WEALTH MANAGEMENT REPORT

Live Longer And Prosper In Your Golden Years

Are you part of the baby boomer generation that now is surging into retirement? Or are you a member of "Generation X," which isn't far behind? In either case, some traditional ideas about retirement no longer may apply.

For one thing, people now live longer than in the past, which means that their golden years will last longer, too. The average life expectancy for someone in the U.S. who now is age 65 is 84.3 years. And that number, which has grown steadily for many decades, is expected to go even higher.

Maybe the "new" 65 is 70 or even 75.

What is the main implication of this change? By living longer, it's likely you'll have to save more for retirement, or figure out ways to stretch your dollars further if you want to maintain a comfortable lifestyle. If you do nothing, you could run the risk of outliving your retirement savings. You'll also have a lot less, if anything at all, to pass on to your heirs.

Fortunately, there are several potential solutions to this dilemma. Consider these six options:

1. Invest for the longer term. You're already in it for the long haul. But some additional tinkering with your investment portfolio may allow your assets to last even longer. For example, you could minimize some risks of a market downturn by making sure you have a well-diversified portfolio. Of course, there are no guarantees against a loss of principal, especially in a declining market.

2. Bulk up your 401(k) and IRAs. Assuming you're still working full-time, do whatever you can to boost your annual contributions to your 401(k) plan and IRAs. For 2017, someone age 50 or over can contribute a maximum of $24,000 to a 401(k) and $6,500 to an IRA. (The 2017 figures are $18,000 and $5,500, respectively, for younger savers.)

3. Postpone Social Security benefits. Although you can receive your full Social Security retirement benefits at your "full retirement age" (FRA)—age 66 for most baby boomers—you're entitled to even higher monthly benefits if you postpone taking benefits until as late as age 70. This may be preferable if you expect to live a long time.

4. Slow down RMDs. After you reach age 70½, you normally have to take required minimum

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Weigh All Factors For Bank Account Sign-Up Bonuses

Have you seen the ads promising a cash reward for opening a new bank account? You may be offered a bonus of $100 or more just for signing up. But be aware that strings are attached.

For starters, promotional giveaways, awards, and prizes are subject to federal and possibly state and local income tax. This applies to everything from bank deposit offers to lottery winnings to cash prizes that accompany Oscar and Grammy awards. (Recent legislation exempts Olympic medal winners from tax.) You'll receive a Form 1099-MISC and must report the income on your tax return.

In other words, if you get $100 from a bank and you're in the 25% tax bracket, you'll owe Uncle Sam $25 on your sign-up bonus.

Consider these other potential drawbacks:

- You may be charged fees relating to the account. For example, if your balance dips below a minimum amount you might be assessed a monthly fee that eventually could wipe out your one-time bonus.
- Some banks require direct deposit enrollment before you receive the bonus. If you don't comply within a specified time, you might not receive the bonus at all.
- The bonus may be rescinded if the account isn't kept open for a specified period of time.

Bottom line: Sign up for an offer only if it otherwise makes sense for you. But complicating your life with another account rarely does.

How Now, Dow Jones Industrials?

You see it reported every day in the financial news: The Dow Jones Industrial Average (DJIA). And the Dow made headlines back on January 25, 2017, when it cracked the 20,000-point mark for the first time in its history. But what exactly is the DJIA and what do the fluctuations in points really mean?

The DJIA is a long-time barometer for the way the stock market is moving although it's not the only one, and it may not be the best measure of the thousands of stocks listed on the major exchanges. Some experts consider the Standard & Poor's (S&P) 500 and the Russell 3000 to be more reliable indicators. Nevertheless, even if you don't put much store into whether the DJIA goes up or down on a given day, it does have an interesting history.

The Dow measures the movements of just 30 stocks. Traditionally, those have included the "blue-chip" companies considered to be the bedrock of the American economy. So, when the DJIA finally punched through the 20,000-point mark, it may have seemed like a triumph for the economy as a whole.

The roots of today's DJIA can be traced back to before 1900. Charles Dow, co-founder of *The Wall Street Journal*, simply added up the closing prices of one share of each of a dozen companies he had selected to measure, and then divided the total by 12 to arrive at a daily average. Subsequently, the list was expanded to include 30 of the top industrial companies, with the daily average computed by dividing the total price of those stocks by 30.

