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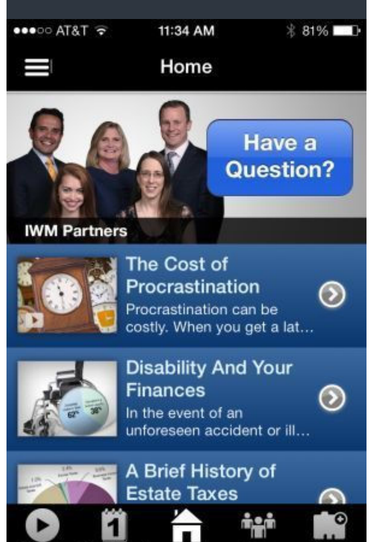

Upcoming Workshops

Social Security: The Choice of a Lifetime
Presented by Bruce Guarino of Nationwide Financial
Tuesday, September 16th
6:30 - 7:30 pm

Medicare Made Simple
Presented by Carolyn Tomaka, Health Insurance Specialist
Tuesday, October 14th
6:30 - 7:30 pm

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this issue

How Will Working Affect Social Security Benefits?

In a recent survey, 65% of current workers stated they plan to work for pay after retiring.[1]

And that possibility raises an interesting question: How will working affect Social Security benefits?

To answer that question requires an understanding of three key concepts: full-retirement age, the earnings test, and taxable benefits.

Full Retirement Age

Most workers don't face an "official" retirement date, according to the Social Security Administration. The Social Security program allows workers to start receiving benefits as soon as they reach age 62—or to put off receiving benefits until age 70½.

"Full retirement age" is the age at which individuals become eligible to receive 100% of their Social Security benefits. For example, individuals born in 1955 can receive 100% of their benefits at age 66 years and 2 months.[2]

Thinking of Retiring Abroad?

Roughly 3.3 million baby boomers are planning to retire abroad.[1] Their motivations may be many, but popular reasons include greater affordability, adventure and a change in lifestyle. However exciting retiring abroad may sound, it deserves considerable planning.

Where do you want to retire?
There are many starting points for this search, but primary considerations may include cost of living, stability of the country, access to health care, type of experience you desire and the climate.
Engage your spouse since both of you need to be happy and excited for this to work long term.

Visit prospective candidates
Test drive the country you are considering. No amount of research from your living room can replace being on the ground experiencing the people and actual living conditions.

Check Visa and Residency requirements
Each country has different requirements for permanent residency. Some have programs designed to welcome retirees. In any case, you'll need to know what is required of you for putting down roots.

Make an appointment with a tax advisor
While visiting prospective countries, spend time with a local tax advisor to understand the country's taxation of U.S. retires. You don't want any surprises.[2]

Nirvana doesn't exist
As you go through this process, appreciate that each country will have its pluses and minuses. You will need to balance them based on your personal priorities. Also, try to remember that most countries will not offer a U.S.-style living.

Consider health insurance
Since Medicare generally does not cover health care expenses incurred overseas, as is the case for private U.S.-based health insurance, you should research health insurance that will cover you in the country of your choice.

Consider renting first
Moving into an unknown area makes intelligent real estate decisions difficult. Consider renting to learn the area, understand the neighborhoods and whether it offers the range of activities you want.

Beware of Scams
A retiree working on a dream is fertile territory for people looking to separate you from your money. Work with only reputable businesses that you've identified from research and referrals.

- Shawn

Source: Travel Market Report, April 16, 2012

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Earnings Test

Starting Social Security benefits before reaching full retirement age brings into play the earnings test.

If a working individual starts receiving Social Security payments before full retirement age, the Social Security Administration will deduct $1 in benefits for each $2 that person earns above an annual limit. In 2014, the income limit is $15,480.[3]

During the year in which a worker reaches full retirement age, Social Security benefit reduction falls to $1 in benefits for every $3 in earnings. For 2014, the limit is $41,400.

For example, let's assume a worker begins receiving Social Security benefits during the year he or she reaches full retirement age. In that year, the worker earns $65,000. The Social Security benefit would be reduced as follows:

Earnings above annual limit:
$65,000—$41,400 = $23,699

One-third excess:
$23,600 / 3 = $7,867

In this case, the worker's annual Social Security benefit would have been reduced by $7,867 because he or she is continuing to work.

Taxable Benefits

Once you reach full retirement age, Social Security benefits will not be reduced no matter how much you earn. However, Social Security benefits are taxable.

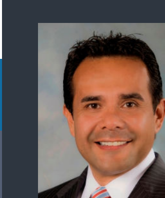
For example, say you file a joint return and you and your spouse are past the full retirement age. In the joint return, you report a combined income of between $32,000 and $44,000. You may have to pay income tax on as much as 50% of your benefits. If your combined income is more than $44,000, as much as 85% of your benefits may be subject to income taxes.

There are many factors to consider when evaluating Social Security benefits. Understanding how working may affect total benefits can help you put together a program that allows you to make the most of all your retirement income sources—including Social Security.

What's Your Full Retirement Age?

Those born in 1942 or before are already eligible for full Social Security benefits at age 65. For those born between 1943 and 1960, full retirement age increases incrementally until it reaches 67.

- Mico



1) Employee Benefit Research Institute, 2014
2,3,4. Social Security Administration, 2014

What Is a Stretch IRA?

Stretching an IRA can be a powerful strategy. But it's critical to understand the limitations and benefits before following the approach.

