

LET'S TALK

MONEY[®]

July/August 2021

Trending Now: Roth IRA Rollovers

Tax-free withdrawals* and no required minimum distributions (RMDs) at any age are two characteristics that make Roth individual retirement accounts (IRAs) popular with investors. Current relatively favorable tax rates have made rollovers from traditional IRAs an option to consider. But, as with any investment, it's important not to rush into a rollover without first considering the possible effects of such a move.

Roth IRAs in a Nutshell

Contributions to a traditional IRA are made before income taxes are taken out, allowing your savings to accumulate tax deferred until you withdraw the money, presumably at retirement. You must begin taking distributions from traditional IRAs and other tax-deferred retirement accounts once you reach age 72.**

Alternatively, contributions to a Roth are made with after tax dollars, so withdrawals of earnings are tax free after age 59½, as long as you've had the Roth IRA for five years. (Roth contributions can be withdrawn tax free at any time, but an early withdrawal penalty may apply.) And you are not required to take distributions during your lifetime, so if you don't need the money, you can pass along the Roth account to your heirs.

The Taxing Details

If you're thinking of rolling over funds from a traditional IRA to a Roth IRA, make sure you

have sufficient funds to pay the taxes on the amount you roll over — preferably without tapping into the account. Keep in mind that

the conversion could push you into a higher income tax bracket, because that money will be taxed as income in the year you roll it over. If you're enrolled in Medicare Part B, the income from

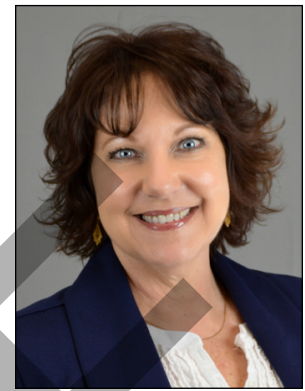
converting a traditional IRA could also result in a high-income surcharge on your premium in a future year.

When a Rollover Might Make Sense

If you've experienced a drop in the value of your traditional IRA recently, rolling over the funds to a Roth IRA while the value of your investments is down may lower the tax hit.

**Roth IRA withdrawal and penalty rules vary depending on your age and how long you've had the account and other factors.*

*** Taxpayers born before June 30, 1949 must still use age 70½ to start takings RMDs.*



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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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Navigating the Financial Aid Maze

Wasn't it just yesterday that your child was starting kindergarten? And now you're preparing to pay college tuition. Take a deep breath and review some basic information about financial aid.

It Starts with the FAFSA

Start by submitting a Free Application for Federal Student Aid (FAFSA) form early. Forms will be accepted from October 1, 2021 – June 30, 2022 for the 2022-2023 school year. You can find the form on the studentaid.gov website.

Information on the FAFSA is used in determining your child's eligibility for federal, state and school financial aid. The information is shared with the colleges your child lists on the FAFSA. Then each college's financial aid office uses it to figure out how much aid your child may receive at that school.

Types of Federal Aid

Federal financial aid takes several forms:

- ❖ Grants, including Federal Pell grants, Federal Supplemental Educational Opportunity Grants (FSEOG) and Teacher Education Assistance for College and Higher Education (TEACH) grants, are based on financial need and don't have to be repaid. Special grants are also available to children of certain armed-forces members.
- ❖ Federal work-study is another option. It provides part-time employment while a student is enrolled in school.
- ❖ Loans may be offered as part of a financial aid package and must be repaid with interest. Direct subsidized loans are

made to eligible undergraduate students based on need. Direct unsubsidized loans benefit eligible undergraduate, graduate, and professional students and are not need based. Direct PLUS loans are made to graduate or professional students and parents of dependent undergraduate students to help pay education expenses not covered by other financial aid.



Beyond Federal Aid

❖ Scholarships are monetary gifts based on need-academic merit, talent, or a particular area of study and don't have to be repaid. Schools, employers, nonprofit and private organizations, religious groups, professional and social

organizations and even individuals may offer scholarships to help students pay for college or career school. The U.S. Department of Labor has a free scholarship research tool at www.careeronestop.org/toolkit/training/find-scholarships.aspx

- ❖ Private loans offered by banks are also available to help pay college expenses. However, these loans are generally not as affordable as federal loans. Colleges may have their own loan programs as well.

You can get more information on funding from a school's financial aid office.

Balancing Act

Online banking and mobile banking apps may have made it easier to keep track of your checking account balance, but it's still important to make sure your records match your bank statement.

Balance Your Checking Account

1. Start with the opening balance (the amount of money showing in your account).
2. Subtract transactions, including checks you've written, ATM withdrawals, automatic bill payments and debit card charges.
3. Add expected deposits, credits and any interest earned.
4. Deduct fees and charges.
5. Record the ending balance (your available funds).



