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Welcome to the new SWA newsletter! As wealth managers we understand that your personal financial challenges deal with everything from cash flow and employee benefits to portfolio diversification and market volatility to securing retirement and making sure your assets last your lifetime. One of our goals at SWA is to put timely and educational materials in your hands which can translate into actionable ideas to help you attain and then maintain your financial independence. This newsletter is one of those tools and we hope you enjoy this and future issues.

Happy Holidays,

The SWA Team

December 2015

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The SWA Newsletter

When a Saver Marries a Spender, Every Penny Counts

If you're a penny pincher but your spouse is penny wise and pound foolish, money arguments may frequently erupt. Couples who have opposite philosophies regarding saving and spending often have trouble finding common ground. Thinking of yourselves as two sides of the same coin may help you appreciate your financial differences.

Heads or tails, saver or spender

If you're a saver, you love having money in the bank, investing in your future, and saving for a rainy day. You probably hate credit card debt and spend money cautiously. Your spender spouse may seem impulsive, prompting you to think, "Don't you care about our future?" But you may come across as controlling or miserly to your spouse who thinks, "Just for once, can't you loosen up? We really need some things!"

Such different outlooks can lead to mistrust and resentment. But are your characterizations fair? Your money habits may have a lot to do with how you were raised and your personal experience. Being a saver or a spender may come naturally; instead of assigning blame, try to see your spouse's side.

Start by discussing your common values. What do you want to accomplish together? Recognize that spenders may be more focused on short-term goals, while savers may be more focused on long-term goals. Ultimately, whether you're saving for a vacation, a car, college, or retirement, your money will be spent on something. It's simply a matter of deciding together when and how to spend it.

A penny for your thoughts?

Sometimes couples avoid talking about money because they are afraid to argue. But talking about money may actually help you and your spouse avoid conflict. Scheduling regular money meetings could help you gain a better understanding of your finances and provide a forum for handling disagreements.

To help ensure a productive discussion, establish some ground rules. For example, you might set a time limit, insist that both of you come prepared, and take a break in the event the discussion becomes heated. Communication and compromise are key. Don't assume you know what your spouse is thinking--ask--and be willing to negotiate. Here are some questions to get started.

- What does money represent to you? Security? Freedom? The opportunity to help others?
- What are your short-term and long-term savings goals?
- How much money is coming in and how much is going out? Never assume that your spouse knows as much about your finances as you do.
- How comfortable are you with debt, including mortgage debt, credit card debt, and loans?
- Who should you spend money on? Do you agree on how much to give to your children or how much to spend on gifts to family members and friends, for example?
- What rules would you like to apply to purchases? One option is to set a limit on how much one spouse can spend on an item without consulting the other.
- Would you like to set aside some discretionary money for each of you? Then you would be free to save or spend those dollars without having to justify your decision.

Once you've explored these topics, you can create a concrete budget or spending plan that reflects your financial personalities. To satisfy you and your spouse, make savings an "expense" and allow some room in the budget for unexpected expenses. And track your progress. Having regular meetings to go over your finances will enable you to celebrate your financial successes or identify areas where you need to improve. Be willing to make adjustments if necessary.

Finally, recognize that getting on the same page is going to take some work. When you got married, you promised to love your spouse for richer or poorer. Maybe it's time to put your money where your mouth is.

See disclaimer on final page

Periodic Review of Your Estate Plan

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. It allows you to control what happens to your property if you die or become incapacitated. An estate plan should be reviewed periodically.

When should you review your estate plan?

Although there's no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event
- You'll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis
- You'll want to do a more thorough review every five years

Reviewing your estate plan will alert you to any changes that need to be addressed.

There will be times when you'll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee, or guardian may die or change his or her mind about serving in that capacity, and you'll need to name someone else.

