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# Going Back To Work After Claiming Social Security

Courtesy of Horizon Wealth Strategies, LLC

**Q** • What happens if I sign up for Social Security before full retirement age and then go back to work?

**A** • If you work and collect Social Security before you reach full retirement age, the “earnings test” may decrease your benefit payout, depending on how much you earn.

If you won't reach full retirement age in 2020, you can earn up to \$18,240 without affecting benefits (the earnings limit adjusts each year based on the national

average wage index). For amounts above that threshold, Social Security withholds \$1 in benefits for every \$2 you earn. The year you turn your full retirement age, Social Security cuts you a break: The amount exempt from the earnings test is higher — in 2020, it's \$48,600. Plus, benefits are trimmed by just \$1 for each \$3 earned.

Once you reach full retirement age, the earnings test vanishes. Note that income from investment earnings, retirement-account withdrawals and pensions does not fall under the earnings test, which applies only to earnings from a job or self-employment.

The earnings test may cause some pain while you're working, but benefits withheld aren't lost forever. Starting at your full retirement age, Social Security boosts your monthly check to make up for the missed benefits. ↗



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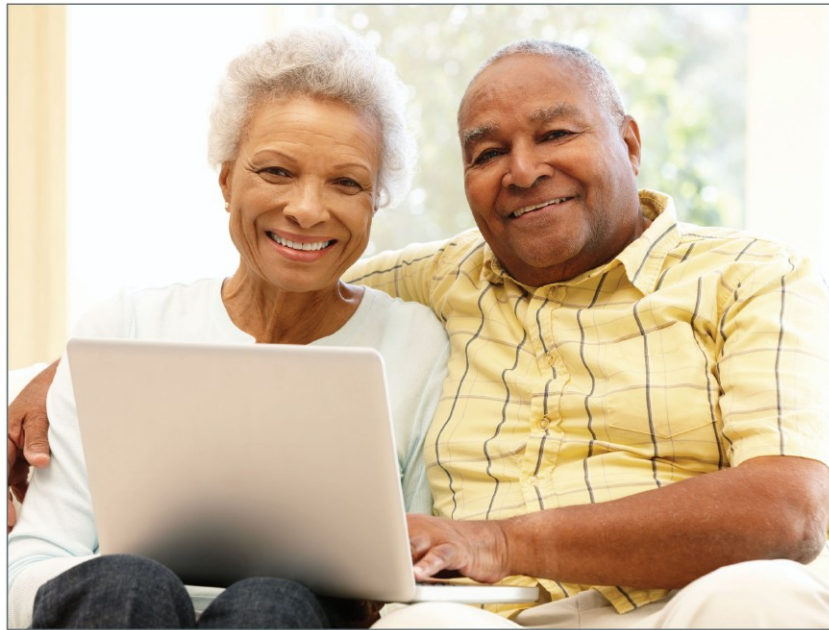
*Time-share exit scams are increasing.* As more people try to get out of unwanted time-shares – which are notoriously difficult to resell, even at a substantial loss – criminals are targeting owners with direct mailings, telemarketing and offers of free lunches and dinners. The scammers claim that they can get time-share owners out of their obligations for an up-front fee – from \$2,500 to as much as \$25,000. The thieves especially target people in their 70s and 80s who are desperate to unload time-shares with ever-increasing annual maintenance fees. The companies claim to offer money-back satisfaction guarantees, but the scammers simply keep the money. *If you have an unwanted time-share:* Talk to the resort-management company or time-share developer directly. Ask about a deed-back or surrender program that will get rid of your time-share obligation.

Source: Kiplinger.com 2019

*0% financing has become common for premium mattresses.* With prices soaring, manufacturers and retailers now offer aggressive promotions. *Examples:* Mattress Firm recently charged 0% interest for six years on purchases of \$3,999-plus... Tempur Sealy, 0% for two years on \$1,500-plus and three years on \$2,000-plus. *Caution:* If you are late on a payment, your interest rate can jump as high as 30%.

Source: Bottom Line Personal magazine 2019

*“Wealth is the product of one’s capacity to think.”*  
– Ayn Rand



## Saving For Retirement As A Couple

By Miriam Cross, Kiplinger’s Personal Finance

**U**nlike bank accounts or credit cards, retirement plans can never be joint. But some couples fall into the trap of saving for themselves rather than for the household.

A 2019 study by the Center for Retirement Research at Boston College found that dual-earner couples run into trouble when one doesn’t have a workplace retirement plan, such as a 401(k). The spouse with the workplace plan often neglects to save enough for two to live on in retirement, even though the couple has the advantage of two incomes.

“People act like individuals no matter what,” says Geoffrey Sanzenbacher, who co-authored the study. His recommendation: Couples should stash a total of 10% to 15% of their household earnings, rather than their personal earnings, in retirement accounts.

Once you and your spouse have worked out how much to save, dig into the strengths and weaknesses of each of your plans.

When Ann Gugle, a certified financial planner in Charlotte, N.C., meets with married clients, she’ll scrutinize the summary plan descriptions for each spouse’s retirement account. “The summary plan description is often overlooked,

but it is a gold mine of information,” says Gugle. These documents can be long, so she recommends focusing on the sections that describe your contribution options and matches. For example, one of you may have a less-generous match or access to a Roth option.

After setting aside enough money so that each of you gets the employer match, if any, compare the

menu of investment options, fees and any advantageous features to decide how you and your spouse should allocate your income. That’s especially important if you can’t afford to max out your plans.

Say one spouse has a huge array of investments to choose from and the other has more-limited options. Start by picking the best of those limited funds — even if they are all, say, small-cap stock funds or international stock funds — and fill in the gaps from the other spouse’s menu of investments to balance out your overall portfolio.

