Hadel financial advisors

Hadel Financial Advisors, Inc.

11900 College Blvd., Suite 315
Overland Park, KS 66210
Telephone (913) 825-2626
Facsimile (913) 825-1313

Securities and Investment Advisory Services offered through Woodbury Financial Services, Inc., Member FINRA, SIPC and Registered Investment Advisor. Insurance services offered through Hadel Financial Advisors, Inc., which is not affiliated with Woodbury Financial Services, Inc. Neither Woodbury Financial Services, Inc. nor its registered representatives provide tax or legal advice.

Gregory T. Hadel, CFS
Investment Adviser Representative

Sean P. Aikmus, CFP®
Investment Adviser Representative

RETIREMENT INSIGHTS

SUMMER 2018

Pump Up Your Retirement Savings

"The average American retiree receives 37.7% of income from Social Security, 30.3% from earned income, 19% from pensions and savings, 10.6% from asset income, and 4% from other sources."

Source: *AARP Public Policy Institute*, 2017

Don't just give up on your retirement goals if you find you've entered middle age with little to no retirement savings. Sure, it may be harder to reach your retirement goals than if you had started in your 20s or 30s, but here are some strategies to consider:

- ✔ **Reanalyze your retirement goals.** First, thoroughly analyze your situation, calculating how much you need for retirement, what income sources will be available, how much you have saved, and how much you'll need to save annually to reach your goals. If you can't save that amount, it may be time to change your goals. Consider postponing retirement for a few years so you have more time to accumulate savings as well as delay withdrawals from those savings. Think about working after retirement on at least a part-time basis. Even a modest amount of income after retirement can substantially reduce the amount you'll need to save. Look at lowering your expectations, possibly traveling less or moving to a less-expensive city or smaller home.
- ✔ **Contribute the maximum to your 401(k) plan.** Your contributions, up to a maximum of $18,500 in 2018, are deducted from your current-year gross income. If you are age 50 or older, your plan may allow an additional $6,000 catch-up contribution, bringing your maximum annual contribution to $24,500. Find out if your employer offers a Roth 401(k) option. Even though you won't get a current-year tax deduction for your contributions, qualified withdrawals can be taken free of income taxes. If your employer matches contributions, you are essentially losing money when you do not contribute enough to receive the maximum matching contribution. Matching contributions can help significantly with your retirement savings. For example, assume your employer matches 50 cents on every dollar you contribute, up to a maximum of 6% of your pay. If you earn $75,000 and contribute 6% of your pay, you would contribute $4,500 and your employer would put in an additional $2,250.
- ✔ **Look into individual retirement accounts (IRAs).** In 2018, you can contribute a maximum of $5,500 to an IRA, plus an additional $1,000 catch-up contribution if you are age 50 or older.

Continued on page 3

Encourage Your Child to Fund an IRA

Once your child starts working, help him/her develop good savings habits by encouraging him/her to fund an individual retirement account (IRA). Even if your child only contributes for a few years, an IRA can provide significant funds for retirement.

Your child must have earned income to contribute to an IRA and may only contribute the lesser of earned income or the maximum IRA contribution. The maximum limit is $5,500 in 2018.

Continued on page 2

Encourage Your Child to Fund an IRA

Continued from page 1

Assume your 16-year-old daughter starts working part-time. If she contributes $2,000 to an IRA from the ages of 16 to 22, she will contribute $14,000 over seven years. With no further contributions, the IRA could potentially grow to $527,437 on a tax-deferred or tax-free basis by age 65. That assumes earnings of 8% compounded annually, but does not include any income taxes that might be due.

If your child continues $2,000 IRA contributions until age 65, she would make total contributions of $98,000 and may accumulate investments of $1,145,540. *(These examples are provided for illustrative purposes only and are not intended to project the performance of a specific investment vehicle.)*

Although most children will be eligible to contribute to both a traditional deductible IRA and a Roth IRA, you should probably encourage your child to fund a Roth IRA, which has several advantages:

- ✔ **Roth IRAs are more flexible.** Your child can withdraw all or part of his/her contributions at any time without paying federal income taxes or penalties. Thus, if your child later decides to use contributions for college, a car, a down payment on a home, or some other purpose, contributions can be withdrawn with no tax consequences.
- ✔ **Earnings accumulate tax free, plus qualified distributions can be withdrawn tax free.** A qualified distribution is one made at least five years after the first contribution and after age 59½. There are also certain circumstances where earnings can be withdrawn without paying income taxes and/or the 10% federal income-tax penalty. If your child allows the funds to grow until at least age 59½, all contributions and earnings can be withdrawn without paying any federal income taxes.
- ✔ **A traditional deductible IRA offers little tax benefit to a child.** When your child first starts working, he/she will typically pay a low marginal tax rate on his/her income. So even though the Roth IRA contribution is not tax deductible, your child typically receives little or no tax benefit from deducting the traditional IRA contribution anyway.

