifer Lesmeister. Jennifer's interpretation and research skills are key assets in her role as the Client Relations Coordinator at Laraway. "Every day is something different and being on top of the most current information is critical," Jennifer said.

She works behind the scenes to glean details of how securities are doing and provide the advisors with a clear, concise picture for their clients. She compiles client reports, analyzes data, and keeps all the administrative details in check.

Growing up in Morris, MN, Jennifer aspired to use her sharp debate skills in the courtroom and began taking college-level classes at the age of 16. Gifted in Spanish, she pursued a Spanish and Latin American Studies degree from the University of Minnesota, Morris and upon graduation, moved to the Minneapolis/St. Paul area where she was a bi-lingual legal assistant. The firm of Gray, Plant, Mooty brought her to the St. Cloud area where she further honed her interest in estate and financial planning.

In keeping with Jennifer's linguistic skills, Únete a nosotros para felicitar a Jennifer por su nuevo y creciente rol. To read more about Jennifer go to *www.larawayfinancial.com*.

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Financial Advisors, Inc.

1219 33rd Street South
St. Cloud, MN 56301

**Inside this Issue**



Laraway
Financial Advisors, Inc.

**Phone**
320.253.2490
800.758.8916

**Fax**
320.259.0557

**Email**
info@larawayfinancial.com

1219 33rd Street South
St. Cloud, MN 56301

**www.larawayfinancial.com**

## Investment Performance Through March 31, 2018

| Category | 3 Months | YTD | 1 Year | 5 Year |
|---|---|---|---|---|
| MORNINGSTAR | | | | |
| Large Cap Value | -2.55% | -2.55% | 9.07% | 10.32% |
| Large Cap Blend | -0.98% | -0.98% | 12.82% | 11.72% |
| Large Cap Growth | 2.30% | 2.30% | 20.41% | 13.81% |
| Mid Cap Value | -2.21% | -2.21% | 7.30% | 10.06% |
| Mid Cap Blend | -1.03% | -1.03% | 10.13% | 10.43% |
| Mid Cap Growth | 2.15% | 2.15% | 18.34% | 11.98% |
| Small Cap Value | -2.75% | -2.75% | 5.71% | 9.10% |
| Small Cap Blend | -0.93% | -0.93% | 9.68% | 10.29% |
| Small Cap Growth | 2.28% | 2.28% | 18.07% | 11.88% |
| Foreign | -1.03% | -1.03% | 8.74% | 4.93% |
| Govt. Bonds (Interm.) | -1.18% | -1.18% | -0.06% | 0.83% |
| Corp. Bonds (Interm.) | -1.31% | -1.31% | 1.31% | 1.73% |