

August 31, 2018

Kiss Privacy Goodbye

Voice recognition tools, like Amazon's Echo which is the most common and popular, are the example of a looming revolution in human-computer interaction known as The Internet of Things, which promises to redefine how we live, travel and work. The home of the very near future will be an always-listening, always-watching surveillance system designed to anticipate and fulfill your needs. Cars and offices will operate in much the same way. Think of Captain Kirk in Star Trek asking questions of his computer. I remember him doing that in 1967 and it seemed so futuristic, then. Well, the future is here!

The Echo is always "on" and is always listening. It is constantly sending data to Palo Alto, Mountain View, and Cupertino. If you have an Echo, you have already provided Amazon with your credit card number, address, birthday and the names of all of your children. You also uploaded a wish list of products you are interested in and quite possibly your deodorant preference, personal measurements, taste in movies and diaper size. Amazon knows more about you than you can imagine. Funnily enough, market research shows that people do not mind handing over such highly personal information to the right company.

Since Alexa is always listening, do you think it knows which candidate you like; your social security number? Did you talk about your medical problems? Mental concerns?

Have you heard the story that the 6 year old child ordered toys and food from Alexa with a \$162 bill?

Consider a more disturbing scenario. A Washington State couple grew concerned when their 3 year old developed anxiety about going to bed. They did not know whether to believe the child when he told them that someone was talking to him at night saying "Wake Up little boy, Daddy's looking for you." They thought he was having nightmares until they checked on him one night and heard the voice too. "Look, someone's coming," it said as they entered their son's room. A hacker had taken control of their baby monitor, the kind you can check through an app on your smartphone. The popularity of internet connected security cameras, locks and home alarms has skyrocketed despite regular reports that the systems are easily hijacked.

Government spying is a further privacy concern. In early 2017, WikiLeaks released a trove of documents purportedly revealing the CIA's ability to hack your internet enabled TV and turn it into a listening device. The same document dump indicated that the CIA has targeted Apple, designing malware that can infect factory fresh iPhones and snoop on users' texts, phone and FaceTime calls, and internet searches. "Siri, why do I feel like I am being watched?"

For its part and yours, Amazon has suggested parents should add a few layers of protection to the Echo, like insisting upon a confirmation code for every order or, incredibly, turning off the device's voice-purchasing function. Of course, these strategies would seem to undermine the value of having the Echo in your home. *Wall Street Journal 8/11/18 p. A13.*

Steep Foreign Account Penalties

The IRS answered a private memorandum of when a failure to report foreign accounts is “willful” as well as reckless conduct. The IRS and the courts uniformly agree that the government’s burden of proof for asserting civil penalties for non-reporting is preponderance of the evidence.

Note that the penalty for “willful” failure to report a foreign account is equal to the GREATER of \$100,000 or 50% of the highest balance in the account.

The fine for a “non-willful” reporting violation is ONLY \$10,000. *The Kiplinger Tax Letter* 8/24/18.

How Much You Will Really Spend in Retirement

It is the question that plagues pretty much everybody as they look ahead. How much money will I need in retirement? The typical approach most people ask what percentage of their final salary they think they will need in retirement.

Answering a question as complex as this requires knowledge far beyond most people’s grasp – and those of many professionals. Just imagine for a second the sorts of inputs you might use to get the right number, such as:

- The cost of living where you might want to retire.
- The cost of health care and how much of it you will utilize.
- Social Security
- Rate of Inflation
- Risk level in your investment portfolio
- How you will spend time in retirement, walks in the park or join a gym, water at dinner or expensive wine, watch TV or attend ballet weekly, visit family once, twice or four times a year. Eat out once, twice or five times per week, etc.

To understand better how people grapple with this question, the Wall Street Journal invited hundreds of people of different age groups, income levels, and professions and asked them how much of their salary they thought they would need in retirement. The answer most people gave was 70%. Would you choose 70%? If you did, you are not alone. The participants were asked how they arrived at that number. It was determined that because people remember hearing that number, they regurgitated it on demand. The 70%, in other words, is the conventional wisdom. And it is wrong!

To find out what people actually need in retirement based upon how they imagined they wanted to spend their retirement, the computerized results showed they needed 130% of their final salary, meaning they would have to save nearly DOUBLE the amount they originally thought.

How could this be? Just think about it. Working is actually a cheap activity. When you

are working you are not spending much. When you retire, it is as if someone took 10 waking hours of our workday and gave us free time to do as we please. Every day becomes just like the weekend. We have all kinds of time and opportunities to spend money; we shop, travel, buy tickets for events and eat out. *Wall Street Journal 9/4/18 p. R1.*

The moral of this is you might want to reconsider and either save more for your retirement or rethink your retirement.

As always, if you have any questions about these or any other matters, do not hesitate to call us.

Remember, We're Here For You!