Schneider
WEALTH STRATEGIES

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WEALTH MANAGEMENT REPORT

Don't Be Victimized By These 10 Common Scams

Scams of all varieties continue to bilk unsuspecting victims out of billions of dollars each year. In particular, older Americans are being targeted, especially those who have been recently widowed. With that in mind, here are 10 scams to watch out for:

1. IRS imposters. This scam proliferates during tax-return season. A caller will say he or she is an IRS agent and claim you owe back taxes. Then the caller threatens you with stiff penalties or a lawsuit—and even arrest—if you don't wire the money immediately. But the IRS doesn't call debtors without sending a notice via U.S. mail first. To be on the safe side, if you get such a call, check with the IRS at 1-800-829-1040 to check the caller's credentials.

2. Tech support. Typically, you receive a phone call purporting to be from Microsoft or another software company, and the caller says a virus has invaded your computer. Then you're asked to provide access to your computer and the hacker installs malware that steals personal information. These software companies don't make unsolicited phone calls, so hang up immediately.

3. Robo-calls. Are you a victim of those annoying automatic telephone calls? Although the call itself isn't an attempt at ID theft, it helps the crooks build a "go-to list" for future phone scams. Use your caller ID to screen calls and don't answer if someone is calling from a number you don't know.

4. Charitable solicitations. Many legitimate charities call on the phone so it's hard to weed out the real ones from the fakes. Investigate any charity before handing over cash or making a credit or debit card contribution by mail or online. If the charity is for real, the caller won't hesitate to provide additional information. Check out charities at www.charitynavigator.org.

5. Credit cards. It's not surprising that scam artists are working an angle as credit card companies change their cards from magnetic strips to chips. Someone impersonating a credit card company employee may request information or ask you to click on a link to update your status. But credit card companies don't operate this way. If you have any doubts, call the company directly.

6. Dating websites. Initially, scams were based on prying money or sensitive data out of single people who recently have entered the dating scene. But now it has mushroomed into more sophisticated cons aimed at newcomers to religion-based sites. Because you're "dating" someone from your faith, you may be more likely to let your guard down and give access to money.

7. Widows and widowers. A typical trick of con artists is to prey on your emotions. Of course, elderly individuals are especially vulnerable

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Three Big Financial Mistakes That You Can Avoid

There are many things a young person may be able to do to achieve great financial success despite today's challenging job opportunity and difficult credit markets. Creative planning, hard work, perseverance, the ability to think, and yes, luck, all can help you to make it big. However, there are three mistakes that can cut your odds of success. Here they are:

1. Failure to save all that you can. Starting with your very first job or business opportunity, save every cent that you can. Put yourself on a pinch-penny budget and stay there for years and years. Invest the maximum in any and all retirement plans that are available to you. (At a minimum, be sure to get the company match). And – equally important – avoid high-interest debt like the plague. Don't buy new cars every year or so. Don't buy more house than you need.

2. Failure to keep working as long as possible. Do not – repeat, do not – retire at age 62. You may think that Social Security benefits will not play a big role in financing your retirement. Think again. Every dollar is going to count. Plus, by not retiring too soon you will continue to save more, and more.

3. Failure to seek financial advice. Select a trusted financial advisor early in your career and stick with him or her for guidance over your working life.

Market Timing Is A Losing Strategy

The Standard & Poor's 500 (S&P 500), a leading stock market benchmark, was poised to record one of the worst Januarys in history before a late recovery occurred. Due in part to plunging oil prices and concerns over the global economy, stocks were slammed early in 2016. At one point, the S&P 500 was down 11%, before the index rose 2.48% on January 29, leaving it with a 5% decline for the month.

Clearly, this was more volatility than usual, which was both good news and bad news for market timers.

Market timing is the practice of selling stocks and mutual fund shares ahead of projected declines and buying back those investments when the investor expects the stock market to climb. It's a tempting proposition, and when it works, it can reduce losses and position a portfolio for future gains. However, it usually doesn't work, and getting the timing wrong can result in big losses, from selling shares that would have recovered or from being out of the market when prices rebound.

Market timing appeals to investors who think it can bring them the best of all possible worlds—letting them buy low and sell high. But it's not for inexperienced investors, and even those who know what they're doing and who have all of the resources to help them make intelligent, well-informed decisions are more likely to fail than succeed.

Not only is the stock market volatile, it is unpredictable. Unexpected events can have an impact, either positive or negative, on a company, industry, or sector. Market timers think they know better than others what's coming next. Although they may guess right sometimes, they're bound to be wrong, too. To compound the problem, those who are successful once may start to think they are invincible. Of course, they're not.

