LET'S TALK MONEY®

March/April 2018

Time never matters more than when saving for a long-term goal. Retirement is most people's longest-term goal. Here's why time matters.

Start Early

Try the compound interest calculator at the Security and Exchange Commission's www.investor.gov. Input $0 for a starting balance and a monthly contribution of $300 per month, which is $3,600 annually. Then type in a 6% interest rate compounded monthly and 40 years for how long you'll contribute the same amount.

Over 40 years you will have contributed $144,000 in this hypothetical example, but your balance will have grown to $597,447. That's more than four times your contributions, showing the power of time and compounding.

Lost Time

Now let's say you believe you have plenty of time to save for retirement. After all, you have to pay off school loans and save up for a family and first home right now. So you decide to wait 20 years, but you'll double contributions to $600 monthly for the next 20. Add up your contributions and you'll have the same total as in the first example: $144,000.

The result, however, is not the same. In the second hypothetical example, your balance would more than double to $277,225. That's still less than half of what you would have saved in the first example. Clearly, time is crucial when saving for a long-term goal.

Early is Better

Look at one final example. Contribute just $100 a month. That's the cost of a good restaurant meal for two and a couple of designer cups of coffee. Input the same numbers used in the previous examples: 6%, $0 balance and 40 years.

Over 40 years, you would have contributed a total of $48,000. Despite contributing one-third of the total cited in the second example, you will have accumulated over $199,000.

Begin Today

Clearly, time can have an outsized impact on how much you accumulate in the long term. So if you don't contribute to an IRA or 401(k) plan, consider starting today. As difficult as imagining your future might be, it can be financially rewarding when you use time to your advantage.

* Past performance cannot predict future results.

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FINRA Reference FR2017-1027-0172/E RETIR

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Retirement Version

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The Social Security Numbers Game

When will you begin taking monthly Social Security benefits? You qualify for full benefits once you reach full retirement age. That's age 66 if you were born in 1954, rising to age 67 for those born in 1960 or later. But drawing Social Security early will reduce your benefits, while delaying can increase them.

Your age when you begin taking Social Security benefits will affect your income. The accompanying graphic shows how much (assume a normal retirement age of 67).