Events that should trigger a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren
- There has been an addition to your family through birth, adoption, or marriage (stepchildren)
- Your spouse or a family member has died, has become ill, or is incapacitated
- Your spouse, your parents, or other family member has become dependent on you
- There has been a substantial change in the value of your assets or in your plans for their use
- You have received a sizable inheritance or gift
- Your income level or requirements have changed
- You are retiring
- You have made (or are considering making) a change to any part of your estate plan

Some things to review

Here are some things to consider while doing a periodic review of your estate plan.

- Who are your family members and friends? How do you feel about them?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Does your choice of an executor or a guardian for your minor children remain appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust, durable power of attorney, or joint ownership to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiary at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

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Open Enrollment Season Is Here: Give Your Benefits a Check Up

The decisions you make during open enrollment season are important, because you generally must stick with the options you've chosen until the next open enrollment season. The exception to this is if you experience a "qualifying event" such as marriage, divorce, or the birth of a child, in which case you'll be able to make changes outside of the open enrollment period.

Open enrollment season is your annual opportunity to review your employer-provided benefit options and make elections for the upcoming plan year. To get the most out of what your employer has to offer and potentially save some money, take time to read through the enrollment packets or information you receive before making any benefit decisions.

Review your health plan options

Even if you're satisfied with your current health plan, compare your existing coverage to other plans your employer is offering for next year. Premiums, out-of-pocket costs, and benefits offered often change from one year to the next and vary among plans. You may decide to keep the plan you already have, but it doesn't hurt to consider your options.

Some tips for reviewing your health coverage:

- Start by reading plan materials you've received in your open enrollment packet and find out as much as you can about your options. Look for a "What's New" section that spells out plan changes.
- List your expenses. These will vary from year to year, but what you've spent over the course of the last 12 months may be a good predictor of what you'll spend next year. Don't forget to include co-payments and deductibles, as well as dental, vision, and prescription drug expenses.
- Reevaluate your coverage to account for life changes. For example, getting married, having a baby, or retiring are events that should trigger a thorough review of your health coverage.
- Consider all out-of-pocket costs, not just the premium you'll pay. For example, if you frequently fill prescriptions, you may save money with a plan that offers the broadest prescription drug coverage with the lowest co-payments, even if it charges a higher premium than other plans.
- Compare your coverage to your spouse's if he or she is eligible for employer-sponsored health insurance. Will you come out ahead if you switch to your spouse's plan? If you have children, which plan best suits their needs?
- Take advantage of technology. Some employers offer calculators or tables that allow you to do a side-by-side comparison of health plans to help select the best option.

Decide whether to contribute to a flexible spending account

You can help offset your health-care costs by contributing pretax dollars to a health flexible spending account (FSA), or reduce your child-care expenses by contributing to a dependent-care FSA. The money you contribute is not subject to federal income and Social Security taxes (nor generally to state and local income taxes), and you can use these tax-free dollars to pay for health-care costs not covered by insurance or for dependent-care expenses.

If your employer offers you the chance to participate in one or both types of FSAs, you'll need to estimate your expenses for the upcoming year in order to decide how much to contribute (subject to limits). Your contributions will be deducted, pretax, from your paycheck.

One thing to watch out for this open enrollment season: Because of a change to the "use-it-or-lose-it" rule, employers may now allow participants the chance to roll over $500 of health FSA funds that are unused at the end of one plan year to the next plan year. So before you decide how much to contribute to your health FSA, read through your employer's materials to see whether this change will apply to you--employers aren't required to adopt this new carryover approach. If your employer has not, you'll lose any contributions you don't spend by the end of your benefit period (including any grace period). And remember, you must enroll in a health or dependent-care FSA each year; enrollment is not automatic.

Find out what other benefits and incentives are available

Many employers offer other voluntary benefits such as dental care, vision coverage, disability insurance, life insurance, and long-term care insurance. Even if your employer doesn't contribute toward the premium cost, you may be able to conveniently pay premiums via payroll deduction.

