# LET'S TALK MONEY®

May/June 2019

# Lowering Taxes After Age 65

Managing your taxes in retirement is as important as ever. In retirement, you may have income from various sources, with each one having tax rules that might differ from others. One nasty tax surprise can reduce your fixed income in retirement without an easy way to make up the loss.

## Compare Taxes

Each source of your retirement income has its own individual tax effect. For example, realized gains from taxable investments held at least one year incur a tax ranging from 0% for those with the least income to 20% for more affluent investors. The majority of investors in between, with a 15% capital gains tax, need to compare this against the reduced federal income tax rate on distributions from a traditional IRA or 401(k) plan to determine a withdrawal strategy.

You may also want to consider when to begin withdrawing money from a tax-free Roth IRA if you have one. You aren't required to take minimum distributions from a Roth during your lifetime. Not so with a traditional IRA or 401(k) plan, which require minimum distributions by age 70 ½. Failure to meet this deadline may result in a stiff penalty on the required amount not withdrawn. If you qualify by income, converting some or all of a traditional to a Roth IRA in a down income year may also make sense.

## Other Challenges

Depending on your state and income, Social Security benefits may be tax-free.

Also dependent on your state are your total tax deductions. With the new state and local (SALT) tax deduction limit of $10,000 from combined state income and real estate taxes, you might consider downsizing your home or even moving to a state with low or no income and real estate taxes.

When to begin drawing Social Security benefits is another question to answer. Taking them before full retirement age may reduce your benefit permanently, while the benefit permanently increases for every year of delayed payments up to age 70. And if you continue to work, you can still contribute to an IRA or 401(k) plan. Talk to your financial professional 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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# How to Conduct a Campus Visit

You and your college-bound child have agreed on a list of schools to visit. Now, how do you make the most of your summer whirlwind of visits?

### Explore the College Town

Some universities may be cities unto themselves, but most are often an integral part of their region. Are the school and the surrounding area safe? Does the city offer public transportation and cultural options?

### Attend in Session

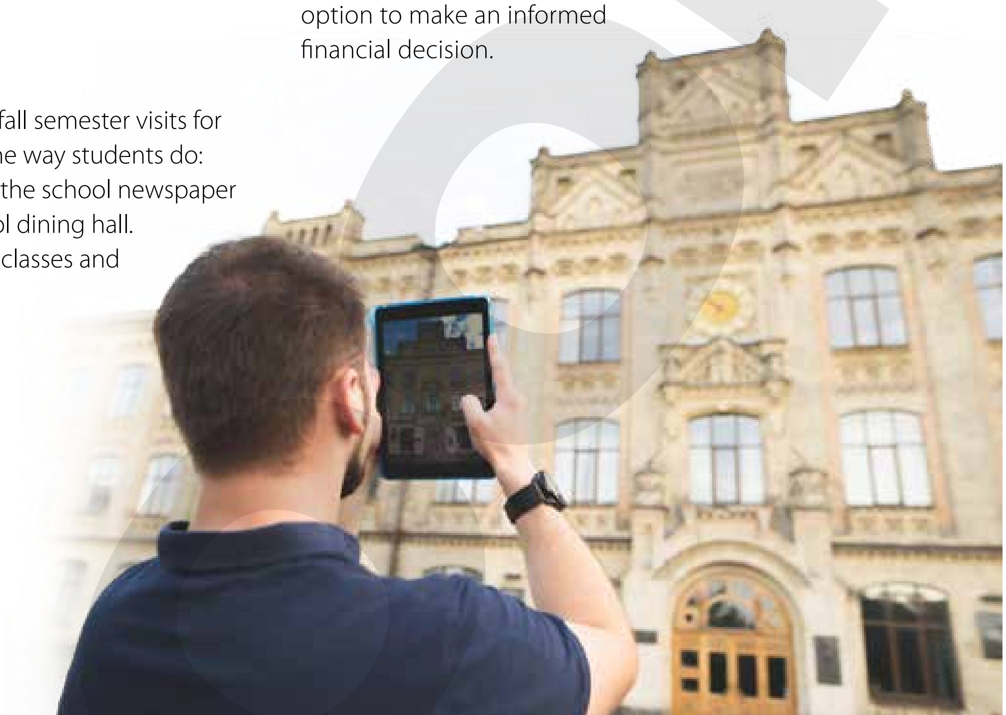
Try to schedule some late spring or early fall semester visits for your child to experience the institution the way students do: talking to current students, checking out the school newspaper and radio station, and eating at the school dining hall. They can plan to go to the library, attend classes and schedule visits with department chairs in their area of interest to learn more.

### After Class

Because college is a comprehensive experience, your child will want to check out the gym, living arrangements and social opportunities. Schedule a campus tour to learn more and don't be afraid to ask questions. Check out the student center, where many students study and spend free time.

### Take Your Time

Long delays in your decision-making could cost you financial aid, but you don't want to make rash decisions, either. You and your student should consider the costs and benefits of each option to make an informed financial decision.