But just because market timing is generally a loser's game doesn't mean you always have to sit idly by while markets fluctuate. Some adjustments may be in order depending on what's in your portfolio, what your goals are, and your investing timetable. However, by investing for the long term and periodically rebalancing your portfolio, you can focus on specific objectives in a consistent manner. This could be especially important following a period of extreme volatility such as the one the markets experienced early this year. Working toward your long-term goals also takes emotions out of the investing equation.

When you engage in market timing, you effectively have to be right twice—getting out of the market at the right time, before a downturn, and then getting back in before the market rallies. That's much less likely to pay off than staying in the market over the long haul—which also happens to be a lot easier on the nerves. ●

Views On Retirement Communities

How do you feel about retirement communities? Such places, often reserved for those who are age 55 and better, have many supporters and detractors, and opinions may vary widely even from one spouse to another. In the end, this is a personal decision that you have to make for yourself or as a couple. Consider these key considerations:

Common Advantages

- There's generally plenty to do in a retirement community. Depending on the location, you may be able to use your newfound leisure time for golfing, tennis, swimming, gardening, theatre, clubs of all sorts, and numerous other activities.
- Security is another reason why many senior citizens are flocking to these developments. Many communities are gated and have a visible security presence. Plus, with so many neighbors around all the time—rather than being away at work—suspicious activities tend to be reported quickly.
- The homes usually are located close to a reputable medical facility, shopping, and other conveniences. Some even have retail stores.
- A retirement community may offer peace and quiet, with no teenagers revving up their car engines or having all-night parties.
- Homes are built with retirees in mind. They generally provide easy access for disabled individuals and the elderly.
- You can meet and socialize with people in your own age group.

Common Disadvantages

- You may have strong ties to your current community. Many people feel most comfortable staying in the home where they raised their kids and living close to long-standing friends and neighbors.
- Do you have adult children or grandchildren living with you? If that's the case, you may not want to

Five Big Tax Penalties To Avoid At All Costs

Taxes are a necessary evil, but you don't want to make matters worse by paying avoidable federal tax penalties. Here are five to avoid:

1. Not taking required minimum distributions. This is the granddaddy of tax penalties. After you've reached age 70½, you must begin taking annual "required minimum distributions" (RMDs) from your tax-advantaged retirement plans (unless you're still working) and from traditional IRAs. (For the year you turn 70½, you can postpone the payout until April 1 of the following year, but that will require you to take two withdrawals in the same calendar year.) The RMD is based on your age—entered into a life expectancy table—and your account balances at the end of the year in which you turned 70½.

Failing to take RMDs can result in a 50% penalty tax on the amount that should have been withdrawn (on top of the regular income tax you owe on the distribution). Unless you can show reasonable cause for missing an RMD, you'll be stuck with this penalty.

2. Making early withdrawals. On the opposite end of the spectrum, you may be penalized for withdrawing funds from your qualified plans and IRAs too soon. Generally, a 10% penalty tax applies, in addition to the regular tax you owe on the distribution, unless you've already reached age 59½ or the payout is because of death or disability. However, the tax law provides several exceptions to the early withdrawal penalty, such as payments used for deductible medical expenses.

Another key exception is available for substantially equal periodic payments (SEPPs). If you take SEPPs over your life expectancy, or over the life expectancy of you and a beneficiary or beneficiaries, there's no penalty if those payments continue for at least five years or until you reach age 59½, whichever is longer.

3. Not reporting income from foreign accounts. Your tax return may not be the only document you're required to file each year. If you have financial interests in foreign banks totaling more than $10,000 at any time during the year, you must report the account information to the IRS using the FBAR form (short for Report of Foreign Bank and Financial Accounts).

FBARs have to be filed by June 30 of the year following the year of the foreign account activities, and no extensions are allowed. (Beginning with the 2016 tax year, the FBAR deadline is moved up to April 15 and a six-month extension is available.) The penalty for failing to make the filing is severe—a fine of up to $250,000 and a prison sentence of up to five years can be assessed for a willful violation. Other penalties may be imposed for providing false information.

4. Not having health insurance. Under the Affordable Care Act (ACA), also known as Obamacare, most people must have health insurance or must pay a "shared responsibility payment." For 2016, the amount of that payment is equal to the greater of 2.5% of your annual household income or $695 per person for the year ($347.50 per child under 18), up to a maximum of $2,085 per family.

This penalty kicks in when you, your spouse, or a dependent had gone without coverage for more than three months, with certain exceptions. Consult with your tax and financial advisors to see whether you qualify for a premium tax credit or an exception to the penalty.

5. Missing the deadline for your tax return. Generally, if you don't file your tax return on time, or if you fail to pay the tax you owe by the tax return due date (even when you receive an extension for filing your return), you'll be assessed a penalty.

