



Time for a Mid-Year Investment Check



reviewing your portfolio with your financial professional can be an excellent way to keep your investments on track, and midway through the year is a good time for a checkup. Here are three questions to consider.

1. How have my investments performed so far this year?

Review a summary of your portfolio's total return (minus all fees) and compare the performance of each asset class against a relevant benchmark. For example, for stocks, you might compare performance against the S&P 500 (for domestic large caps), the Russell 2000 (for small caps), or the Global Dow (for global stocks). For mutual funds, you might use the Lipper indexes to see how your funds performed against a relevant benchmark. (Keep in mind that the performance of an unmanaged index is not indicative of the performance of any specific security; you can't invest directly in an unmanaged index.)

Consider any possible causes of over- or underperformance in each asset class. If any result was concentrated in a single asset class or investment, was that performance consistent with the asset's typical behavior over time? Or was recent performance an anomaly that bears watching or taking action?

In addition, make sure you know the total fees you are paying (e.g., mutual fund expense ratios, transaction fees), preferably as a dollar amount and not just as a percentage of assets.

2. Do I need to make adjustments?

Review your financial goals (e.g., retirement, college, home purchase) and the market outlook for the remainder of the year to determine whether your investment asset mix for each goal continues to meet your time frame, risk tolerance, and overall needs. Of course, no one knows exactly what the markets

will do in the future, but by looking at current conditions and projections for interest rates, inflation, and economic growth, you might identify factors that could influence the markets in the months ahead. With this broader perspective, you can update your investment strategy as needed.

Remember, even if you've chosen an appropriate asset allocation strategy for various goals, market forces may have altered your mix without any action on your part. For example, maybe your asset allocation preference is 60% stocks and 40% bonds, but now due to investment returns your portfolio is 75% stocks and 25% bonds.

To return your asset mix back to its original allocation, you may want to rebalance your investments. This can be done by selling investments in the overrepresented classes and transferring the proceeds to the underrepresented asset classes, or simply by directing new contributions into asset classes that have been outpaced by others until the target allocation is reached. Keep in mind that rebalancing may result in commission costs, as well as taxes if you sell investments for a profit.

Asset allocation does not guarantee a profit or protect against loss; it is a method used to help manage investment risk.

3. Am I maximizing my tax savings?

Taxes can take a bite out of your overall investment return. You can't control the markets, but you can control the accounts you use to save and invest, as well as the assets you hold in those accounts and the timing of when you sell investments. Dividing assets strategically among taxable, tax-deferred, and tax-exempt accounts may help reduce the effect of taxes on your overall portfolio.

In sum, by taking the time to periodically review your portfolio in good economic times as well as bad, you can feel confident knowing that your investing strategy is attuned to current market conditions and your overall needs.

All investing involves risk, including the possible loss of principal, and there can be no guarantee that any investing strategy will be successful.

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Financial Advice for Recent College Graduates



You've put in the hard work as a college student and finally received your diploma. Now you're ready to head out on your own. And though you may not have given much thought to your financial future when you were in college, you have new financial challenges and goals to consider. Fortunately, there are some simple steps you can take to start on the right track with your personal finances.

Set financial goals

Setting goals is an important part of life, especially when it comes to your finances. And though your financial goals will likely change over time, you can always make adjustments in the future. Start out by asking yourself some basic questions about your financial goals, such as whether they are short term (e.g., saving money to buy a car or rent an apartment) or long term (e.g., paying off student loans or buying your own home). Next, ask yourself how important it is to accomplish each goal and determine how much you would need to save for each goal.

Understand the importance of having a budget

A budget is an important part of managing your finances. Knowing exactly how you are spending your money each month can set you on a path to pursue your financial goals. Start by listing your current monthly income. Next, add up all of your expenses. It may help to divide expenses into two categories: fixed (e.g., housing, food, transportation, student loan payments) and discretionary (e.g., entertainment, vacations). Ideally, you should be spending less than you earn. If not, you need to review your expenses and look for ways to cut down on your spending.