The Investment Company Institute reports that there is roughly $6.5 trillion in Individual Retirement Accounts (IRA).[1] To help put that in perspective, that's well over one-third the annual gross domestic product of the U.S.[2]

If you have a traditional IRA, you may have the opportunity to stretch it out, meaning the account may be structured to extend its tax-deferred status across multiple generations.[3]

With a traditional IRA, the account holder must begin taking required minimum distributions (RMD) by April 1 of the year after he or she turns 70½. These payments are based on the IRS' tables for life expectancy. To calculate an RMD, divide the account balance by the account holder's anticipated lifespan.

Case Study

Let's assume, for example, a 73-year-old has an IRA with a balance of $250,000. According to the Internal Revenue Service's 2014 lifespan table, the person's life expectancy is 14.8 years, so the RMD is:

$250,000 ÷ 14.8 = $16,891.89

At that rate, it may take several years to deplete the account — in some cases, longer than the account owner is likely to be alive. So what are your options?

"If you have a traditional IRA, you may have the opportunity to stretch it out, meaning the account may be structured to extend its tax deferred status across multiple generations."

First, you can name your spouse as beneficiary of the traditional IRA, and he or she can roll the balance into a new account. If your spouse is over age 70½ when you die, he or she must begin taking RMDs based on his or her life expectancy. When your spouse dies, the second-generation beneficiary may transfer the balance into an inherited IRA. Then, the owner of the inherited IRA must begin taking RMDs based on his or her life expectancy. (See illustration.)

This gives the money in the inherited IRA a longer time to remain tax deferred. Keep in mind, however, that there is no guarantee that the person who inherited the IRA will continue the tax-deferred treatment of the account.

How About a Roth IRA?

Stretching a Roth IRA follows similar rules to a traditional IRA. But remember, a Roth IRA does not require any RMDs.

If you name your spouse as a beneficiary, he or she can roll the balance into a new Roth account. Since it remains a spouse is not required to take RMDs either. When your spouse passes, the beneficiary must begin taking distributions. The distributions will be tax free since it's a Roth IRA.[4]

Stretching an IRA can be a powerful strategy. But it's critical to understand the limitations and benefits before following the approach.

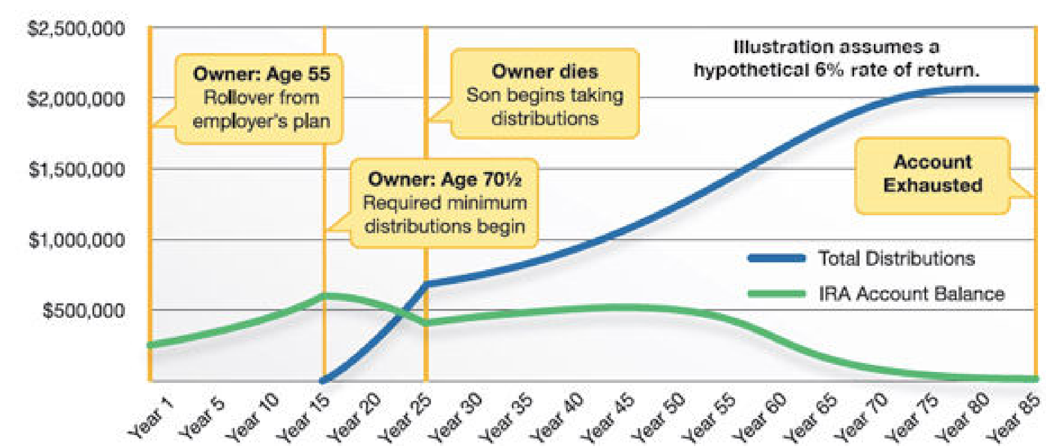
How Does it Work?

A single father, age 55, rolls over $250,000 from his employer's retirement plan into a traditional IRA and names his son, age 25, as beneficiary. At age 70½, the account owner starts taking RMDs.

When he dies at age 80, his son moves the assets into an inherited IRA and starts taking RMDs based his life expectancy. By the time it's exhausted, the IRA will have lasted 85 years and paid out over $2 million in benefits — all from a $250,000 rollover.

- Barbie

Investment Company Institute, 2014 2) U.S. Bureau of Economic Analysis, 2014 3) Contributions to a traditional IRA may be fully or partially deductible, depending on your individual circumstance. 4) Distributions from traditional IRA and most other employer–sponsored retirement plans are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty. 5) Generally, once you reach age 70½, you must begin taking RMDs 6) To qualify for the tax-free and penalty–free withdrawal of earnings, Roth IRA distributions must meet a 5 year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal also can be taken under certain other circumstances, such as a result of the owner's death. 7) U.S. Dept of Health and Human Services,



*This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments. Past performance does not guarantee future results. Actual results will vary.

Have You Thought About Long-Term Care Insurance?

- The U.S. Department of Health and Human Services estimates that 70% of people over age 65 can expect to need long-term care services at some point in their lives.

- After a three–day hospital stay, Medicare will cover the first 20 days in a skilled nursing care facility completely. For the next 80 days, it will cover all but $152.00 per day. And after 100 days, it won't cover anything.[7]

- The national average for care in a skilled care facility is $87,600 a year. The national average for care in an assisted living center is $42,000 a year. Home health aides cost an average $20 per hour, but that rate may increase when a licensed nurse is required.[7]

Fast Fact

In the past 30 years, the cost of college has risen 570%.

Source: abcnews.com, April 29,2013