PPC Monthly Newsletter

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Reflections on Being a Dad and Grandpa

This past weekend we celebrated Father's Day. Hopefully, millions of fathers around the world got to spend time with their children and grandchildren, and gave thanks for being in each other's lives. As a father of five amazing and healthy children, and grandfather to nine equally amazing and healthy grandchildren, I thank God every day for being so blessed. What does it mean to be a Dad and Grandpa? Please allow me to share some thoughts.

It means...

Being there. All children, no matter their age, need direction and fatherly input as they encounter life's challenges. Being there to listen, talk, play, teach, and provide guidance for your children is one of life's true gifts.

Teaching them what true strength is all about. There is nothing wrong with teaching your children to be physically strong and treat their bodies in the best way possible for a long and healthy life. But, equally important teachable moments come when you allow yourself to cry and share their sadness. That's when you teach them the meaning of true strength. Being tender and loving is just as powerful as lifting hundreds of pounds.

Knowing when to be their parent, and when to be their friend. Being a dad (or a mom) is a very challenging responsibility. It is more challenging to be able to understand when your child needs someone to simply listen. And it is most challenging when your child is losing their way and needs someone to reel them in and provide "tough love." When you are able to work through these challenges together, you will likely find yourself feeling the best about your role as their dad (or mom).

It means...

Letting them grow up and make both good and bad choices. A sister-in-law of mine used to say, "Kids drive you crazy as teenagers because if they didn't, you'd never want them to leave home." There is great wisdom in that statement.

Sometimes, when a situation arises, the toughest thing to do is to let your children figure things out on their own. At the same time, be ready to provide guidance if things get out of hand.

I can attest to the statement that when your teenagers grow up and become parents, the "dumb things" you told them at 17 suddenly aren't so dumb anymore (or at least that's what they say).

Making sure they know they are loved. Hug them, kiss them, tell them you love them. Not much more needs to be said on this one.

Happy Father's Day, Dads!

- Ken, Dave, Todd, Brian, Therese and Maja

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Expect the Unexpected: What to Do If You Become Disabled

About 20% of Americans live with a disability, and one in four of today's 20-year-olds will become disabled before retiring.

Source: SSA, Disability Facts, 2017

The average age of SSDI recipients in 2015 was 54.

Source: Fast Facts and Figures About Social Security, 2016

In a recent survey, 46% of retirees said they retired earlier than planned, and not necessarily because they chose to do so. In fact, many said they had to leave the workforce early because of health issues or a disability.[1]

Although you may be healthy and financially stable now, an unexpected diagnosis or injury could significantly derail your life plans. Would you know what to do, financially speaking, if you suddenly became disabled? Now may be a good time to familiarize yourself with the following information, before an emergency arises.

Understand any employer-sponsored benefits you may have

Disability insurance pays a benefit that replaces a percentage of your pay for a designated period of time. Through your employer, you may have access to both short- and long-term disability insurance. If your employer offers disability insurance, be sure to fully understand how the plan works. Review your plan's Summary Plan Description carefully to determine how to apply for benefits should you need them, and what you will need to provide for proof of disability.

Short-term disability protection typically covers a period of up to six months, while long-term disability coverage generally lasts for the length of the disability or until retirement. Your plan may offer basic coverage paid by your employer and a possible "buy-up" option that allows you to purchase additional coverage.

According to the Bureau of Labor Statistics, 40% of private industry workers have access to short-term disability insurance through their employers, while 33% have access to long-term coverage. For both types of plans, the median replacement amount is about 60% of pay, with most subject to maximum limits.[2]

Consider a supplemental safety net

If you do not have access to disability insurance through your employer, it might be wise to investigate other options. It may be possible to purchase both short- and long-term group disability policies through membership in a professional organization or association. Individual policies are also available from private insurers.