Remember that the most important part of budgeting is sticking to it, so you should monitor your budget regularly and make changes as needed. To help stay on track, try to make budgeting a part of your daily routine and be sure to give yourself an occasional reward (e.g., dinner at a restaurant instead of cooking at home).

Establish an emergency fund

An emergency fund is money set aside to protect yourself in the event of an unexpected financial crisis, such as a job loss or medical bills. Typically, you will want to have at least three to six months' worth of living expenses in your cash reserve. Of course, the amount you should save depends on your individual circumstances (e.g., job stability, health status).

A good way to establish an emergency fund is to earmark a portion of your paycheck each pay period to help achieve your goal.

Manage your debt situation properly

Whether it's debt from student loans or credit cards, you'll want to avoid the pitfalls that sometimes accompany borrowing. To manage your debt situation properly, keep track of your loan balances and interest rates and develop a plan to manage your payments and avoid late fees. If you need help paying off your student loans, consider the following tips:

- Find out if your employer offers some type of student debt assistance
- Contact your lender about your repayment options
- Consider whether loan consolidation or refinancing is available

Maintain good credit

Having good credit will impact so many different aspects of your financial situation, from obtaining a loan to gaining employment. You can establish and maintain a good credit history by avoiding late payments on existing loans and paying down any debt you may have. In addition, you should monitor your credit report on a regular basis for possible errors or signs of fraud/identity theft.

Determine your insurance needs

Insurance might not be the first thing that comes to mind when you think about your finances. However, having the right amount of insurance is an important part of any financial strategy. Your specific insurance needs will depend on your circumstances. For example, if you rent an apartment, you'll need renters insurance to protect yourself against loss or damage to your personal property. If you own a car, you should have appropriate coverage for that as well. You may also want to evaluate your need for other types of insurance, such as disability and life.

As for health insurance, you have a couple of options. You can usually stay on your parents' insurance until you turn 26. In addition, you may have access to health insurance through your employer or a government-sponsored health plan, or you can purchase your own plan through the federal or state-based Health Insurance Marketplace. For more information, visit healthcare.gov.



Charitable Giving After Tax Reform



Some of the recent changes to the standard deduction and itemized deductions may affect your ability to obtain an income tax benefit from your charitable contributions. Incorporating charitable giving into your year-end tax planning may be even more important now. If you are age 70½ or older and have a traditional IRA, you may wish to consider a qualified charitable distribution.

Tax reform changes to the standard deduction and itemized deductions may affect your ability to obtain an income tax benefit from charitable giving. Projecting how you'll be affected by these changes while there's still time to take action is important.

Income tax benefit of charitable giving

If you itemize deductions on your federal income tax return, you can generally deduct your gifts to qualified charities. However, many itemized deductions have been eliminated or restricted, and the standard deduction has substantially increased. You can generally choose to take the standard deduction or to itemize deductions. As a result of the changes, far fewer taxpayers will be able to reduce their taxes by itemizing deductions.

Taxpayers whose total itemized deductions other than charitable contributions would be less than the standard deduction (including adjustments for being blind or age 65 or older) effectively have less of a tax savings incentive to make charitable gifts. For example, assume that a married couple, both age 65, have total itemized deductions (other than charitable contributions) of \$15,000. They would have a standard deduction of \$27,000 in 2019. The couple would effectively receive no tax savings for the first \$12,000 of charitable contributions they make. Even with a \$12,000 charitable deduction, total itemized deductions of \$27,000 would not exceed their standard deduction.

Taxpayers whose total itemized deductions other than charitable contributions equal or exceed the standard deduction (including adjustments for being blind or age 65 or older) generally receive a tax benefit from charitable contributions equal to the income taxes saved. For example, assume that a married couple, both age 65, have total itemized deductions (other than charitable contributions) of \$30,000. They would be entitled to a standard deduction of \$27,000 in 2019. If they are in the 24% income tax bracket and make a charitable contribution of \$10,000, they would reduce their income taxes by \$2,400 (\$10,000 charitable deduction x 24% tax rate).