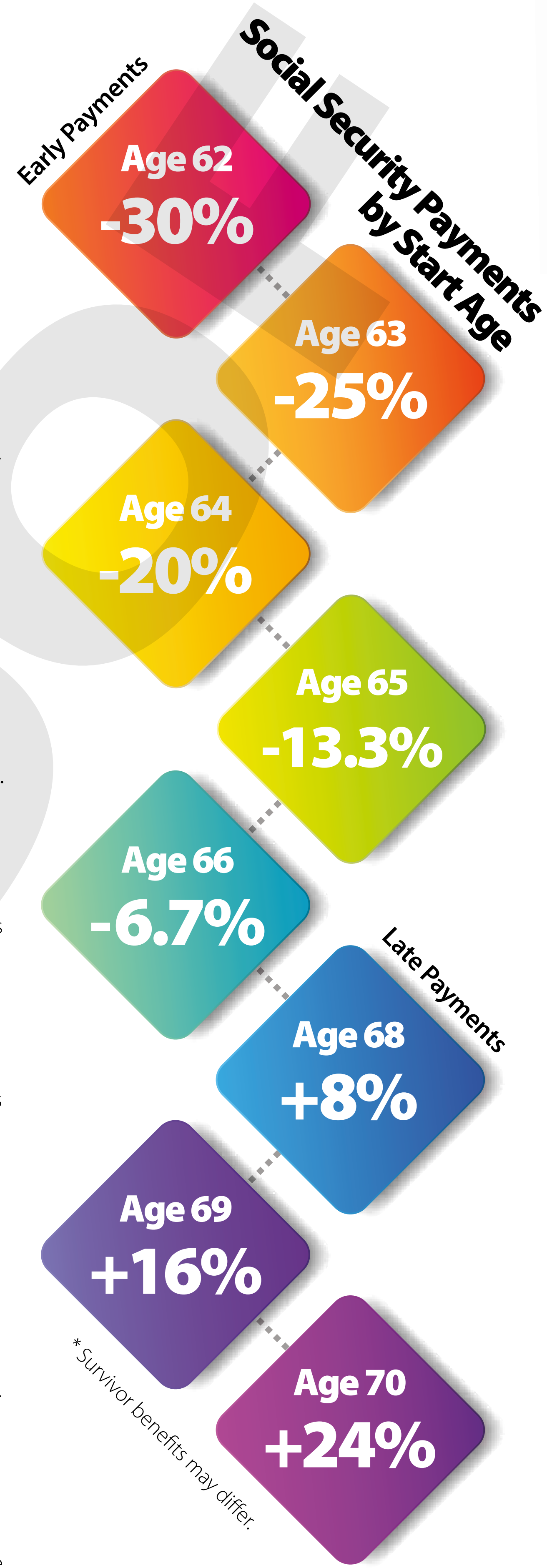
Real Numbers

Let's say your full retirement age benefit when you turn 67 is $1,600 per month. If you retire early at age 62, your monthly benefit would shrink to $1,120. If you wait until age 70 to begin receiving benefits instead, your monthly income would rise to $1,984.

Double Whammy

Taking early benefits and working could shrink your benefits in two ways. If you were under full retirement age all of 2017 and you worked, Social Security deducted $1 for every $2 in benefits over the annual income limit of $16,920. In the year you reach full retirement age, deduct $1 in benefits for every $3 earned above $44,880 in 2017. This deduction ends the month before reaching full retirement age.

Learn more by going to www.ssa.gov or your local Social Security office.



Buy or Rent

If you're young and starting out, home ownership may seem like an impossible dream. However, you can increase your chances by reducing your debt. Answer the following questions to see where you stand.

How much credit card debt do I owe?

Cards from department stores and gas stations are revolving charge accounts, and they often carry interest rates of 20% and higher. If you have a balance on a revolving account, consider paying it off first. Look at tackling high-interest-rate credit cards next.

What about my student loans?

According to the Federal Reserve Bank of New York's Quarterly Report on Household Debt and Credit, Americans owe over $1.3 trillion for student loans. Typically, those loans, held by federal government agencies, have lower interest rates than other types of credit. So tackle debt with higher interest rates first.

So, buy or rent?

Work on your total-debt-to-gross-income ratio. Depending on the mortgage provider, your ratio should range anywhere from 28% to 40% or so. Next, check housing prices compared to paying rent. If rent rates are reasonable and home sale prices are high, money talks. Don't forget to compare other ownership costs, including insurance, taxes, maintenance and travel to work.

College Tax Breaks

A college education isn't cheap, but there are some tax-advantaged ways to save for this expense. Here are a few:

Coverdell ESA

You can establish a Coverdell Education Savings Account (ESA) in the name of any child under age 18 or a special-needs beneficiary. The contribution limit is $2,000 annually until age 18 for each beneficiary. Check with your tax professional to learn if your modified adjusted gross income qualifies to make Coverdell contributions in a given tax year.

Contributions are not tax-free, but potential earnings are tax-deferred. Withdrawals are tax-free when used for qualified education expenses not only at an accredited college, but at elementary, secondary and vocational schools.

AOTC

Get a tax credit of up to $2,500 for the cost of tuition, certain required fees and course materials for higher education with the American Opportunity Tax Credit (AOTC). You can take this dollar-for-dollar credit up to the amount of federal taxes owed every year for four years of qualified study.

Lifetime Learning Credit

Claim the Lifetime Learning Credit for qualified tuition and related expenses, including courses to acquire or improve job skills, of up to $2,000 per tax return. To qualify for either education credit, you must meet annual income limits. You can't take more than one education benefit for the same student in a tax year.

The FAFSA is the federal government's Free Application for Federal Student Aid. Most colleges require the parents of prospective and current students to fill out the form even if they are only applying for school aid and not federal aid.

Submit FAFSA Earlier Now

If you had a student in college a few years ago, you might not be aware that your FAFSA can be submitted earlier than in the past—**October 1**. Because much student aid is first-come, first-serve, it might serve you to file as soon as possible. The filing deadline for the 2018-2019 school year is **June 30, 2019**.

How Much is Higher Education Worth?

Wondering if higher education is worth the high cost? The numbers in the accompanying graph show the value of continued education beyond high school. A Master's degree, for instance, is worth about twice as much as a high school diploma.