You can purchase policies that cover you for life, until age 65, or for shorter periods such as two or five years. An individual policy will remain in force as long as you pay the premiums. Because many disabilities do not result in a complete inability to work, some policies offer a rider that will pay you partial benefits if you are able to work part-time.

Most insurance policies have a waiting period (known as the "elimination period") before you can begin receiving benefits. For private insurance policies, this period can be anywhere from 30 to 365 days. Group policies (particularly through your employer) typically have shorter waiting periods than private policies. Disability insurance premiums paid with after-tax dollars will generally result in tax-free disability benefits. On the other hand, if your premiums are paid with pre-tax dollars, typically through your employer, your benefit payments may be taxable.

Review the Social Security disability process

The Social Security Administration (SSA) pays disability benefits through two programs: the Social Security Disability Insurance (SSDI) program and the Supplemental Security Income (SSI) program. SSDI pays benefits to people who cannot work due to a disability that is expected to last at least one year or result in death, and it's only intended to help such individuals make ends meet. Consider that the average monthly benefit in January 2017 was just $1,171.

In order to receive SSDI, you must meet strict criteria for your disability. You must also meet requirements for how recently and how long you have worked. Meeting the medical criteria is difficult; in fact, according to the National Organization of Social Security Claimants' Representatives (NOSSCR), about two-thirds of initial SSDI applications are denied on their first submission. Denials can be appealed within 60 days of receipt of the notice.[3]

The application process can take up to five months, so it is advisable to apply for SSDI as soon as you become disabled. If your application is approved, benefits begin in the month following the six-month anniversary of your date of disability (as recorded by the SSA in your approval letter). Eligible family members may also be able to collect additional payments of up to 50% of your benefit amount.

SSI is a separate program, based on income needs of the aged, blind, or disabled. You can apply to both SSI and SSDI at the same time.

For more information, visit the Social Security Disability Benefits website at ssa.gov, where you will also find a link to information on the SSI program.

[1] 2016 Retirement Confidence Survey, Employee Benefit Research Institute

[2] Bureau of Labor Statistics, National Compensation Survey, 2016

[3] NOSSCR web site, accessed March 2017

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Withdrawal Options for Your Thrift Savings Plan (TSP)

You should consider carefully the consequences of an in-service distribution. Distributions from your pre-tax TSP account are subject to federal income tax, and an additional 10% penalty tax will generally apply to distributions made prior to age 59½. The taxation of in-service withdrawals from a Roth TSP account depends on whether the distribution is a qualified or nonqualified withdrawal. Consideration should also be given to the overall depletion of your retirement savings. In addition, if you're married, your spouse must be notified of any request for an in-service distribution, and in most cases must consent.

The information in this article is not intended as investment advice and is not a recommendation for retirement savings.

The Federal Thrift Savings Plan (TSP) is a tax-deferred retirement savings and investment plan set up to help federal civilian employees and military personnel save for retirement. The TSP is a defined contribution plan. Employees and servicemembers are eligible to make pre-tax contributions of at least part of their salaries annually to the plan, while the government may match some or all of those contributions. Since 2012, participants are allowed to designate all or part of their deferrals as Roth contributions, which are funded on an after-tax basis. Several withdrawal options are available through which participants can access their TSP funds, either while still working for the government or upon retirement.

In-service withdrawals

As a TSP participant, you may be eligible to take a one-time, age-based withdrawal from your TSP upon reaching age 59½. All or a portion of your vested account balance may be withdrawn at that time. If you elect to take a partial withdrawal, you can't take another partial withdrawal upon separating from service.

The rules are a little different if you make an in-service withdrawal in cases of financial hardship. Specific requirements and limits apply, and each time you take a hardship distribution, you are barred from making another hardship distribution for a period of six months. And you can't make contributions to your TSP for a six-month period.* While in-service withdrawals may be available, it's more likely that you'll take withdrawals from your TSP when you retire or leave federal government employment.