But the math became trickier over time as stocks began to split and share prices became skewed. The solution to keep the DJIA going was to make periodic adjustments in the figures in order to keep the average historically consistent. Despite this change, this indicator still is referred to as an "average," although these days it isn't.

What's more, the ever-changing list is no longer limited to industrials. It now includes major retailers, technology companies, and financial services firms.

Also, of course, the percentage gains grow smaller as the total number of points goes higher. For instance, when the Dow reached the 6,000-point level more than 20 years ago, that represented a 20% increase from the 5,000-point mark. But the jump from 19,000 points to 20,000 points, another 1,000-point gain, was just a 5.3% increase.

In any event, don't discount the psychological and emotional impact that swings up and down in the Dow may have. You can't help hearing it on the news every day and it often affects investor judgment, especially when the economy is in turmoil or is booming. ●

Five Steps When You Inherit Assets

During the next 30 years or so, an estimated $30 trillion is expected to change hands, and many offspring of older Baby Boomers may inherit a small fortune. Here are five practical suggestions for handling the windfall:

1. Give yourself time to grieve. If you're like most people, the loss of a loved one will come at an emotional cost. So you're probably not going to run out and buy a luxury car or book a cruise the day after the funeral. Allow yourself enough time for your grief to pass before you make any major decisions. Don't let your heart overrule your head.

2. Consider the limitations. Just because you've come into some money doesn't necessarily mean you'll be living on Easy Street. So try to resist the impulse to splurge on items you still can't afford. You might consider using some of the money for a one-time "treat" for your family and use the rest to invest for long-term goals.

3. Pay down debt. If you owe a lot of money, this could be a good opportunity to pay off some of your obligations. While you don't have to rid yourself of *all* of your debt—you might decide to keep your mortgage and perhaps a car loan—it could make sense to retire credit card and other debt that has high interest rates.

4. Set goals. In considering how to use your windfall, you might divide your objectives into short-, medium-, and long-term goals. For instance, in the short term you may decide to move to a bigger home. A medium-term goal might be to save money for a child's college education through a Section 529 plan. And a long-term objective for many is to secure a comfortable lifestyle in retirement.

5. Create an estate plan. If you haven't done this already, your

Should You Fly Solo In Your Own 401(k) Plan?

Do you own and operate a small business? Although your equity in the company could help finance your retirement someday, it's also important to put money in a retirement account, just as you would if you worked for someone else. There are several kinds of tax-advantaged accounts for you to consider.

One plan that has been popular recently is the solo 401(k). In the past, high administrative fees often discouraged business owners from using these plans, but costs have come down. Plus, a solo 401(k) may offer distinct advantages.

The solo 401(k) also goes by various other names, including the solo-k, the uni-k, and the one-participant-k. It closely resembles a traditional 401(k) for larger businesses, but this one covers only a business owner with no employees (or just that person and his or her spouse). Solo 401(k)s generally have the same rules and requirements as other 401(k)s.

With a solo 401(k), a business owner wears two hats: one as employee and one as employer. Contributions can be made in both capacities.

1. As an employee, you can make elective deferrals equal to 100% of compensation (or "earned income" if you're self-employed), with an annual limit in 2017 of $18,000, or $24,000 if you're age 50 or older.

2. As an employer, you can contribute up to 25% of your compensation. (Special rules apply if you're self-employed.) For 2017, your total contributions—as employer and employee—to an account for you and your spouse can't exceed those specified limits and are capped at a maximum of $54,000 per person, or $60,000 if you're age 50 or older.

To see how this might work, consider Ben, age 55, who earns $100,000 from his S corporation in 2017. As an employee, Ben chooses to defer the maximum $24,000 to his solo 401(k), and he adds an employer contribution of $25,000. That lets Ben make a total contribution of $49,000 for 2017. That's almost half his salary.

This unique one-two punch can enable a business owner to save a sizable amount for retirement even if contributions begin relatively late in life.

If a small business owner also is employed by a second company and participates in that company's 401(k) plan, the annual limit for that owner's deferrals is the total that goes to both plans. Thus, in our example above, Ben could defer a total of only $24,000 for the year, not $49,000.

What if you're self-employed? You'll have to make a special computation to figure the maximum amount of elective deferrals and nonelective contributions for yourself. When figuring the contributions, compensation is your "earned income," defined as net earnings from self-employment after deducting both:

- One-half of your self-employment tax and
- Contributions for yourself.

