



A Retirement Fact Sheet

Some specifics about the “second act.”

Does your vision of retirement align with the facts? Here are some noteworthy financial and lifestyle facts about life after 50 that might surprise you.

Up to 85% of a retiree’s Social Security income can be taxed. Some retirees are taken aback when they discover this. In addition to the Internal Revenue Service, 13 states levy taxes on some or all Social Security retirement benefits: Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Rhode Island, Utah, Vermont, and West Virginia. (It is worth mentioning that the I.R.S. offers free tax advice to people 60 and older through its Tax Counseling for the Elderly program.)¹

Retirees get a slightly larger standard deduction on their federal taxes. Actually, this is true for all taxpayers aged 65 and older, whether they are retired or not. Right now, the standard deduction for an individual taxpayer in this age bracket is \$13,600, compared to \$12,000 for those 64 or younger.²

Retirees can still use IRAs to save for retirement. There is no age limit for contributing to a Roth IRA, just an inflation-adjusted income limit. So, a retiree can keep directing money into a Roth IRA for life, provided they are not earning too much. In fact, a senior can potentially contribute to a traditional IRA until the year they turn 70½.¹

A significant percentage of retirees are carrying education and mortgage debt. The Consumer Finance Protection Bureau says that throughout the U.S., the population of borrowers aged 60 and older who have outstanding student loans grew by at least 20% in every state between 2012 and 2017. In more than half of the 50 states, the increase was 45% or greater. Generations ago, seniors who lived in a home often owned it, free and clear; in this decade, that has not always been so. The Federal Reserve’s recent Survey of Consumer Finance found that more than a third of those aged 65-74 have outstanding home loans; nearly a quarter of Americans who are 75 and older are in the same situation.¹

As retirement continues, seniors become less credit dependent. Go-BankingRates says that only slightly more than a quarter of Americans over age 75 have any credit card debt, compared to 42% of those aged 65-74.¹

About one in three seniors who live independently also live alone. In fact, the Institute on Aging notes that nearly half of women older than age 75 are on their own. Compared to male seniors, female seniors are nearly twice as likely to live without a spouse, partner, family member, or roommate.¹

Around 64% of women say that they have no “Plan B” if forced to retire early. That is, they would have to completely readjust and reassess their vision of retirement, and redetermine their sources of retirement income. The Transamerica Center for Retirement Studies learned this from its latest survey of more than 6,300 U.S. workers.³

Few older Americans budget for travel expenses. While retirees certainly love to travel, Merrill Lynch found that roughly two-thirds of people aged 50 and older admitted that they had never earmarked funds for their trips, and only 10% said they had planned their vacations extensively.¹

What financial facts should you consider as you retire? What monetary realities might you need to acknowledge as your retirement progresses from one phase to the next? The reality of retirement may surprise you. If you have not met with a financial professional about your retirement savings and income needs, you may wish to do so. When it comes to retirement, the more information you have, the better.

Citations.

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2018 Market Performance 01/01/2018 to 12/31/2018

DJIA ^DJIA Down -6.12%
 S&P 500 ^GSPC Down -6.66%
 NASDAQ ^IXIC Down -4.26%
 Russell 2000 ^RUT Down -12.18%

* Index performance does NOT include any fees (Gross of fees)

Source: <http://finance.yahoo.com>



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When a Family Member Dies

A financial checklist for the most difficult of times.

The passing of a loved one irrevocably alters family life. After a death, there is so much to attend to; it is better to do it sooner rather than later. Here, then, is a list of what commonly needs to be looked after.

Request copies of the death certificate. Depending on where you live, you have two or three places to turn to for this document. You can phone, email, or personally visit the office of the county recorder (or county clerk, as the term may be). Alternately, you can contact your state's vital records department (sometimes called the state registrar or department of health); it may take a little longer to get the document this way. In addition, some large and mid-sized cities maintain their own registrars of births and deaths.

