LET'S TALK MONEY®
November/December 2018

Ready, Set, Spend

After a lifetime of saving, you're ready to retire. Now it's time to do something some retirees find hard to do: Shift from a saving to a spending mindset.

Big Transition

This transition is harder than you might imagine, and it's no wonder why. If you're like most people, you spent a lifetime preparing financially for this time of your life. And maybe you were as frugal as possible during some portion of your saving years. The idea of draining your retirement funds after spending years building them up can be an initially scary thought.

This is understandable, but it's time to spend your savings on things you couldn't do while you worked full-time: Spend more time with grandchildren, take an extra vacation or two and take up other activities you like that may cost you money. Remember, though, this time of your life still involves planning – just a different type than before.

Strategy Shift

One of the first things you should do even before retiring is to forecast all of your expected income from retirement plans, annuity payments, Social Security and other sources. You can expect Social Security and possibly annuity payments (if you have the lifetime income option) to last a lifetime, but your other income is finite and requires a distribution plan.

Working closely with an advisor, determine how long your 401(k) and other investments need to last, and then create a distribution strategy that results in a regular income stream. This strategy should also take taxes into account. For example, cashing in your retirement plan balance and not reinvesting it in a similar tax-qualified investment promptly can create a big one-time tax event, so plan accordingly.

Distribution Strategies

Generally, experts recommend that retirees draw from their taxable investments first, letting tax-deferred accounts potentially grow. Using this strategy, however, can trip you up later. You must begin taking 401(k) and traditional IRA withdrawals in the year after reaching age 70 ½ or face a penalty on the required amount not withdrawn. These "required minimum distribution" rules don't affect Roth IRAs.

Even in retirement, you may want to invest a portion of your portfolio for growth because annual inflation is likely. Talk to your advisor to learn more.

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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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Save Big After the Holidays

If you want to score big on bargain-priced goodies, one of the best times to buy is right after the holidays. Here's how to rack up big money-savings as you start on next year's holiday shopping.

When to Shop

While brick-and-mortar and internet stores typically offer sales for up to a week after Christmas, December 26 has historically been the best day to shop. It's first come, first served. Stores looking to rid themselves of excess inventory offer deals that may rival those of Black Friday, the day after Thanksgiving. Christmas decorations usually come with the biggest discounts, so think "next year."

Shop Second Generation

Look for second- and third-generation new and refurbished electronics. While others may stand in line waiting to buy the newest smartphone, you can find a previous version at a fraction of the price. Don't forget to shop for older computers, video games, televisions and other electronics, as manufacturers get ready to roll out new models.

Use Those Gift Cards

If you really like to save, consider using merchandise exchanges and gift cards you received this holiday to lower your out-of-pocket costs even more as you shop for the next holiday season.

Cut Your Holiday Travel Costs

Americans usually travel during the holidays, which can cost more than a few dollars even with thoughtful planning. Here's how to save money on the ground and in the air.

On the Ground

If you'll spend some time in the family vehicle, consider ways to cut gasoline costs that always seem to rise during the holidays. Some wholesale buying clubs sell gasoline at discounts that can save you a couple of dollars. You can also look for apps that alert you to the lowest gas prices wherever you travel.

Pack some sandwiches, snacks and games to keep the kids occupied if you expect to travel for hours. If you'll need lodging, use rewards cards if the establishment offers lower prices for members. Also look for discount books, where you could find coupons for your favorite hotel, when using rest stops on major highways and interstates.

By Air

Look to fly during off-peak hours, including on the holiday itself, for some of the lowest airline fares you will find. Also look to travel to and from secondary airports, which often costs less than flying to the big ones. To save on checked baggage charges, make sure everyone arrives at the airport with a fully packed carry-on bag or suitcase, as long as the airline doesn't charge for it.

Combo

Enlist family and friends to pick you up from the airport if you don't expect to need your own vehicle. If you have to rent after flying to a destination, don't buy insurance for the same coverage you may already have. Check with your auto insurer before traveling.

Big Hearts: Giving to Charity

Americans gave an estimated $390.05 billion to U.S. charities in 2016, according to Giving USA 2017: The Annual Report on Philanthropy for the Year 2016 (from the Giving USA Foundation, the Giving Institute and the Indiana University Lilly Family School of Philanthropy). The total includes charitable contributions made by individuals, estates, foundations and corporations.

How to Choose

If you want to give to an organization that makes the most of your charitable giving, learn how much of each dollar goes toward the charity and how much is spent elsewhere. You can find some organizations with websites that evaluate the legitimacy of charities and how they spend contributions. Also look for a charity's IRS Form 990 and ask to see the charity's audited financial statement to ensure it meets the standards you want.

Importantly, match your giving objectives with a charity's mission and demonstrated results. Look for charities that best match your values.

Get Help

If you make large charitable contributions, consider enlisting the aid of your advisor and an estate planning attorney. Although the federal estate tax exclusion is higher than in the past, some families may exceed it while also having to potentially deal with lower state estate and inheritance tax thresholds. Structured properly, charitable giving can both benefit your charity and reduce your estate taxes.