If the balance doesn't match your account statement, go through your records again to find the discrepancy. Common errors include forgetting to record a transaction, transposing numbers and adding or subtracting incorrectly.

Expensive Mistakes

Your financial institution will charge you an insufficient-funds fee for each transaction that overdraws your account. Consider setting up overdraft protection or automatic transfers from a savings account.

Spotting a Scam

In 2019, there were 27,000 reported fake-check scams, resulting in losses of more than \$28 million. Recognizing the telltale signs of a scam may prevent you from becoming a victim.

Common "Scamagories"

In most fake-check scams, the victim is told to deposit a check and then given a plausible reason why some of the money has to be returned to the sender. Common scams to watch out for include:

Mystery Shopper. After "hiring" people as mystery shoppers, scammers send a check with instructions to deposit it in a personal bank account. Shoppers are told to wire some of the money through a money transfer service. Unfortunately, the consumer usually discovers that the check is counterfeit only after wiring the money.

Car-Wrap Deals. Victims who agree to use their vehicles for advertising are asked to wire money from a checking account to decal installers, who never materialize to do the wrap.

Claiming Prizes. Sweepstakes "winners" are given checks and told to send money to cover taxes, shipping, handling and processing fees.

Overpayments. Scammers who buy items that someone is selling online "accidentally" send a check for more than the cost and ask for a refund of the difference.

Avoid Fake-check Scams

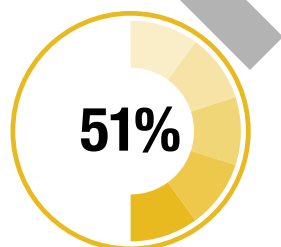
Never send money to someone you don't know. If you are a victim of a fake-check scam, report the scam at [ftc.gov/fakechecks](https://www.ftc.gov/fakechecks) or [ftc.gov/giftcards](https://www.ftc.gov/giftcards).



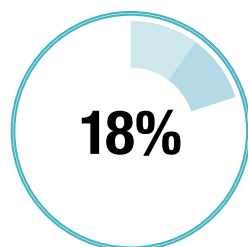
Don't Be a Victim

Counterfeit check scams typically fall into these basic categories:

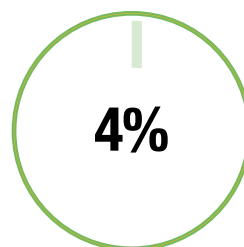
Job & Income Opportunities



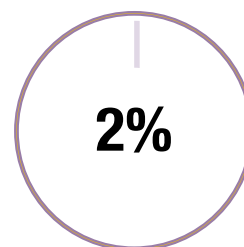
Online Selling



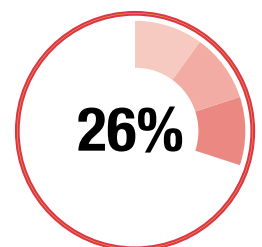
Winnings & Grants



Loans



Other Stories



Income for a Comfortable Retirement

A comfortable retirement isn't just your favorite chair close to the fire and your slippers near by. A comfortable retirement means you have sufficient funds to pay your living expenses and still do the things you've dreamed of doing. Financial security and independence are key when it comes to a happy retirement. That's why having a plan for generating income can help you work toward achieving your goal.

Count Your Income Sources

You've probably been saving for retirement for a long time, so you may have money in a variety of savings vehicles — a 401(k) plan, traditional and/or Roth individual retirement account and other investments. Maybe you have a pension. And you'll probably receive Social Security benefits. Creating an income stream from these sources will help cover your expenses during a retirement that could last 20 or 30 years or longer.

The Three-basket Plan

Dividing your savings into three different "baskets" based on how soon you'll need the money may prevent you from having to sell investments when the markets are down. Basket number one includes the cash you'll need in the next year or so. Look for a high-yield savings vehicle so you can access the money without penalty.

The second basket should hold fixed-income investments that offer some growth potential. Use these funds to replenish the first basket as you spend down your cash.

The third basket can hold investments with the potential for growth, such as equities, that you won't need for several years. You may want to sell investments periodically to add to your second basket.

Delay Starting Social Security

You can maximize the amount you receive from Social Security each month

by waiting beyond your full retirement age to claim benefits. Your benefit amount increases for every year that you don't collect benefits, up to age 70.

Remember that you have to pay income tax on withdrawals from any tax-deferred investments — such as traditional IRAs, 401(k)s, 403(b)s and tax-deferred annuities — in the year you take the money. Of course, this will reduce the amount you have to spend.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

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1. LTM JulyAugust 2021 - Retirement

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The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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