However, the amount of your income tax charitable deduction may be limited to certain percentages of your adjusted gross income (AGI). For example, your deduction for gifts of cash to public charities is generally limited to 60% of your AGI for the year, and other gifts to charity are typically limited to 30% or 20% of your AGI. Charitable deductions that exceed the AGI limits may generally be carried over and deducted over the next five years, subject to the income percentage limits in those years.

Year-end tax planning

When making charitable gifts during the year, you should consider them as part of your year-end tax planning. Typically, you have a certain amount of control over the timing of income and expenses. You generally want to time your recognition of income so that it will be taxed at the lowest rate possible, and to time your deductible expenses so they can be claimed in years when you are in a higher tax bracket.

For example, if you expect that you will be in a higher tax bracket next year, it may make sense to wait and make the charitable contribution in January so you can take the deduction next year when the deduction results in a greater tax benefit. Or you might shift the charitable contribution, along with other itemized deductions, into a year when your itemized deductions would be greater than the standard deduction amount. And if the income percentage limits above are a concern in one year, you might consider ways to shift income into that year or shift deductions out of that year, so that a larger charitable deduction is available for that year. A tax professional can help you evaluate your individual tax situation.

Qualified charitable distribution (QCD)

If you are age 70½ or older, you can make tax-free charitable donations directly from your IRAs (other than SEP and SIMPLE IRAs) to a qualified charity. The distribution must be one that would otherwise be taxable to you. You can exclude up to \$100,000 of these QCDs from your gross income each year. And if you file a joint return, your spouse (if 70½ or older) can exclude an additional \$100,000 of QCDs.

You cannot deduct QCDs as a charitable contribution because the QCD is excluded from your gross income. In order to get a tax benefit from your charitable contribution without this special rule, you would have to itemize deductions, and your charitable deduction could be limited by the percentage of AGI limitations. QCDs may allow you to claim the standard deduction and exclude the QCD from income.

QCDs count toward satisfying any required minimum distributions (RMDs) that you would otherwise have to receive from your IRA, just as if you had received an actual distribution from the plan.

Caution: Your QCD cannot be made to a private foundation, donor-advised fund, or supporting organization. Further, the gift cannot be made in exchange for a charitable gift annuity or to a charitable remainder trust.



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As a business owner, what should I know before adding a financial wellness program?

Financial wellness programs are gaining traction among employee benefit offerings, and for good reason: In an

International Foundation of Employee Benefit Plans (IFEFP) survey, 96% of employers said employees' personal financial issues had an impact on their overall job performance. If you're thinking of adding a financial wellness program to your benefits lineup, consider the following points.

Understand what "financial wellness" is. In 2014, the Consumer Financial Protection Bureau (CFPB) conducted a study to help measure the effectiveness of financial literacy programs. As part of their initial work, researchers sought to define financial well-being. After conducting nearly 60 hours of open-ended interviews with consumers, study authors concluded that financial well-being is achieved when people (1) are able to control day-to-day and month-to-month finances, (2) have the capacity to absorb a financial shock, (3) are on track to meet their financial goals, and (4) have the financial freedom to make choices that allow them to enjoy life.

Assess employee concerns. The IFEFP also found that 40% of employers report an increased demand for financial education. Toward this end, Prosperity Now, a nonprofit organization dedicated to helping all Americans prosper, recommends that employers conduct a needs assessment to determine the most pressing financial concerns of their workforces. While the IFEFP said the top three most popular financial topics covered through such plans are retirement benefits, pre-retirement planning, and budgeting, a workforce composed of relatively young employees may be more concerned with repaying student loans and saving for a down payment on a first home. To position your financial wellness program for success, be sure it's designed to tackle challenges that are specific to your primary employee demographic.

Determine how you will measure your success. Prosperity Now recommends considering the following metrics: participation rates; financial well-being as measured by the [CFPB's Financial Well-Being Scale](#); employee retention, satisfaction with employer, morale, and stress levels; and company cost savings.



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