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Investment News

April 2019

Are You Retiring Within the Next 5 Years?

What should you focus on as the transition approaches?

You can prepare for your retirement transition years before it occurs. In doing so, you can do your best to avoid the kind of financial surprises that tend to upset an unsuspecting new retiree.

How much monthly income will you need? Look at your monthly expenses and add them up. (Consider also the trips, adventures and pursuits you have in mind in the near term.) You may end up living on less; that may be acceptable, as your monthly expenses may decline. If your retirement income strategy was conceived a few years ago, revisit it to see if it needs adjusting. As a test, you can even try living on your projected monthly income for 2-3 months prior to retiring.

Should you downsize or relocate? Moving into a smaller home may reduce your monthly expenses. If you will still be paying off your home loan in retirement, realize that your monthly income might be lower as you do so.

How should your portfolio be constructed? In planning for retirement, the top priority is to build investments; within retirement, the top priority is generating consistent, sufficient income. With that in mind, portfolio assets may be adjusted or reallocated with respect to time, risk tolerance, and goals: it may be wise to have some risk-averse investments that can provide income in the next few years as well as growth investments geared to income or savings objectives on the long-term horizon.

How will you live? There are people who wrap up their careers without much idea of what their day-to-day life will be like once they retire. Some picture an endless Saturday. Others wonder if they will lose their sense of purpose (and self) away from work. Remember that retirement is a beginning. Ask yourself what you would like to begin doing. Think about how to structure your days to do it, and how your day-to-day life could change for the better with the gift of more free time.

How will you take care of yourself? What kind of health insurance do you have right now? If you retire prior to age 65, Medicare will not be there for you. Check and see if your group health plan will extend certain benefits to you when you retire; it may or may not. If you can stay enrolled in it, great; if not, you may have to find new coverage at presumably higher premiums.

Even if you retire at 65 or later, Medicare is no panacea. Your out-of-pocket health care expenses could still be substantial with Medicare in place. Extended care is another consideration – if you think you (or your spouse) will need it, should it be funded through existing assets or some form of LTC insurance?

Give your retirement strategy a second look as the transition approaches. Review it in the company of the financial professional who helped you create and refine it. An adjustment or two before retirement may be necessary due to life or financial events.

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Behind on Your Retirement Savings?

What steps could you take to try and catch up?

If life has not allowed you to build substantial retirement savings, what possible steps could you take in an effort to improve your retirement prospects?

You could play catch-up. If you are 50 or older, see if you can make the catch-up contributions the Internal Revenue Service allows for IRAs and other retirement accounts. For example, this year, a worker age 50 or older can direct up to $25,000 into a 401(k) account compared with $19,000 for someone younger.[1]

You could contribute enough to "get the match." If your employer matches your workplace retirement account contributions to some degree, you should make every effort to put in enough dollars to prompt that matching contribution, which amounts to additional money coming your way.

You could try to retire later. More years contributing to retirement accounts means additional inflows into those accounts as well as the possibility of additional growth and compounding for those invested assets. Working longer also implies that you claim Social Security later, and claiming later results in a larger monthly benefit. Working one or two more years also leaves you with a year or two less of retirement to fund.[2]

Or, you might try to work a little during your retirement. It is true, your Social Security benefits could be docked as a result – but the tradeoff might be worthwhile.

If you are a Social Security recipient and younger than Social Security's Full Retirement Age (FRA) in 2019, Social Security will withhold $1 in benefits for every $2 you earn over $17,640. This is called the Social Security earnings test. (If you were born during 1943-59, your FRA is between 66-67; if you were born in 1960 or later, it is 67.)[3]

Social Security attempts to balance this penalty out, however, by boosting your benefit as you reach your FRA. For that matter, you can work and earn as much as you want at your FRA and beyond, with no reduction to your benefits.[3]

If you retire at 62 and make $25,000 a year through a part-time job you hold during the first five years of your retirement, you are putting a dent in any Social Security income you receive until you reach your FRA, but that $25,000 yearly income can represent $25,000 you do not have to withdraw annually from your retirement savings. You could also invest some of that income.[3]

Growth investing may still be important when you retire. One of the biggest fears that retirees face is the erosion of purchasing power. To help manage this fear, your investment portfolio should reflect your risk tolerance, time horizon, and goals.

Speak with your adult children about your financial situation. If you desperately need to boost your retirement savings, the last thing you want to do is get corralled into providing your kids with a financial lifeline. You may have 15 years or less until retirement; they may have 40 or 45.

Take one crucial step before you make any of these choices. Schedule a consultation well before you retire to try and determine the level of income you may need to live comfortably. Any such consultation should include a Social Security analysis. When you retire, having adequate income becomes just as important as having adequate savings.

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MARKET PERFORMANCE
01/01/2019 to 03/31/2019

DJIA ^DJI Up 11.15%
S&P 500 ^GSPC Up 13.07%
NASDAQ ^IXIC Up 16.49%
Russell 2000 ^RUT Up 14.18%

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

Source: http//finance.yahoo.com

Yes, Young Growing Families Can Save & Invest

It may seem like a tall order, but it can be accomplished.

