LET'S TALK
MONEY®
January/February 2019

When Safe May Be Risky

When nearing retirement, you may want to preserve your retirement savings through investments* that are typically considered less risky, such as bond and money market mutual funds.** Investment risk, however, may not be the only risk your retirement accounts face. The following two major financial issues affect everyone, especially in retirement.

Inflation

Even as the U.S. has been in a long period of low inflation, it was easy to notice how certain items — health care, for instance — rose in price more quickly than other items. Even if total inflation increased moderately at 3.5% annually, it would take less than 18 years for $100 of today's dollars to lose half its value. If you consume services with higher inflation, your real dollars could shrink even more.

That's why safe investing doesn't ensure you won't lose ground. While it's true that banks offer FDIC insurance on interest-bearing accounts that covers up to $250,000 per depositor, per insured bank, insurance won't cover the amount of purchasing power inflation consumes. So investing for some growth may make sense.

Taxes

Another silent fact of life — taxes — can also shrink your retirement income. Depending on the amount of your retirement income, you may be taxed on all or part of it. More affluent taxpayers may also owe a surcharge on capital gains and pay higher premiums for Medicare Part B. You can account for some potential challenges, but it is more difficult to predict how taxes will change — except that they *will* change.

One way to reduce your retirement tax liability (and increase your net income) is through a Roth IRA. If you meet income requirements, you can contribute up to $5,500 in tax year 2018 — you can do this until your tax filing deadline this year — and another $1,000 if you are at least age 50.

** Past performance won't guarantee future results.*

*** 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.*

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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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Financial Fitness: Challenge Yourself

This New Year, legions of people will pledge to overhaul their lives by eating right, exercising regularly, learning new job skills and more. What you don't hear a lot about are people who make the ultimate New Year's resolution — to organize every aspect of their financial lives.

We've organized the steps everyone needs to take to help get their financial lives in peak condition. It's not so hard when you take it one step each month. We are here to help coach you through each monthly challenge.

January – Assess

You might work with a nutritionist to eat better, a trainer to get in shape and a mentor to learn new job skills. Why not work with a financial professional to assess your current financial situation and the work ahead of you?

February – Plan

Write down your short-term goals. Marriage or a first home? And then intermediate goals – maybe a bigger home or a child's college costs. Next, ask yourself what you want to achieve 25 or 30 years from now. A comfortable retirement? Leaving loved ones a financial legacy?

March – Budget

Now figure out a financial path to achieve your goals. Start with a budget. Add your debts and income sources separately. Subtract your debt from income to get disposable income. Then make a budget and stick to it.

April – Reduce

As spring arrives, spring into action by preparing to better your current finances. Cut your debt where possible, particularly high-interest revolving credit. Add to your income, especially if you have a skill that lends itself to part-time work.

May – Save

Put the money you save from reducing debt and earn from side jobs, raises and bonuses into accounts designated for each goal. Never forget that you cannot borrow for retirement, so this long-term savings goal should be a priority.

June – Protect

You don't think twice about protecting the value of your home and car with insurance. Why not do the same for your income? Buy life insurance* to protect your loved ones financially and disability income insurance to protect your earning power in the event a long-term disability prevents you from working.

July – Invest

Put your money where it can help you best meet particular goals. Understand what you invest in. Take advantage of investment options that offer tax benefits.

August – Retire

The steps you take now will influence your financial readiness in retirement. Don't put off saving for this important goal because using time to your advantage may help your money grow. And don't forget to contribute at least whatever your employer matches to your 401(k) plan.

September – Graduate

This will probably come before retirement, but remember that while you can always borrow for a child's college expenses, you can't for your retirement. Use the tax advantages of 529 plans and Coverdell Education Savings Accounts to save specifically for school costs.

October – Enroll

This is the time of year to review and select the benefits your employer offers during open enrollment. Check out life, health and disability insurance offerings, as well as any retirement plan.

November – Give

Contribute to charitable organizations. It feels good and you may get tax advantages for it. Also, you can benefit loved ones with an annual gifting strategy during your lifetime.

December – Review

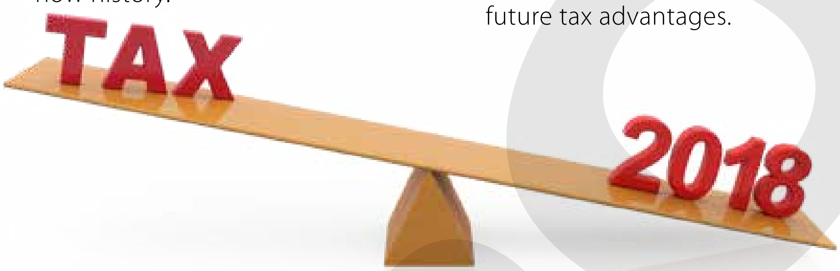
Life happens. For example, your priorities might change and insurance needs generally change with age. Make sure to review your financial strategy regularly with your financial and tax professionals.