Giving Life Insurance

In this season of giving, some people want to give more to a favorite charity or organization, but don't have the funds to do so. Giving the gift of life insurance is a cost-efficient way to increase your charitable giving:

Your Choice

There are a few ways to give life insurance, some of which may include current or future tax advantages. Talk to your accounting professional to learn more about how you may best benefit a charity and potentially receive tax benefits in return.

Charitable Choices

One way is to rename a charity as beneficiary, which eventually removes this benefit from your estate. Or you could donate the policy, but continue to pay the premiums.

Another way to make charitable use of life insurance is to ask your insurance company if it can issue a charitable rider, directing a percentage of the death benefit to a named charity. If, for example, you have a $500,000 policy and you acquire a rider of 10%, the charity would eventually receive $50,000, with your named beneficiaries receiving the remainder.

How We Give

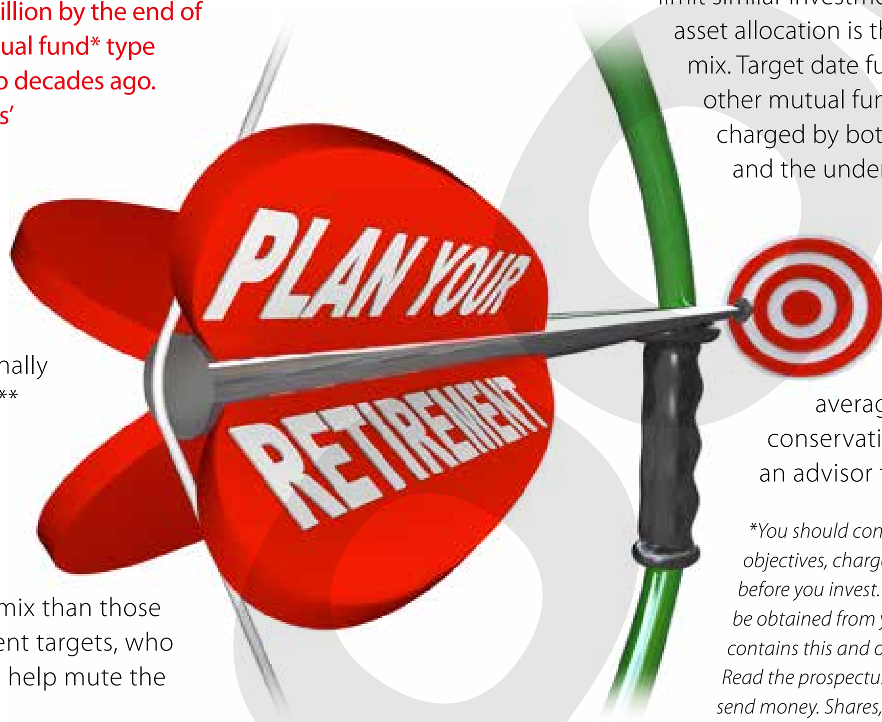
In 2016, Americans continued to give billions of dollars in charitable contributions to their favorite causes and organizations.* Here's a breakdown of who gave what:

*Source: Giving USA 2017: The Annual Report on Philanthropy for the Year 2016.

Individuals:	Foundations:	Bequests:	Corporations:
$281.86 Billion	**$59.28** Billion	**$30.36** Billion	**$18.55** Billion

Target Date Funds

Target date mutual funds, also known as lifecycle funds, make investing easier. They're also popular. According to the Investment Company Institute, target date fund assets grew to $1.1 trillion by the end of 2017, impressive for a mutual fund* type that was barely known two decades ago. Here's a look at these funds' pros and cons.



What They Do

Target date funds offer investors diversification among different asset classes through professionally designed asset allocation** models considered appropriate for a narrow date range. This results in shareholders retiring in five years having a more conservative investment mix than those with longer-term retirement targets, who have time on their side to help mute the effects of volatility.

Among their typical features are automatic asset allocation that changes as your target date nears and automatic rebalancing to keep your portfolio mix of stocks, bonds and cash equivalents structured to address a future date. Its returns, however, are not guaranteed, so you should consider the fund's asset allocation over its entire timeframe.

Who They're For

While target date funds have these advantages, they are not for everyone. One safeguard investors should take is to monitor "asset creep," which is when similar assets from multiple investments misalign your asset allocation. It may be best to limit similar investments so that the fund's asset allocation is the same as your total mix. Target date funds may also invest in other mutual funds, and fees may be charged by both the target date fund and the underlying mutual funds.

Ultimately, a target date fund may not be right, for example, for a near-retiree who is more aggressive than average or an extremely conservative young worker. Talk to an advisor to learn more.

**You should consider the fund's investment objectives, charges, expenses and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.*

***Asset allocation won't guarantee a profit or ensure against a loss, but may help reduce volatility in your portfolio.*

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

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REVIEW LETTER

1. 2018 LTM ND FINRA Retirement
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   5 Pages

The material submitted appears consistent with applicable standards.

Reviewed by,

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Manager

jws

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