Put yourself steps ahead of your peers. If you have a young, growing family, no doubt your to-do list is pretty long on any given day. Beyond today, you are probably working on another kind of to-do list for the long term. Where does "saving and investing" rank on that list?

For some families, it never quite ranks high enough – and it never becomes the priority it should become. Assorted financial pressures, sudden shifts in household needs, bad luck – they can all move "saving and investing" down the list. Even so, young families have strategized to build wealth in the face of such stresses. You can follow their example.

First step: put it into numbers. How much money will you need to save by 65 to promote enough retirement income and to live comfortably? Are you on pace to build a retirement nest egg that large? How much risk do you feel comfortable tolerating as you invest?

A financial professional can help you arrive at answers to these questions and others. They can help you define long-range retirement savings goals and project the amount of savings and income you may need to sustain your lifestyle as retirees. At that point, "the future" will seem more tangible, and your wealth-building effort, even more purposeful.

Second step: start today & never stop. If you have already started, congratulations! In getting an early start, you have taken advantage of a young investor's greatest financial asset: time.

If you haven't started saving and investing, you can do so now. It doesn't take a huge lump sum to begin. Even if you defer $100 worth of salary into a retirement account per month, you are putting a foot forward. See if you can allocate much more. If you begin when you are young and keep at it, you may witness the awesome power of compounding as you build your retirement savings and net worth through the years.

Of course, this may not be enough, and you may find that you need to devote more than $100 per month to your effort. If you strategize and escalate your savings over time, you may very well generate enough money for a very comfortable retirement.

Merely socking away money may not be enough, either. There are a wide variety of choices you can make – perhaps alongside a trusted financial professional – that may help position you and your household for a comfortable future, provided you keep good financial habits along the way.

How do you find the balance? This is worth addressing – how do you balance saving and investing with attending to your family's immediate financial needs?

Bottom line, you should consider finding money to save and invest for your family's near-term and long-term goals. Are you spending a lot of money on goods and services you want rather than need? Cut back on that kind of spending. Is credit card debt siphoning away dollars you should assign to saving and investing? Fix that financial leak and avoid paying with plastic whenever you can.

Vow to keep "paying yourself first" – maintain the consistency of your saving and investing effort. What is more important: saving for your child's college education or buying those season tickets? Who comes first in your life: your family or your luxuries? You know the answer.

It has been done; it should be done. There are people who came to this country with little more than the clothes on their backs who have found prosperity. It all starts with belief – the belief that you can do it. Complement that belief with a strategy and regular saving and investing, and you may find yourself much better off much sooner than you think.

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Saving Your Elderly Parents from Financial Fraud

Talk about precautions with the seniors in your family.

Elders are financially defrauded in this country on a daily basis. Only a few of these crimes are made public. In fact, the National Adult Protective Services Association (NAPSA) estimates that only 1 in 44 cases of elder financial abuse are reported. NAPSA also reports that one in nine seniors had been financially "abused, neglected or exploited" within the past year.[1]

Friends, family, & caregivers perpetrate much of this financial abuse. They commit 90% of it, according to NAPSA. Major fraud damage might even result in a decline in an elder's physical and mental health: victims of elder financial exploitation are four times more likely to go into a nursing home than their peers, and nearly 10% of the victims end up relying on Medicaid.[1]

Frauds range from big scams to little schemes. You may already know about the common ones: the grandparent scam ("Grandpa, I'm in jail in _____ and I need $___ to make bail"), the utility company scam (one criminal keeps the elder busy in the yard as the other burglarizes their home), the lottery scam (a huge prize awaits, and the elder need only pay a few thousand upfront to take care of associated taxes). Others are subtler: home health aides severely overcharging an elder for their services; relatives or caregivers using a financial power of attorney to draw down an elder's bank or investment accounts.

Talking about all this may help to prevent it. Sometimes, a good way to introduce the topic is by referring to what happened to someone else – a story coming up on the news or in the paper, or an article online, or maybe even a friend's experience. Part of this conversation will be about the elder in your life taking you on as a sort of second line of defense, someone to help them watch over things. They may be resistant, at first, but advise them that this is a precaution not necessarily for today, but for a time when they may not be able to make decisions. From there, have a conversation about setting up powers of attorney and other legacy paperwork (will, living will, health care directives) in coordination with legal and financial professionals.[2]

Make it clear that you are there to back up the elders in your life and look after their wellbeing. Maintain good communication with these professionals – not just the aforementioned legal and financial professionals, but caregivers, health care professionals, and anyone else who works with them on a regular basis. Maintaining these conversations with seniors and the people who work with them, asking questions, and being present can go a long way to deterring financial fraud.[2]

Have the conversation; have a look at Mom or Dad's financial situation. It's a good idea to protect your family members from such a growing problem. The Senate Special Committee on Aging says that American elders lose $2.9 billion in fraud per year. That's spread among 78 million Americans over the age of 65. One in five of that population has some sort of cognitive issue, a number that rises to more than half when narrowed to people 85 and older. Taking steps now might mean curtailing or avoiding bigger problems down the road for the seniors in your life, so it's definitely worth having those conversations today.[3]

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