# Plan Ahead for Summertime College Visits

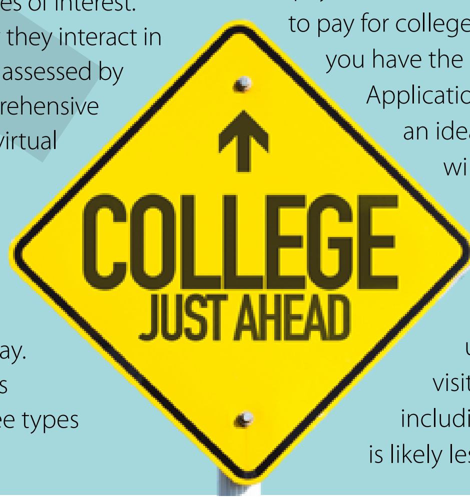
**If you ever had a child entering senior year of high school, you know the drill: Time to make the rounds to different colleges your child is interested in. But before you begin your trek, make sure you take the time to come up with a list of schools that fit your wallet and your child's interests.**

### Plan Early

Read everything you can about the colleges of interest. Follow them on social media to learn how they interact in today's connected world and how they're assessed by current students and alumni. Take a comprehensive look at each college's website, and take a virtual tour if the website features one.

### Crunch the Numbers

Don't even waste your time visiting a college or university if the costs, after financial aid, are more than you plan to pay. Also remember that parents and students typically have to pay back two of the three types of financial aid.




Financial aid may be a package of loans, which will require repayment, and work study, in which case the student works to pay for college. You don't, however, pay back grants. Once you have the numbers and a completed FAFSA (Free Application for Federal Student Aid) form, you can get an idea of how much your top-rated schools' aid will reduce your current and future costs.

### Keep it Manageable

Get serious about planning to visit three to five top-choice colleges and universities, plus keep your schedule open to visit one or two fallback institutions — including your home state's school, where tuition is likely less expensive.

# When You Need More Than a Will

While you can create a will yourself through an online legal service (see accompanying infographic), consulting with your legal, tax and financial professionals may help you uncover financial challenges that a will alone cannot address. A trust may help you meet these challenges. Whether you have a modest estate you wish to shield from the public glare of probate or you want to reduce estate and inheritance taxes on a large estate, there is a trust to meet almost any estate planning challenge.

## Two Types of Trusts

While there are many trusts, they all fall into two categories: revocable and irrevocable. They are what their names imply: You can amend and terminate a revocable trust, two things that are extremely difficult to do with an irrevocable trust. A revocable trust is designed for control and to keep financial affairs out of probate, not to reduce estate taxes.

## Life Insurance Trust

One common type of irrevocable trust is a life insurance trust. While life insurance death benefits are usually income tax-free, they are subject to estate taxes. The threshold at which federal estate income taxes begin is more than most estates' value, but state inheritance taxes could kick in at much lower levels in some locations.

A life insurance trust, not the estate, is the owner and beneficiary of the life insurance, and distributes its death benefit to beneficiaries named in the trust tax-free after the insured person dies.

# How Much Life Insurance Do You Need?

If you have loved ones, you likely understand the importance of life insurance. Choosing the appropriate type of life insurance for your situation is important but choosing the appropriate amount may be the most crucial decision you make.

## Rules of Thumb

There are generally two ways financial consumers figure their potential life insurance needs. One way is to simply multiply estimated annual income by a factor, usually between six- and 12-times income. These formulas are not exact but offer an easy way to calculate income replacement.

## Customize It

A more exact way to figure out your needs is to use projections. Take your annual income and subtract income that would replace it, such as a spouse working and Social Security benefits. Subtract this added income from your current income to find the annual deficit. Or figure your expenses, especially large ones including a mortgage, childcare and college costs, and then subtract your replacement income from them for your annual net expense.

Multiply the projected annual income deficit or the annual net expense by the number of years you need to make up the shortfall, and you'll have a better idea how much you need.

# Five Reasons You Need a Will

Having an up-to-date will is one of the most important planning steps you can take in any area of your life. If you don't believe this, consider these reasons why you might change your mind. Through a will, you can:

**1. Name legal guardians for your minor children**

**2. Direct who will receive your assets after you pass**

**3. Designate your executor, who will help distribute assets and settle your estate**

**4. Help prevent misunderstandings**

**5. Donate to charity**

# Fixed Income Solutions

When you want to combine safety from your investments and a way to keep up with inflation in retirement, owning a few fixed income options may serve your purpose. Here's a look at how some fixed income options might fit into your investment and savings approach in retirement.

## Least Risky

You can lose ground with any fixed investment when inflation outpaces interest rates. Also know that while Treasury bonds, bills and notes you buy directly are backed by the full faith of the United States government, the same investment inside a mutual fund* can lose principal.


## Mostly Safe

Money market funds** are another relatively safe short-term investment that offers investors a nominal interest rate. These funds strive to keep a net asset value (NAV) at $1, another way of saying they strive to not lose money. They can lose principal, however, if they go below $1 per share. Fixed income annuities offer an interest rate which can rise or fall depending on overall interest trends.

## More Risk, More Potential

If you want to accept more risk, investment-grade corporate bonds may offer a decent mix of relative safety and return. Work with a financial professional to identify your risk tolerance and your appropriate level of risk.

** Because mutual fund values fluctuate, redeemed shares may be worth more or less than their original value. Past performance won't guarantee future results. An investment in mutual funds may result in the loss of principal. Carefully consider investment objectives, risks, charges and expenses of the investment company before investing. The prospectus, which you can get from your registered representative, will include this and other information; read it carefully before investing.*

*** The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

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Financial Industry Regulatory Authority

**ADVERTISING REGULATION DEPARTMENT REVIEW LETTER**

January 10, 2019

Reference: **FR2018-1210-0151/E**

Org Id: 8408

1. 2019 LTM May-June Retirement
   Rule: FIN 2210
   5 Pages

Total Fee: $125

The communication submitted appears consistent with applicable standards.

Reviewed by,

Thomas G. Dineen, III
Associate Principal Analyst

tgd

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