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From Anna's Desk

Keys to Lock in Lifetime Income using Fixed Annuities

- Information to Act On
- Medicare
- CFS Spreads Holiday Cheer



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From Anna's Desk: Keys to Lock in Lifetime Income using Fixed Annuities

Most retirement plans blend hard work and diligent saving with a lot of what-ifs. What if the stock market doesn't cooperate? What if we encounter massive unexpected expenses? What if all our calculations are wrong and our savings run dry mid retirement?

Wouldn't it be nice to replace that element of chance with some solid guarantees? Imagine a stream of income, locked in for the rest of your life that covers all your essential living expenses. That could allow you to take that bucket-list vacation without fear of derailing your retirement, greatly simplify your financial life in the event you face cognitive decline in your later years—and let you shrug off market dips like the one we saw in late 2018.

Lifetime guaranteed income—and the accompanying peace of mind—is within reach. By maximizing Social Security benefits and any available pension income, incorporating plain-vanilla immediate or deferred income annuities, most retirees can build an income floor that will support them as long as they live. Given longer life spans and rising health care costs, interest in guaranteed income is growing fast.

Yet only half of retirees said they'd had a conversation about retirement-income strategies. And most employers have done little to fill the guaranteed income vacuum left by the extinction of defined-benefit pension plans. No single retirement-income recipe will work for everyone. Each retiree must pick and choose the ingredients that best fit his or her goals—and confront some tricky trade-offs. Delaying Social Security, for example, may mean a few more years in an office that you're eager to leave, and buying an annuity may mean giving up some access to a substantial part of your nest egg.

For retirees who find the right retirement-income formula, however, the rewards can include financial security and the freedom to live on their own terms.

Build Your Retirement-Income Portfolio

How much income will you need? Some retirees rely on rules of thumb—such as aiming to generate 80% of their preretirement income in retirement. But there are a couple of problems with that formula. One issue: It “sets up an impossible goal” for retirees who may not have sufficient assets to generate that much income. What's more, every individual has different ideas about what constitutes an acceptable retirement lifestyle—and those ideas must be reconciled with what's realistic for his or her portfolio.

Instead of aiming for an arbitrary income-replacement rate, ensure that your income is greater than your expenses. Tally up essential expenses such as food, housing and utilities, and then turn to discretionary spending such as travel and entertainment. You may be pleasantly surprised. Retirees who are downsizing or paying off a mortgage, for example, may be able to live on 60% or 70% of their preretirement income. Others may have pent-up demand as they approach retirement—perhaps planning to spend more on travel in the first five or 10 years.

Next, rethink the word portfolio. You probably spent your working years building a stock and bond portfolio. In retirement, expand that concept to include everything that helps you generate income. Social Security, pensions, annuities and any other guaranteed income sources can be considered the “fixed income” portion of your retirement-income portfolio. Ideally, these dependable income Now, stocks and other riskier assets can be considered for growth, because they may be an option to cover discretionary expenses that can be trimmed if the market slide.

The bonus: Knowing your essential expenses are covered by guaranteed income sources, you're less likely to panic and sell when stocks tumble.

Get More Guarantees

If your Social Security benefits and other guaranteed income sources don't cover your essential expenses, it's time to consider an annuity that can fill the gap. Although annuities come in infinite variety and complexity, most retirees should focus on two simple products: single premium immediate annuities (or SPIAs), which offer monthly guaranteed income that starts immediately, or deferred income annuities, which offer a guaranteed income stream starting years in the future.

Deferred income annuities are the more natural hedge against the risk of outliving your assets. With a deferred income annuity, payments can start when you're more likely to deplete your savings and need the money—perhaps at age 75 or 85.

If you have substantial savings in a taxable account, that's the prudent way to fund an annuity purchase. If you can keep those investments in tax-deferred accounts and buy an annuity in your taxable account, that increases your effective rate of return over the long term.

Information compiled by Anna Luke; Kiplinger's Retirement Report and The Bloomberg Report

Understanding the new USMCA trade deal

In late September 2018, Canada agreed to a revised trade deal with the U.S. and Mexico. This agreement — now known as the United States-Mexico-Canada Agreement (USMCA) — ended months of negotiation and uncertainty surrounding the future of trade in North America.

Although Congress will likely vote on the new deal this year, a fair amount of uncertainty still remains around the effects USMCA could have on certain industries.

The infographic (right) offers a brief history of North American trade, as well as an overview of the new trade agreement and the sectors it could potentially affect.

Source: Eaton Vance Advisory Blog

Information to Act On

Economy

Home Sales. Existing- home sales fell 3.4% in September. It would take 4.4 months at the current pace to sell the inventory, with properties staying on the market an average of 32 days in September, down from 34 days a year ago. Home values will continue to climb over the next year, though likely at a slower pace. Increasing mortgage rates are a damper on price growth, but limited market supply is serving as counterweight.