The IRS provides worksheets in Publication 560, Retirement Plans for Small Business, for figuring the allowable contribution rate and tax deduction for your 401(k) plan contributions.

But with a solo 401(k), you won't have to pass strict nondiscrimination testing requirements that can be the bane of existence for traditional 401(k) plans. A business owner with no other employees doesn't need to perform testing for the plan, because there are no other employees who could have received lesser benefits.

Finally, an owner with a solo 401(k) plan generally is required to file an annual report with the IRS if the plan has $250,000 or more in assets at the end of the year.

Of course, a solo 401(k) isn't the only tax-advantaged retirement plan option if you're self-employed or own a small business. Other types of plans—including the Simplified Employee Pension (SEP) and the Savings Incentive Match Plan for Employees (SIMPLE)—provide similar benefits within generous limits. But a solo 401(k) may offer extra flexibility by allowing both employee and employer contributions. ●

windfall could provide an excellent opportunity to prepare for the eventual transfer of your own wealth, including the assets you've just inherited, to other family members. You might decide to establish a trust for the benefit of minors or make other arrangements to help ensure financial security for a surviving spouse or grandchildren.

Fortunately, you don't have to do all this on your own. With the help of experienced professionals, you can develop a plan that makes sense. Don't hesitate to contact us for assistance. ●

Watch Out For "Grandparent Scams"

It started innocently enough. Bill Frielander picked up the phone one recent morning at around 10 am. The person on the line said, "Hi Grandpa, it's Jason." To Bill, the voice sounded close enough to his grandson's that he didn't worry. The two chatted amiably a few minutes about family and school and nothing else in particular.

But then "Jason" dropped the hammer. He told Bill that he had been in a drunk driving accident in a neighboring state. Someone else had been injured and Jason needed $1,950 to keep his name out of the records. An attorney who was supposedly advising him could make it all go away for that fee. But Jason said he needed the money right away and that he was afraid to tell his parents. And he asked that Bill not tell anyone else about it because he was ashamed.

Bill was almost convinced and ready to ante up. But when the caller requested the money, there was something about his voice that made Bill pause. He had his wife call Jason's personal cellphone from her own phone while Bill was still talking to the person asking for money. It turned out Jason was safely at home, hadn't left the state in weeks and had not been in any accident. When Bill confronted the caller with this information, the imposter quickly hung up.

Bill was fortunate that he didn't fall for this "grandparent scam," but many others haven't been as lucky. Scammers are able to find out personal information and sound enough like the people they are impersonating to be believable. They target elderly people and pull on their heartstrings with a story about needing cash in a hurry.

If you get a call that sounds suspicious, the worst thing you can do is to help out the caller by referring to other confidential information (for example, the names and locations of other family members). Here's what the Federal Trade Commission (FTC) advises:

- Resist the urge to act immediately no matter how desperate the caller's plight appears to be.
- Verify the person's identity by asking questions a stranger couldn't answer.
- Call a phone number for your grandchild that you know is legitimate.
- Check out the story with trusted family members or friends even if you've been told to "keep it a secret."
- Don't wire money, send a check or money order, or use an overnight delivery service or courier to get cash to your "grandchild."
- Finally, the FTC advises consumers to report the incident at ftc.gov/complaint or call 877-FTC-HELP. ●

Prosper In Your Golden Years

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distributions (RMDs) from traditional retirement plans such as 401(k)s and IRAs. The minimum amount you must withdraw is based on your life expectancy and the account balance on December 31 of the prior year. If you can resist the temptation to take more than you're legally required to you'll preserve more of your assets for retirement.

5. Consider the tax implications. When you need to start withdrawing funds for retirement, where should you turn first? This is a complex decision that requires careful thought as far as taxes are concerned. For example, if you anticipate being in a higher tax bracket during retirement than you are now, you might withdraw funds from taxable accounts first and Roth IRAs last, so the Roth funds can keep growing tax-free. If you expect your tax bracket to plummet, you might do the opposite. Financial and tax advisors can help you devise a strategy that works for you.

6. Work for a longer time. If you still think your retirement is underfunded, you might postpone retirement by working full-time for an extra few years, or you could use the earnings from a part-time job to supplement your retirement income. Also, working longer may postpone certain RMDs. ●

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