Leave funds in the TSP

You may find that you don't need to access money from your TSP account immediately upon retirement. In that case, you can defer taking withdrawals from your TSP and allow it to remain in place. However, you'll have to start taking withdrawals by April 1 of the year following either the year you turn age 70½ if you're no longer a federal employee, or the year you separate from federal service, whichever is later.

Partial withdrawal after leaving employment

You can make a one-time partial withdrawal and leave the rest of your money in your TSP. To be eligible for a partial withdrawal, you must not have made a prior partial withdrawal or an age-based in-service withdrawal, and your withdrawal request must be for at least $1,000.

Lump-sum withdrawal

When you are ready to withdraw your money from your TSP account, you can do it all at once (commonly referred to as a lump-sum payment) or over a period of time. Or you can purchase an annuity that will make payments to you for life. You also can choose any combination of these full withdrawal options. Keep in mind that withdrawals from a TSP, other than from a Roth TSP, are generally fully taxable as ordinary income.

Series of monthly payments

You can request a specific dollar amount that you'll receive each month until your entire TSP has been paid to you. Or you can receive monthly payments according to IRS Life Expectancy Tables based on your age and your account balance. The TSP will recalculate your monthly payment every year you take withdrawals of this type.

Life annuity

Three types of annuities are available: (1) an annuity that is paid to you during your lifetime (single life annuity); (2) an annuity that is paid to you while you and your spouse are alive, then paid to the surviving spouse for the rest of his or her life after one of you dies (joint life with spouse annuity); or (3) an annuity that is paid to you while you and a person chosen by you (with an insurable interest in you) are alive, then paid to the survivor (beneficiary) for his or her life after you die. However, if you are a married Federal Employee Retirement System (FERS) participant, you must elect a joint life with spouse annuity with a 50% survivor benefit, level payments, and no cash refund feature, unless your spouse consents to another annuity option. There are no fees or commissions associated with these options.

Factors that determine how much your monthly annuity payments will be include how large your account balance is, the interest rate at the time the TSP purchases your annuity, the performance of your investment fund, your age (and your joint annuitant's age, if applicable), and the annuity option you elect. The TSP website (tsp.gov) has a calculator you can use to project your future account balance.

Your TSP offers several options for withdrawing money from your account. Your specific goals will determine when to take money out and how you wish to receive it. When making this decision, you should consider your income needs and the lifestyle you would like to have in retirement.

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For many individuals, driving a car is a necessity. Whether you're driving to work or running errands on the weekend, not having your main source of transportation for even just a week or two can have a major impact on your daily routine. As a result, you'll want to make sure your transportation needs are properly covered in case your car is ever disabled or in an accident. Fortunately, in addition to standard auto insurance coverage, most insurers offer optional towing and rental reimbursement coverage for an additional cost.

You can usually purchase towing coverage for a small premium. This type of coverage will pay for any towing and labor charges (up to a specified limit) incurred when your vehicle is disabled. This coverage can be used any time your car breaks down — not just when it's in an accident. Keep in mind that the insurer usually pays only for labor performed (e.g., jump-starting a battery, changing a tire) at the location where your vehicle is disabled and does not cover actual repair work performed at a service station.

Towing coverage is convenient to have, especially if you travel a lot in your car. However, if you already have roadside assistance through another source (e.g., a road and travel plan), you may not need to purchase towing coverage.

Rental reimbursement coverage pays a set amount per day for the cost of a rental car if your car is being repaired because of an accident that is covered under your auto insurance policy (some policies also provide coverage when a vehicle is stolen). Typically, this type of coverage is limited to a certain amount per day (e.g., $30), up to a maximum amount (e.g., $900). For an additional premium, the daily limit can usually be increased.

Whether you need rental reimbursement coverage for your car will depend on your transportation needs. If you own two vehicles or have access to an alternative means of transportation, you may be able to get by without it. However, if your car is your main source of transportation, it may be a worthwhile purchase.

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