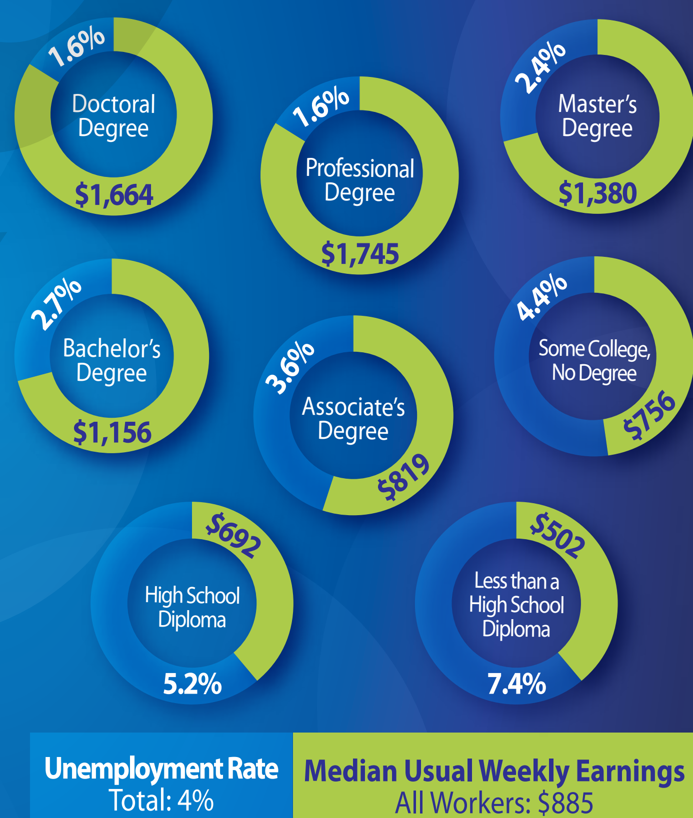
Effect on Unemployment

The data also show that a person's educational attainment in 2016 had an inverse relationship on their employment prospects. For example, the total unemployment rate of persons aged 25 and older was 4%. Those with a high school diploma averaged a 5.2% unemployment rate, while those with a Bachelor's degree averaged about half of that at 2.7%.

Effect on Lifetime Earnings

Add it all up and you can see how a Bachelor's degree or higher can help you earn hundreds of thousands of dollars more over your lifetime than if you only had a high school diploma.

Unemployment rates and earnings by educational attainment, 2016



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

Taxes in Retirement

As the tax filing deadline nears, talk naturally turns to the subject of reducing taxes on this year's return. When investing for retirement, you could look at taxes in a different way: What will your total taxes be over your lifetime? A Roth IRA could help you lower the number to this question's answer.

Compare the Two

If you're like most people, you are more familiar with a traditional IRA. This retirement accumulation vehicle features tax-deferred contributions within certain income limits and tax-deferred potential growth. Distributions taken for hardship exceptions or after age 59½ for any reason are taxed at your ordinary income tax rate for the tax year it is withdrawn.

This type of IRA is particularly popular at this time of year, because you can make contributions up to the tax filing deadline and use potential deductions on your previous year's tax return.

Different IRA

The Roth IRA is unique among qualified retirement plans and accounts. If you qualify by income, you can make Roth IRA contributions after-tax. Like a traditional IRA, a Roth IRA features tax-deferred potential growth. Now here's the kicker: Distributions you take after age 59½, when you have owned the IRA for at least five years, are tax-free.

While most people assume their tax rates will be lower in retirement because they're not working, who knows what tax rates will look like in the future? Another difference: Roth IRAs are not subject to required minimum distribution rules during the account owner's lifetime. Distributions from traditional IRAs typically must begin by April 1 of the year following the year you reach age 70½.

Choice is Yours

If you expect to be in a higher tax bracket in retirement than you are now, or if you don't want to guess what future tax rates might be, a Roth IRA might be for you. If you meet income limits, you might also consider converting all or some of a traditional IRA balance to a Roth IRA. Talk to a financial professional to learn more.

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PROOF

October 30, 2017

Reference: **FR2017-1027-0172/E**

Org Id :8408

REVIEW LETTER

1. 2018 LTM MarApr FINRA Retirement
   Rule: FIN 2210
   5 Pages

The material submitted appears consistent with applicable standards.

Reviewed by,

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