Call advisors, executors, & business partners as applicable. The deceased's lawyer and CPA should be quickly notified along with any business partners and the executor of his or her estate. You must have a say in the decision-making. The tasks of protecting family assets, carrying out your loved one's bequests, and determining the next steps for a business will follow.

Call your loved one's current or former employer(s). Notify them, even if your loved one left the workforce years ago, as retirement savings or pension payments may be involved. As the conversation develops, it is perfectly appropriate to ask about pertinent financial matters – say, 401(k) or 403(b) savings that will be inherited by a beneficiary or what will happen to unused vacation time and/or unpaid bonuses.

Funds amassed in a qualified retirement plan sponsored by an employer (or an IRA, for that matter) commonly go to the primary beneficiary who has been named on the most recent beneficiary form filled out by the account owner. That sounds simple enough – but certain rules and regulations can make things complicated.¹

As a general rule, if the late 401(k) or 403(b) account owner was your spouse, then you are the presumed beneficiary of the 401(k) or 403(b) assets. Under the Employee Retirement Income Security Act (ERISA), workplace retirement plans are directed to abide by this guideline. If someone else has been named as the primary beneficiary of the account, with your consent, then the assets will go to that person.²

If the late 401(k) or 403(b) account owner was single, the assets in the account will go to whomever is designated as the primary beneficiary. The beneficiary designation will override other estate planning documents.³

To arrange and confirm the transfer or distribution of such assets, the beneficiary form must be found. If you can't locate it, the employer and/or the financial firm overseeing the retirement plan should provide access to a copy. The financial firm should ask you to supply:

*A certified copy of the account owner's death certificate

*A notarized affidavit of domicile (a document certifying his or her place of residence at the time of death)

If you have been widowed, call Social Security. If you already receive benefits, you may now be eligible for greater benefits.⁴

If your spouse received Social Security and you did not, you may now qualify for survivor benefits – and you should let Social Security know as soon as possible, as these benefits may be paid out relative to your application date rather than the date of your loved one's death.⁴

If this is the case, you may apply for survivor benefits by phone or by visiting a Social Security office. You will need to have some extensive paperwork on hand, specifically:

*Proof of the death (death certificate, funeral home documentation)

*Your late spouse's Social Security number

*His/her most recent W-2 forms or federal self-employment tax return

*Your own Social Security number & birth certificate

*Social Security numbers & birth certificates of any dependent children

*Your marriage certificate, if you have been widowed

*The name of your bank & the number of your bank account, for direct deposit purposes

If you have reached full retirement age, you will likely get 100% of the basic benefit amount that your late spouse was receiving. If you are in your sixties, but haven't yet reached full retirement age, you may receive anywhere from 71% to 99% of that amount. If you have a

child younger than 16, you will get 75% of your late spouse's basic benefit amount and so will your child.^{4,5}

Contact the insurance company. Assuming your loved one had some form of life insurance, contact the policyholder services department of that insurer and confirm the steps for claiming the death benefit. A claim form will have to be filled out, signed, and presented to the insurance company (one for each named adult beneficiary of the policy), and a certified copy of the death certificate must also be sent. If the primary beneficiary of a policy is deceased, the contingent beneficiary can usually claim the death benefit with a claim form, plus the death certificates of the policy owner and the primary beneficiary. Some insurers simply have you submit a form reporting the death of the policyholder first, and then follow up by mailing you forms and instructions for the next steps.⁶

Death benefits are generally paid out within 30 to 60 days of a claim. Presumably, they will be paid out in a lump sum. Some insurers will let a beneficiary receive a payout as a stream of monthly income or in installments.⁷

It isn't unusual for people to own multiple life insurance policies. The AARP, AAA, and myriad banks and non-profits market group life coverage to members/customers, and mortgage lenders and credit issuers offer forms of life insurance for borrowers. Tracking all this coverage down is the problem, and canceled checks and bank records don't always provide ready clues. Not surprisingly, websites have appeared that will help you search for life insurance policies, and you may be able to locate policies with the help of your state insurance commissioner's office.⁸