Taxes

Maximum earnings. For those still working, the maximum taxable earnings that can be hit by Social Security tax climbs nearly 4% in 2019, to \$132,900. There is no limit for earnings hit by Medicare tax. The combined tax rates for Social Security and Medicare remain unchanged: For an employee, the tax rate is 7.65%, while the rate for self-employed, who must pay both the employee and employer portions, is 15.3%. Taxpayers with earned income of more than \$200,000 for single filers and \$250,000 for joint filers pay an extra 0.9% in Medicare taxes.

Higher Limits. You can stash more money in your 401(k) and IRA in 2019. The 401(k) limit increases to \$19,000 next year, and the IRA limit jumps to \$6,000. This is the first time since 2013 that the IRA limit has climbed. Catch-up contribution limits remain unchanged, so those 50 and older can put up to \$25,000 into 40(k) and up to \$7,000 in an IRA.

The USMCA trade deal

1994
NAFTA goes into effect

But first, a look back

What is NAFTA?

The North American Free Trade Agreement (NAFTA) is a treaty between the United States, Canada and Mexico that aims to encourage economic activity by eliminating many tariffs on trade between the three countries.

NAFTA Results as of 2017



Sep. 30th, 2018
USMCA announced

The revised agreement

Nov. 6th, 2018
Midterm elections

What is USMCA?

The United States-Mexico-Canada Agreement (USMCA) is a revised version of NAFTA. The framework was announced on Sept. 30; however, most of the new provisions will likely not go into effect until 2020.

Dec. 30th, 2018
Deadline for signing deal

What industries will it affect?

Dairy U.S. dairy exports to Canada are expected to increase by \$70 million, which will provide American dairy farmers access to nearly 3.6% of Canada's market.

Automotive Under the revised deal, 75% of a vehicle's parts and at least 70% of the steel and aluminum must originate in North America.

Labor The revised deal includes new provisions to reduce forced labor, protect against discrimination, and protect migrant workers.

Digital trade The new chapter will ensure that data can be transferred cross-border, promote collaboration in tackling cybersecurity challenges and facilitate digital transactions.

2019
Congress votes

Intellectual property The agreement proposes an increase in copyright term to 70 years following the life of the author and an extension of the data protection period for biologics to 10 years.

Environment Obligations to enforce environmental laws and promote transparency and accountability are major themes in the new agreement.

Jan. 1st, 2020
USMCA could take effect

So what's next?

The agreement could be signed as soon as Nov. 29. For Congress to pass legislation implementing the deal, the president must provide, among other documents, a draft implementing bill and the final legal text of the agreement. Once Congress receives the final bill, it has 90 days in session to act on it. It is likely they will not reach a vote before 2019.

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CFS Spreads Holiday Cheer

During our Holiday Client Dinner on Saturday, December 8th, 2018 at Oakmont Country Club, The CFS Family collected toys to benefit the Boys & Girls Club of Burbank and Greater East Valley.



Pictured above are Candy Hanks, Anna Luke, Shanna Warren, and Victor Luke. Shanna Warren is Chief Executive Officer of Boys & Girls Club Burbank and Greater East Valley

With Sincere Appreciation

We would like to thank you,
our wonderful clients
for your overwhelming
generosity for
CFS's Toy Drive to benefit the
Boys & Girls Club of Burbank.

Thank You!

Anna Luke
Staff of CFS and
The Boys & Girls Club
of Burbank

Medicare

Part D costs

The Part D coverage gap, known as the “doughnut hole,” is closing over the next two years. But another change is also coming in 2020: The annual out-of-pocket spending threshold – the amount you must spend before the coverage gap ends and catastrophic coverage begins – is expected to rise to \$6,350 in 2020, from \$5,100 in 2019, according to the Kaiser Family Foundation. An Affordable Care Act provision that has slowed the growth rate of the out-of-pocket spending threshold since 2014 ends this year, resulting in the threshold’s sharp increase in 2020. If you take only brand-name drugs in the coverage gap, you will face \$375 in additional direct out-of-pocket costs in 2020, with the remainder covered by the manufacturer discount.

Source: Kiplinger's Retirement Report



Here is Anna with Cal Ripken “Iron Man”, Baseball Hall of Famer at the 2018 IFG Conference in San Diego.