** Applications for life insurance are subject to underwriting. No insurance coverage exists unless a policy is issued and the required premium to put it in force is paid.*

Major 2018 Tax Changes

As the New Year begins, tax filing time beckons. This year brings new federal tax regulations, so you'll want to know what deductions and credits are available to you for the 2018 tax year. Consider these tax features:

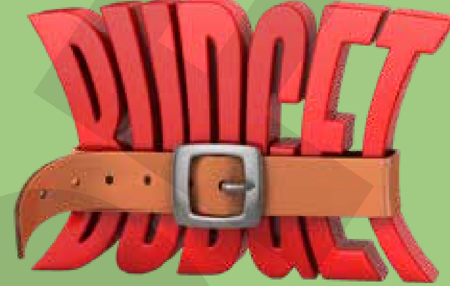
1. **Lower Rates** – Tax rates are lower and brackets expanded for most taxpayers. Check with your tax professional to learn how this affects you.
2. **Bigger Standard Deduction** – This deduction almost doubled for most taxpayers. If you're married and filing jointly, you will see the standard deduction rise to $24,000. Single taxpayers have a $12,000 standard deduction.
3. **Personal Exemptions Gone** – If you have many dependents, you might miss the personal exemption, which is now history.
4. **Fewer And Lower Deductions** – Taxpayers in high-tax states won't like the state and local tax (SALT) cap of $10,000 on combined local income and property tax deductions. Mortgage interest and the child tax credit are two other areas of change.
5. **Retirement Account Breaks Live On** – It's good news that the deduction for qualified retirement plan contributions and tax-deferral of growth of most retirement accounts continue. IRAs and 401(k) plans are two good ways to find current and future tax advantages.



Debt Can Hurt Your Retirement

How much debt is too much? When it comes to non-mortgage debt, six in 10 workers with non-mortgage debt believe this type of debt will negatively impact saving for retirement. This is according to the 2018 survey *Danger Ahead? The Impact of Debt on Retirement Savings*, which also notes that seven in 10 American workers have non-mortgage debt.

7 Ways to Find More Money to

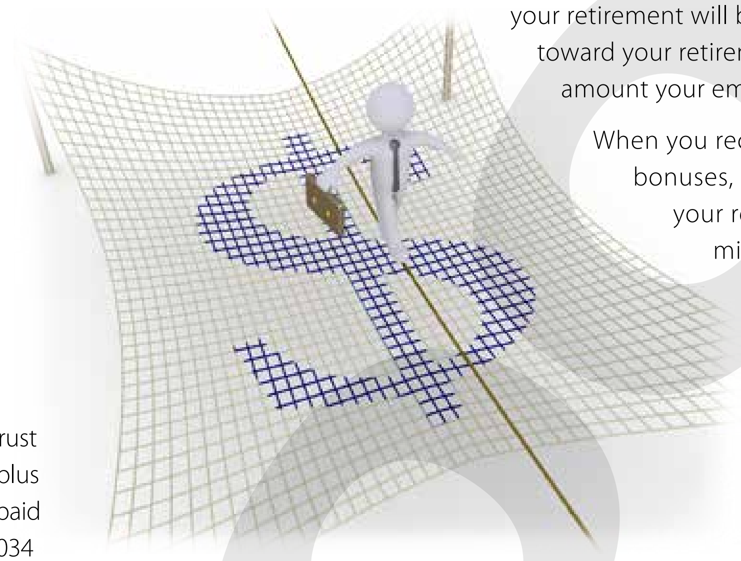


Ever wish you could find extra money to put toward your child's college expenses or your own retirement? Maybe you would like to take a bucket list vacation or buy a larger home. Whatever your financial goals may be, finding the money to help pursue them can be challenging, but not impossible. Here are some ways to find more money:

1. Eliminate one designer cup of coffee per week. At $3 per cup, you'll save over $150 for the year.
2. Skip one monthly $70 restaurant outing and save more than $800 annually.
3. Clean out your basement or garage and sell unwanted items online, through an app or in a yard sale.
4. Keep your car or SUV an extra year or two. When your car loan payments end, why not save thousands and spend a year or two driving your vehicle without having a car payment.
5. Go through your television and smartphone bills and eliminate paid services and features you don't use. For that matter, you might stream rather than watch TV through more traditional outlets. Save a bunch.
6. Find ways to exercise at home and cancel your gym membership. Save hundreds.
7. Find money in these and countless other ways and establish an emergency fund to ensure surprise expenses don't get in the way of your plans.

Beyond Scary Headlines

If you read or hear dire predictions about how underfunded Medicare and Social Security are, you would think retirees will soon be in desperate financial shape. The truth is these programs have served as a safety net for retirees for years, and will likely continue to do so in the future. But the reality is that these programs cannot fully fund your retirement, so it's up to you to ensure your own retirement security by balancing today's needs with saving for tomorrow.



Funding Issues

The Social Security Administration estimates its trust fund — which contains a surplus from which beneficiaries are paid — will run out of money in 2034 unless changes are made. However, continuing payments into Social Security by workers will fund more than three-quarters of payments to recipients after 2034, even without changes. The likelihood is that Congress will eventually make changes, as it has before, to ensure the Social Security trust fund is replenished.

Medicare is also funded by surplus in its trust funds. While you may read headlines about Medicare running out of money by 2026, continuing payments into Medicare's hospital trust will fund most Part A insurance — hospital insurance — after that date. No such shortfall is predicted for Medicare's supplemental insurance trust fund, which includes Parts B and D (prescription drug coverage).

For Your Future

While Social Security and Medicare are the safety nets of retirement, your actions will determine how financially secure your retirement will be. Before then, contribute regularly toward your retirement. Contribute at least the amount your employer matches in your 401(k) plan.

When you receive raises, promotions and bonuses, put the newfound money into your retirement accounts — you won't miss the extra money because you never had it. If you want to save more, investigate traditional and Roth IRAs. And if it's available through your workplace, consider contributing to a triple tax-free Health Savings Account (HSA).

As you near retirement, compare Medicare insurance policies — they may differ in price. Make sure to avoid penalties and surcharges by purchasing Medicare policies within the allowable timeframe. If you want retirement income you can count on, explore fixed annuities, which may offer you that guarantee. Talk to your financial professional to learn more.

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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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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 2, 2018

Reference: **FR2018-0905-0108/E**

Org Id: 8408

1. 2019 Let's Talk Money Jan/Feb Retirement with optional cover letter
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   5 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

David Y. Kim
Senior Analyst

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