Consider opening a Roth IRA as well. You invest in a Roth with after-tax dollars, and your money continues to grow and compound free of taxes. Withdrawals are also tax-free once you reach age 59 1/2 and you’ve held the Roth for five years. If you and your spouse file your taxes jointly, you can each contribute up to \$6,000 to a Roth IRA in 2020 (\$7,000 if you are 50 or older) as long as your combined modified adjusted gross income is less than \$196,000. The contribution limits then start to phase out, before disappearing completely once your MAGI hits \$206,000.

You will need to get more creative if only one spouse is working. One option for couples who file a joint return is for the working spouse to open and contribute to a Roth or traditional “spousal IRA” for the nonworking partner. ➔

# Four Reasons To Consider Refinancing

By Jill Schlesinger, Tribune Content Agency

Is it time to refinance? According to mortgage analytics firm Black Knight, more than 8 million homeowners could refinance for an average savings of \$270 per month. Here are four reasons for homeowners to consider a refinance:

**Lowering monthly payments:** Maybe your current loan has a high interest rate or perhaps you originally had a 15-year loan and realize that you need more cash flow flexibility and want to move to a 30-year to improve your ability to fund other goals, like retirement or college. One big caveat: The costs of the refinancing (usually 2% to 5% of the loan amount) must be

on a loan secured by your main home or second home to buy, build or substantially improve your main or second home. So if your re-fi is used to pay off another debt, that amount would not be deductible.

**Converting from an adjustable or balloon loan:** If you purchased a home with an adjustable rate mortgage now may be a good time to lock in a loan that will never cause palpitations when rates rise in the future. For those who have balloon loans, (a loan with a fixed rate for a specific period of time, which “balloons” at the end of the term, when a lump-sum payment, equal to the remaining balance of what you owe, is due), perhaps circumstances have changed and you plan to be in the house longer than you expected or you do not want to use your cash to pay off the loan at the end of the term. If that’s the case, a re-fi could be the answer.

**Getting out from private mortgage insurance:** If you purchased your home with less than the “standard” 20% down payment, you are paying for PMI, which can tack on 0.3% to 1.5% of the original loan amount every year, depending on your credit score and the size of your down payment. If the value of your home has increased since the original purchase and you now have 20% equity, a refi may reduce your interest rate and release you from that PMI payment.

incorporated into your analysis. If closing costs are \$5,000 and you will save \$270 per month, it will take you 18.5 months to break even. If the monthly savings are lower, it will take longer to break even, which may or may not make sense depending on how long you think you will be in the house.

**Freeing up equity:** If the equity in your home is tempting you to renovate a kitchen, pay an upcoming big bill or pay off another outstanding debt, be very careful. The Tax Cuts and Jobs Act that went into effect in 2018 changed the tax deductibility rules, limiting interest you pay



*ATM-withdrawal charges are at record highs for people using out-of-network machines.* The average cost is \$4.72—this includes the fee the ATM charges as well as the fee your bank charges. Account overdraft fees also are up since last year, to an average of \$33.36—just below the record of \$33.38, set in 2017. Fees are likely to continue rising as interest rates remain low and banks look for ways to make up for revenue lost as a result.

Source: [FBankrate.com 2019](#)

*Before moving to a mobile home park, understand the differences between living there and living in a single-family house or apartment.* At many parks, you own the mobile home but not the land under it, and monthly payments for land increase over time. Consider land prices in the area over the past several years before making a commitment. Unlike houses or condos, mobile homes depreciate, although in places where you own land, the land itself may rise in value. Mobile homes can be single-wide or double-wide, which has more space and may be easier to resell. Look into special mobile-home costs, such as solid skirting to prevent animals from making their homes underneath. Investigate the community association and any community-wide offerings, such as social activities, a pool and a fitness room.

Source: [Money.USNews.com 2019](#)

*“Never spend your money before you have it.”*

— Thomas Jefferson

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## New Rules Affect Retirement Savings

By Rocky Mengle and Rachel L. Sheedy, Kiplinger's Personal Finance

With the passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act late last year, here are some of the highlights that may impact your retirement savings.

**RMDs begin at age 72.** Required minimum distributions from 401(k) plans and traditional IRAs formerly had to begin in the year you turned 70 1/2.

**No IRA age cap.** Under the old rules, workers could no longer contribute to a traditional IRA once they turned 70 1/2. That age restriction has been eliminated. Now you can continue to put away money in a traditional IRA if you work into your seventies and beyond.

**Stretch IRA eliminated.** Gone are the rules that allowed nonspouse IRA beneficiaries to “stretch” required minimum distributions from inherited accounts over their own lifetimes. Instead, all funds from an inherited IRA generally must now be

distributed to nonspouse beneficiaries within 10 years after the year of the IRA owner's death. (The rule applies to inherited funds in a 401(k) account or other defined contribution plan, too.)

There are some exceptions to the general rule: Distributions over the life expectancy of a non-spouse beneficiary are allowed if the beneficiary is a minor, disabled, chronically ill or not more than 10 years younger than the deceased IRA owner. For minors, the exception only applies until the child reaches the age of majority, usually 18. At that point, the 10-year rule kicks in.

If the beneficiary is the IRA owner's spouse, the heir has more flexibility. Surviving spouses still have the option to roll the money into their own IRA at any time and start RMDs when they turn age 72. Or if they remain beneficiaries, they can delay taking RMDs until the deceased spouse would have turned age 72.

If you banked on having your heirs stretch the IRAs they were to inherit, it's time to consider overhauling your estate plans. 