If the family member was a veteran, call the VA. Your family may be entitled to funeral and burial benefits. In addition, the Veterans Administration offers Death Pensions and Aid & Attendance and Housebound Pensions to lower-income widows of deceased wartime veterans and their unmarried children.⁹

These pensions are needs based. To be eligible for the Death Pension, a widow or child's "countable" income must fall below a certain yearly limit set by Congress. (A "child" as old as 22 may be eligible for the Death Pension.) The deceased veteran must not have received a dishonorable discharge, and they must have served 90 or more days of active duty, at least 1 day of it during wartime. If they entered active duty after September 7, 1980, then in most cases, 24 months or more of active duty service are necessary for a Death Pension to eventually be paid. The Aid & Attendance and Housebound Pensions provide some recurring income to pay for licensed home health aide or homemaker services.⁹

It is wise to contact a Veterans Services Officer before you file such a pension claim, as they can be a big help during the process. You can find a VSO through your state veterans' affairs department or through the VFW, the Order of the Purple Heart, the American Legion, or the non-profit National Veterans Foundation.⁹

A final individual income tax return may be required for the deceased. You or your tax professional should consult I.R.S. Publication 17 for more detail. Also, search for "Topic 356 - Decedents" on the I.R.S. website. Deductible expenses paid by the deceased before death can generally be claimed as deductions on such a return.¹⁰

If you have been widowed, consider the future. In the coming days or weeks, you should arrange a meeting to review your retirement planning strategy, and your will, beneficiary designations, and estate plan may also need to be updated. The passing of your spouse may necessitate a new executor for your own estate. Any durable powers of attorney may also need to be revised.

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Why Do You Need a Will?

It may not sound enticing, but creating a will puts power in your hands.

According to the global analytics firm Gallup, only about 44% of Americans have created a will. This finding may not surprise you. After all, no one wants to be reminded of their mortality or dwell on what might happen upon their death, so writing a last will and testament is seldom prioritized on the to-do list of a Millennial or Gen Xer. What may surprise you, though, is the statistic cited by personal finance website The Balance: around 35% of Americans aged 65 and older lack wills.^{1,2}

A will is an instrument of power. By creating one, you gain control over the distribution of your assets. If you die without one, the state decides what becomes of your property, with no regard to your priorities.

A will is a legal document by which an individual or a couple (known as “testator”) identifies their wishes regarding the distribution of their assets after death. A will can typically be broken down into four parts:

***Executors:** Most wills begin by naming an executor. Executors are responsible for carrying out the wishes outlined in a will. This involves assessing the value of the estate, gathering the assets, paying inheritance tax and other debts (if necessary), and distributing assets among beneficiaries. It is recommended that you name an alternate executor in case your first choice is unable to fulfill the obligation. Some families name multiple children as co-executors, with the intention of thwarting sibling discord, but this can introduce a logistical headache, as all the executors must act unanimously.^{2,3}

***Guardians:** A will allows you to designate a guardian for your minor children. The designated guardian you appoint must be able to assume the responsibility. For many people, this is the most important part of a will. If you die without naming a guardian, the courts will decide who takes care of your children.

***Gifts:** This section enables you to identify people or organizations to whom you wish to give gifts of money or specific possessions, such as jewelry or a car. You can also specify conditional gifts, such as a sum of money to a young daughter, but only when she reaches a certain age.

***Estate:** Your estate encompasses everything you own, including real property, financial investments, cash, and personal possessions. Once you have identified specific gifts you would like to distribute, you can apportion the rest of your estate in equal shares among your heirs, or you can split it into percentages. For example, you may decide to give 45% each to two children and the remaining 10% to your sibling.

A do-it-yourself will may be acceptable, but it may not be advisable. The law does not require a will to be drawn up by a professional, so you could create your own will, with or without using a template. If you make a mistake, however, you will not be around to correct it. When you draft a will, consider enlisting the help of a legal, tax, or financial professional who could offer you additional insight, especially if you have a large estate or a complex family situation.

Remember, a will puts power in your hands. You have worked hard to create a legacy for your loved ones. You deserve to decide how that legacy is sustained.

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