If you can't convince your child to use his/her own money to fund the IRA, consider reimbursing him/her as part of your annual gift tax exclusion for any IRA contributions. ✔✔✔

Part-Time Retirement

People are starting to redefine retirement from a time of total leisure to a time for more leisure while work still occupies part of their time. Some continue working out of financial necessity. Others work to keep busy or because they enjoy working. If you're retired and considering going back to work, answer these questions:

- ✔ **Will you earn enough to make working financially worthwhile?** Calculate how much you'll earn after paying taxes and work-related expenses. Consider whether the additional income will increase your marginal tax bracket or disqualify you from certain tax deductions or credits. Don't forget to consider work-related expenses like lunch, clothing, and transportation costs.
- ✔ **Will your earnings affect your Social Security benefits?** If you are full retirement age or older you can earn any amount of income without reducing your Social Security benefits. However, individuals between the ages of 62 and full retirement age lose $1 of benefits for every $2 of earnings over $17,040 in 2018. Additional income could make a portion of your Social Security benefits taxable. Up to 50% of benefits are subject to federal income taxes if adjusted gross income plus nontaxable interest plus one-half of Social Security benefits exceeds $25,000 for single taxpayers and $32,000 for married taxpayers filing jointly. 85% of Social Security benefits are subject to federal income taxes if income exceeds $34,000 for single taxpayers and $44,000 for married taxpayers filing jointly.
- ✔ **Are you approaching 70½?** If so, going back to work may prevent you from having to take minimum distributions from your 401(k) or other employer plan. That way, the balance can continue to grow on a tax-deferred basis. You will, however, have to start taking distributions from traditional IRAs.
- ✔ **Are you thinking about starting a business?** Many retirees choose to turn a hobby or work experience into a business venture. If you do, be careful not to deplete your retirement savings to fund the business. Find other sources for funding.
- ✔ **Do you know why you are going back to work?** Be realistic about what you can expect from your new job. If it's just a part-time job to keep you busy, you probably won't have as much responsibility as you were used to at prior jobs. ✔✔✔

Keeping Track of Retirement Funds

Most of us change jobs at least twice before retiring, leaving a trail of retirement nest eggs behind us. Now that defined-contribution plans are much more prevalent than defined-benefit plans, we have more responsibility for financing our retirement. So it's important to manage our retirement accounts actively. But how can you do that if your accounts aren't even located in one place? Here are a couple of tips:

Organize your records. As long as you continue to hold your account in a former employer's plan, you should receive statements. Keep them all in a file — or even better, enter them all in a spreadsheet, tracking the combined balances and amounts in each type of investment. At a minimum, you should know how you're diversified and the weighting of the different types of investments.

Consolidate your accounts. It's much easier to manage your assets if they're all in one place. Fill out the necessary paperwork for rolling them over into one account. That single consolidation account could be the plan you're currently contributing to if it permits rollover contributions. You can also open a rollover individual retirement account (IRA) and have the funds from your other accounts directly transferred there. Be careful about asking for a check. Withholding taxes may be taken out, and you may have to pay a penalty if you don't deposit the check into a qualified account within 60 days.

If you've lost track of one or more of your accounts with a former employer, contact your old employer and ask them to confirm that you participated in the plan and the steps you need to take to get a current statement of your account. Or find an old statement and look for a contact phone number or address. As long as there are assets in the account, the financial institution can probably still account for them. ✔✔✔

Pump Up Your Retirement Savings

Continued from page 1

Even if you participate in a company-sponsored retirement plan, you can make contributions to an IRA, provided your adjusted gross income does not exceed certain limits.

✔ **Reduce your preretirement expenses.** Typically, you'll want a retirement lifestyle similar to your lifestyle before retirement. Become a big saver now and you enjoy two advantages. First, you save significant sums for your retirement. Second, you're living on much less than you're earning, so you'll need less for retirement. For instance, if you live on 100% of your income, you'll have nothing left to save toward retirement. At retirement, you'll probably need close to 100% of your income to continue your current lifestyle. If you save 10% of your income, you're living on 90%. At retirement, you'll probably be able to maintain your standard of living with 90% of your current income.

✔ **Move to a smaller home.** As part of your efforts to reduce your preretirement lifestyle, consider selling your home and moving to a smaller one, especially if you have significant equity in your home. If you've lived in your home for at least two of the previous five years, you can exclude $250,000 of gains if you are a single taxpayer and $500,000 of gains if you are married filing jointly. At a minimum, this strategy will reduce your living expenses so you can save more. If you have significant equity in your home, you may be able to use some of the proceeds for savings.