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CFS Golden Circle – Clients for 20 years or longer

Bob & Martha Agosta	Kari Groth & Daris Pedersen	Mary Morrow
Annette Alender	Dennis Hall & Evelyn Rollins	Peter & Susan Moyer
Kathy Allie	Candy Hanks	Roland & Vonda Neundorf
Connie Alvero	Bill & Elinore Hedgcock	Dave & Pat Newsham
Irv & Zel Bagley	Alice Higginbotham	Nancy Nisbet
Dr. Martin Barmatz & Carolyn Small	Dr. Craig & Jeannette Hoeft	Bruce & Vicki Oldham
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Liz Dilibert	James & Julia Kinmartin	Joe & Pearl Ruggiero
Marshall & Mimi Drucker	Emil & Chiching Klimach	Louise Sanchez
Phil Efland	Lorraine Leach	Earle Sanders
Gladys Eisinger	Dave & Carolyn Lessley	Evelyn Schirmer
Reg & Jan Fear	Jane Lloyd	Bob & Cindy Siecke
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		Lorraine White
		Teena Wolcott
		Toby & Carole Zwickel

Referrals

We Appreciate Those Referrals!

We certainly welcome your referrals and are always most appreciative when clients pass our name along to others. We would like to take this opportunity to express our thanks for your continued confidence and look forward to providing quality confidential financial services to you, your friends, and associates.

When you refer us to others, you can be assured that your personal information provided by you and those whom you refer is treated with a high degree of confidentiality.

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HAPPY BIRTHDAY

JANUARY

2 - Marshall Drucker
3 - Ralph DeFazio
4 - Lyn Hoeft
4 - Reg Fear
6 - Ralph Gerrard
8 - Al Roeters
9 - Donna Johnson
10 - Verena Luisoni
10 - Daris Pederson
10 - Marcus Petoyan
10 - Louise Garside
10 - Raksen Lucett
11 - Tim Chao
12 - Rick Tropasso
12 - Stacy Feller
12 - Vicki Arnold

12 - Jim Graves
16 - Bruce Keller
16 - Kellye Wallett
18 - Annette Vartanian
19 - Evelyn Rollins
20 - Betty Iverson
21 - Irv Bagley
23 - Mary Morrow
25 - Dianne Southern
26 - Roberta Bremner

FEBRUARY

2 - Chiching Klimach
2 - Doug Remington
3 - Oleta Diamond
3 - Bill Hedgcock
5 - Margot Siess

7 - Michael Sinclair
7 - Mike Thrasher
7 - Kristine Brown
7 - Cheryl Updegraff
7 - Janet Sedhom
8 - Jane Lofton
9 - Michael Siecke
9 - Wayne Hoeft
9 - Mike Houlemard
10 - Robert Mazzocco
11 - Carolyn Lessley
11 - Patricia Newsham
11 - Bart Ping
14 - Marlee Ostrow
14 - Norah Small
16 - Robert Agosta
17 - Matt Moriarty

17 - Elizabeth Cinkan
18 - Arlene Breshears
20 - Diane Long
21 - Nancy Rizzo
22 - Mike Bochard
22 - Nancy Nisbet
22 - Dianne Simes
22 - Marty Agosta
24 - Pamela Hoey
26 - Stephen Temmel
28 - Debra Prieto - Kasper
28 - Russ Billings



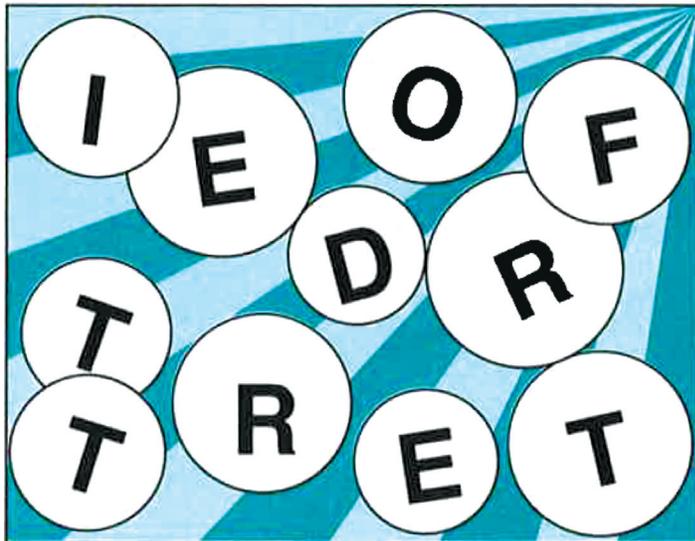
Brain Teaser #103

A Puzzling Perspective

Mentally arrange the lettered balls from large to small in the correct order to spell an 11-letter word.

Clue: Upgraded

The first person with the correct answer will receive an American Express gift card. Please email your answer to Kayleigh@cfsburbank.com or call (818) 846-8092, ext. 7.



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In This Issue

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- CFS Spreads Holiday Cheer

Brain Teaser #102 (Answer)

“Number Square”

Thanks for all of you who submitted the answers! The first person with the correct answer was Emil Klimach.
Congratulations, Emil!

9	3	6
1	7	4
2	5	8

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