To avoid missing out on savings opportunities, find out whether your employer offers other discounts or incentives. Common options are discounts on health-related products and services, such as gym memberships and eyeglasses, or wellness incentives such as a monetary reward for completing a health assessment.

Get the information you need

Ask your benefits administrator for help if you have any questions about your benefits, the options available to you, or enrollment instructions or deadlines. You generally have only a few weeks to make important decisions about your benefits, so don't delay.

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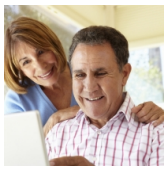

What is a phased retirement?

In its broadest sense, a phased retirement is a gradual change in your work patterns as you head into retirement. Specifically, a phased retirement usually refers to an arrangement that allows employees who have reached retirement age to continue working for the same employer with a reduced work schedule or workload.

A phased retirement has advantages for both employees and employers. Employees benefit from the opportunity to continue active employment at a level that allows greater flexibility and time away from work, smoothing the transition from full-time employment to retirement. And employers benefit by retaining the services of experienced workers.

There may be other advantages attributable to a phased retirement. When you work during retirement, your earnings can be applied toward living expenses, allowing you to spend less of your retirement savings and giving them a chance to potentially grow for future use. You may also elect to work for personal fulfillment--to stay mentally and physically active and to enjoy the social benefits of continuing to work with the same co-workers.

Not all employers offer a phased retirement option, but if it's available, you may want to consider whether you'll still have access to affordable health care during this period, especially if you aren't old enough to qualify for Medicare. Also, some employer-sponsored pension benefit formulas may place a higher weighting on earnings during the final years of employment. If you're lucky enough to have an employer-sponsored pension plan, will working a reduced schedule with presumably reduced pay negatively affect your pension benefit? Some employers offer life insurance to their full-time employees. However, this benefit might be reduced or eliminated if you work fewer hours, which can affect your dependents at your death.

Will a phased retirement affect your Social Security retirement benefit? The Social Security website, socialsecurity.gov, provides some calculators that can help you determine the impact a phased retirement may have on your benefits.

Before enrolling in a phased retirement program, consider its impact on your entire financial picture.

What do I need to know about submitting the FAFSA?

The FAFSA, which stands for Free Application for Federal Student Aid, is the federal government's financial aid application. Though the thought of completing it may inspire a collective groan from parents each year, this form is the prerequisite for many different types of federal and college financial aid, including loans, grants, scholarships, and work-study. So filling it out should be one of the first things on your list if your son or daughter will need some type of financial aid to attend college.

Even if you don't think your child will qualify for aid, you should still consider submitting the FAFSA in two instances. The first is when you want your child to have some "skin in the game" by taking on a small loan. In this case, filing the FAFSA will make your child eligible for an unsubsidized Stafford Loan each year--up to $5,500 for freshmen, $6,500 for sophomores, and $7,500 for juniors and seniors. Unsubsidized Stafford Loans aren't based on financial need and are available to any student attending college at least half-time.

The second situation for which you might file the FAFSA is when you want your child to be considered for college financial aid. Colleges generally require the FAFSA, along with the CSS Profile form, before they'll determine whether your child is eligible for any college need-based grants and scholarships.

The FAFSA is available online at fafsa.ed.gov. A new sign-in method (as of May 2015) requires creating an FSA ID, which consists of a username and password. The FSA ID replaces the prior PIN sign-in method and is meant to be more secure.

The FAFSA should be filed as soon as possible after January 1 for both new and returning students because some aid programs operate on a first-come, first-served basis. Practically speaking, many families wait to submit the FAFSA until after they have completed their tax returns, but you don't have to wait. The FAFSA can be submitted with estimated tax numbers and then updated later with final tax numbers by simply adding the final numbers manually or using the government's online IRS Retrieval Tool. Regarding the filing timeline, look for a change on the horizon. Starting with the 2017/2018 school year, families will be able to file the FAFSA as early as October 2016 using their 2015 tax information.

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