✔ **Substantially increase your savings as you approach retirement.** Typically, your last years of employment are your peak earning years. Instead of increasing your lifestyle as your pay increases, save all pay raises. Anytime you pay off a major bill, such as an auto loan or your child's college tuition, take the money that was going toward that bill and put it in your retirement savings.

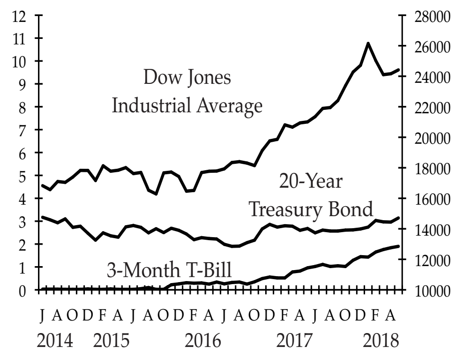
✔ **Restructure your debt.** Check whether refinancing will reduce your monthly mortgage payment. Find less-costly options for consumer debts including credit cards with high interest rates. Systematically pay down your debts, and most important — don't incur any new debt. If you can't pay cash for something, don't buy it.

✔ **Stay committed to your goals.** At this age, it's imperative to maintain your commitment to saving. Please call if you'd like to discuss this in more detail. ✔✔✔

Market Data	Month End May 18	Apr 18	Mar 18	% Change YTD	12 Mon.
Dow Jones Ind.	24415.84	24163.15	24103.11	-1.2%	16.2%
S&P 500	2705.27	2648.05	2640.87	1.2	12.2
Nasdaq Comp.	7442.12	7066.27	7063.44	7.8	20.1
Wilshire 5000	28166.30	27452.69	27383.00	1.8	13.0
Gold	1305.35	1313.20	1323.85	0.7	3.1
Silver	16.51	16.35	16.32	-2.9	-4.8
				Dec 17	May 17
Prime rate	4.75	4.75	4.75	4.50	4.00
Money market rate	0.47	0.41	0.35	0.33	0.33
3-month T-bill rate	1.90	1.84	1.76	1.45	0.96
20-yr. T-bond rate	3.14	2.96	2.78	2.66	2.68
Dow Jones Corp.	3.89	3.88	3.70	3.13	3.04
Bond Buyer Muni	4.00	4.08	3.98	3.88	4.10

Sources: *Barron's, Wall Street Journal* *Past performance is not a guarantee of future results.*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield June 2014 to May 2018



Sources: *Barron's, Wall Street Journal*

Should You Stay or Should You Go?

Does your retirement plan involve long days of golf in sunny Arizona? Perhaps you're dreaming of a beachside condo in Florida. Or maybe you want to explore life in a foreign country. The options are endless and overwhelming.

Nonetheless, choosing a place to live is one of the most important decisions you can make when planning for retirement. Below are some tips that may help you make your choice.

You can start your retirement housing search by asking yourself these questions:

✔ Where do I really want to live?
✔ Where can I afford to live?
✔ If I'd like to relocate, how much will that cost?
✔ Will relocating allow me to save money on housing and other expenses?
✔ Can I save on taxes by moving to another area?
✔ If I'd like to move, what price can I get for my house?
✔ Where do my friends and family live?

What if your answers to the above questions suggest relocation is a good idea? It's hardly an unusual situation. Getting a fresh start in retirement is a dream for many. But depending on your current financial situation, it may not be realistic. Many baby boomers saw their home values plummet during the most recent financial crisis, and some are still underwater on their homes. Others still have hefty mortgage payments heading into retirement. Some people who want to relocate simply may not have the financial ability to do so.

If you are interested in moving, it pays to do your homework. Looking into housing in your ideal location is just the start. You'll also want to think about how much you can get from the sale of your current home (be realistic). Taxes are another issue. Some retirees can save money by moving from a high-tax state to one that offers tax breaks to retirees. Another thing to consider? The cost of travel back to your original home if you still have family and friends living there.

If you're sure relocating in retirement is the right choice for you, don't rush into a decision. Perform a trial run of a month or two in your ideal destination to see how you really like living there. A place that's great to visit for a week might lose its luster after a month. In addition to obvious considerations like weather, make sure you think about amenities both fun and not so fun. Are there hospitals nearby? What about public transit in case you're eventually unable to drive? Will you be part of a ready-made retirement community or will you be on your own when it comes to making new social connections? Are the amenities you'd like to use affordable? Knowing the answers to these questions in advance can help you avoid making costly financial mistakes.

Thinking about relocating in retirement? Please call if you'd like to discuss this in more detail. ✔✔✔

FR2018-0122-0041

Hadel Financial Advisors, Inc.
11900 College Blvd., Suite 315
Overland Park, KS 66210