The penalty for filing late is 5% of the unpaid taxes for each month or part of a month that a tax return is late. It begins accruing after the tax-filing due date and can't exceed 25% of your unpaid taxes. If you don't pay your taxes by the tax deadline, you normally face a penalty equal to 0.5% of the unpaid taxes. This applies for each month or part of a month after the due date and starts accruing the day after the tax-filing due date.

Again, the six-month filing extension, which is automatic if you request it, is not an extension for *paying* your taxes. You still must make a reasonable estimate and pay that amount. ●

uproot them. In addition, they may not be allowed to live full time in an age-restricted community.

- Even if you don't have youngsters living with you, you may enjoy being around younger people. The age mix in your neighborhood may suit you just fine.

- One frequent complaint of young retirees is that they don't want to live with "old" people. They see themselves as being young or at least acting as if they were. And some people view living in a retirement community as a stigma to be avoided at all costs.
- The association fees for maintaining the community grounds—often including swank clubhouses, golf courses, and other amenities—can be pricey. If you're not a golfer, or shun the swimming pool, the extra costs might not be worth it to you.

In any event, get all the information you need to make the best choice for your situation. ●

Are You Afraid Of The Estate Tax?

Who has to worry about federal estate taxes? They're an afterthought if you believe they affect only families such as the Rockefellers and DuPonts. But the truth is that the reach of this tax may extend further than you think, according to the latest IRS statistics.

Estate Tax Returns Filed in 2014, published in an IRS Statistics of Income report, shows that 11,931 estate tax returns were filed in 2014 on estates with a total value of $169.5 billion. Those figures represent a significant increase from the 2013 IRS statistics when 10,568 returns were filed on estates valued at a total of $138.7 billion, continuing a recent upward trend.

In other figures of note, the breakdown for 2014 estate tax return filings based on gross estate valuation were as follows:

- For returns under $5 million, 1,631 returns were filed on estates totaling $5.4 billion in value.
- For returns of $5 million to $10 million, 6,735 returns were filed on estates with a total value of $46.2 billion.
- For returns of $10 million to $20 million, 2,283 returns were filed on estates with a total value of $30.9 billion.
- For returns of $20 million to $50 million, 938 returns were filed on estates worth a total of $27.9 billion.
- For returns of $50 million or more, 345 returns were filed for estates worth $59.1 billion in total.

The figures are interesting on a couple of levels. First, they indicate that more families are being hit by the federal estate tax. Second, they would be even higher if taxpayers didn't avoid federal estate tax complications through some smart legal maneuvering.

Consider these basic tax breaks that are at your disposal: Under the unlimited marital deduction, any amount transferred from one spouse to another, whether by gift or bequest, is completely exempt from tax. In addition, amounts you leave to other beneficiaries such as your children and grandchildren are covered by the unified estate and gift tax exemption of $5.45 million in 2016. Also, the annual gift tax exclusion allows you to give each family member and others up to $14,000 free of gift tax in 2016. Gifts above this limit may be sheltered by the unified estate and gift tax exemption, although this will erode the amount available to reduce estate taxes.

Furthermore, the "portability" provision in the tax code provides extra flexibility for married couples. If a proper election is made, the estate of a surviving spouse can benefit from any unused portion of the estate tax exemption of the first spouse to die.

By utilizing and combining these tax breaks through various estate-planning devices, including sophisticated trusts, you may avoid the high tax bills awaiting unsuspecting families. Finally, don't overlook the potential impact of state inheritance taxes. Contact our office for more details. ●

10 Common Scams

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after the death of a loved one. It's not unusual for a criminal to pretend to be a banker or other professional to coerce you to hand over funds. Rely on reputable financial planners you know and trust and close family members to steer you in the right direction.

8. Medical ID theft. ID theft often is associated with financial information, but loss of medical information can be just as damaging. Just imagine someone running up costs for expensive drugs, doctor visits, and even surgery under your name. What's more, unlike theft of credit card data, you're often held liable for these purchases. Don't volunteer your particulars (for example, Social Security and insurance account numbers) unless you're certain it's for a valid reason. Check with your insurer about any charges you don't understand.

9. Gift card vouchers. If you're targeted for this scam, you receive an unsolicited email offering you a free gift card from a well-known retailer or restaurant if you click on a link. It can look legitimate—the scammers will go to great lengths to replicate logos and corporate designs—but often it isn't. Clicking on the link will install malware on your computer that can siphon away personal data. No matter how appealing an offer is, don't click on links you have not verified.

10. Counterfeit apps. Finally, in a highly publicized incident, some applications were found to contain vicious malware that spied on consumers. While Apple believes it has purged these malicious apps, similar occurrences could lead to loss of personal data. Try to use only well-known apps and consider reading reviews before purchasing them.

These are just 10 of the scams currently making the rounds. Be on your guard and be skeptical of anything that doesn't seem just right. ●

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