

Retirement:  
Being Single  
In Retirement  
Can Be Rewarding

2



Plan Options For  
Self-employed  
People

3



As A Successor  
Beneficiary Of  
IRA, Wife Cannot  
Do Rollover

4



**HORIZON**  
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**FINANCIAL NEWS**

**DIGEST**



## MONEYLINE

# Turning A Nest Egg Into Income


*Courtesy of Horizon Wealth Strategies, LLC*

**D**uring your working years, the big decisions were how much to save and where to invest. But now it's time to switch gears. You must figure out how to turn your nest egg into an income stream to last the rest of your life. Consider these simple steps for a high-level estimation.

Begin by creating a retirement budget. Take a look at what you've spent in the past year. Then adjust those expenses for what might change in retirement. For instance, you won't be commuting to work anymore, but you might be traveling to more far-flung destinations.

Next, subtract all your expected guaranteed sources of income, such as a pension, annuity and Social Security. The result is how much you will need to withdraw from your portfolio annually to maintain your lifestyle.

One popular withdrawal guideline has been the 4% rule. Under this rule, you draw 4% from their portfolio in the first year of retirement. Then adjust the dollar amount annually by the previous year's rate of inflation. So, with a \$1 million portfolio, your withdrawal in your first year of retirement would be \$40,000. If inflation goes up 3%, the next year's withdrawal would be \$41,200. And so on.

The 4% rule may be a good starting point, but your situation may vary. Many other factors will impact the future state of your retirement asset; a qualified financial professional can help. 

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*Did you know that to be wealthy in the US requires \$2.27 million?*

That is the average based on what 1,000 adults said when they were surveyed as to what their net worth would have to be for them to consider themselves wealthy.

Source: Charles Schwab's 2019 Modern Wealth Survey

*How to get your credit card's annual fee waived: Start by calling and asking—that*

*is all it takes for some cards at some issuers. If a polite request does not work, explain why you are asking for a fee waiver—emphasize what a good customer you are, how long you have held the card, how much you use it and so on. If that still does not work, inquire about a specific-use arrangement: Some issuers will waive the fee if you spend a designated amount on the card within a specified time. Helpful: If you are unsure whether to keep your card because of its annual fee, explain this to the representative—you might get a fee waiver under customer-retention plans.*

Source: USNews.com 2019

*"A man is rich in proportion to the number of things he can let alone"*

— Henry David Thoreau



## Retirement: Being Single In Retirement Can Be Rewarding

By Janet Bodnar, Kiplinger's Personal Finance

**W**hen I asked readers to share their experiences with being single in retirement, you didn't let me down.

Not only did you offer useful advice, but you also came up with out-of-the-box ideas.

And all your stories are just as valuable for retirees who have a spouse or partner.

Not surprisingly, several of you recommended volunteering as a way to socialize, and the suggestions were all over the map. For example, Ed Chidester volunteers as an English tutor for international students at a community college, as a travel guide for field trips sponsored by the local senior center (he gets to travel free), and as a member of the investment advisory board for his town.

Doris Guenther recommends using your church as a resource. "Deep and lasting relationships can be formed," writes Guenther, "good works can take place, and there are many opportunities to volunteer."

Socializing can sometimes begin at home — even if you live alone.

"Four years ago, I sold my house and moved to

a condo building," writes Nila Whitfield, "so it's a built-in community of 54 friends." John Taxis joined the board of the homeowners association at his condo, "which keeps me very busy and gives me a sense of purpose." Plus, "living in a condo complex brings me in close contact socially, and being on the board makes me sought-after — although that can be a double-

edged sword!"

Socializing doesn't necessarily have to involve people.

"My number-one suggestion for your readers who are alone is to adopt an older cat or dog," writes Lynne Derry. "They make wonderful companions. Volunteer at a shelter, and before you know it, you will find the perfect companion." Plus, she says, "there's nothing better than having a dog to get you out for a walk to meet other dogs — and people — in the neighborhood."

Reader Dorothy Fue Wong, who is 80 years old and has been retired for 25 years, recommends focusing on your physical as well as your mental well-being with regular exercise as part of a class or at the gym.

"That should be your first priority," writes Wong. "The major objective for a single retiree is to live independently as long as possible."

Finally, a couple of you emphasized how important it is to be comfortable in your own skin.

"I've found it more rewarding to seek fun and excitement rather than social connections, even if that means doing things solo," writes Rod Appel, 63, who runs 5K races, paddleboards and skis. "Sometimes I meet interesting people at the races or on the ski hill, but even if I don't find anyone to talk with, I've still had a great time. Retirement is what you make it, so why not live out your dreams?"

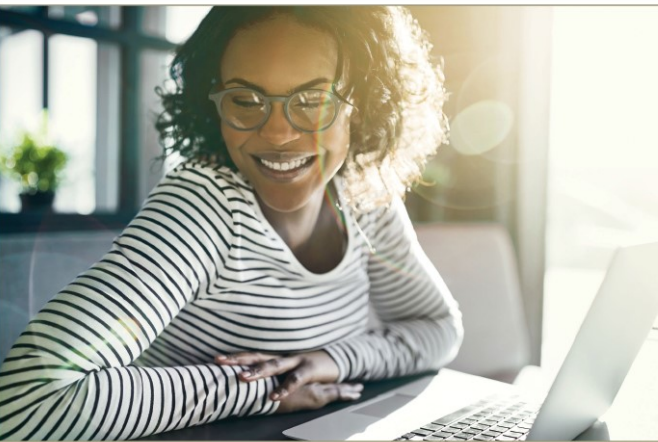
# Plan Options For Self-employed People

By Jill Schlesinger, Tribune Content Agency

I am often asked about the best retirement plans out there for the self-employed. There are a lot of choices and depending on your circumstances, one may be more appropriate than another. The “starter” plan is usually an Individual Retirement Account. But there are other options to consider:

## Simplified Employee Pension (SEP-IRA):

Geared toward those who have up to 25 employees and want to offer a retirement benefit that is easy to operate.



**Contribution Limit:** The lesser of: 25% of your net earnings from self-employment (net profit less half of your self-employment taxes paid and your SEP contribution), up to \$56,000 for 2019, with a \$280,000 limit on compensation.

**Pros:** Available to any size business; low cost; no filing requirement for the employer; and open to all eligible employees.

**Cons:** Only the employer contributes, so the burden is on your shoulders alone; contribution percentages must be equal to the ones you make for yourself, which can add up. There is no Roth version of a SEP IRA.

**Savings Incentive Match Plan for Employees (SIMPLE IRA Plan):** Good for those with up to 100 employees.

**Contribution Limit:** Net earnings from self-employment up to \$13,000 in 2019, plus an additional \$3,000 if you're 50 or older. There is

also an employer contribution of either a 2% fixed or a 3% matching. The compensation limit for factoring contributions is \$280,000 in 2019.

**Pros:** Employees can contribute through salary deferral; less paperwork and testing than a standard 401(k).

**Cons:** Employers are required to make contributions; there is an early withdrawal penalty of 25% if participants withdraw within the first two years of participation in a SIMPLE IRA.

**Solo 401(k) plan:** Geared to those who have no employees (other than a spouse) and have the capacity to sock away a lot of dough.

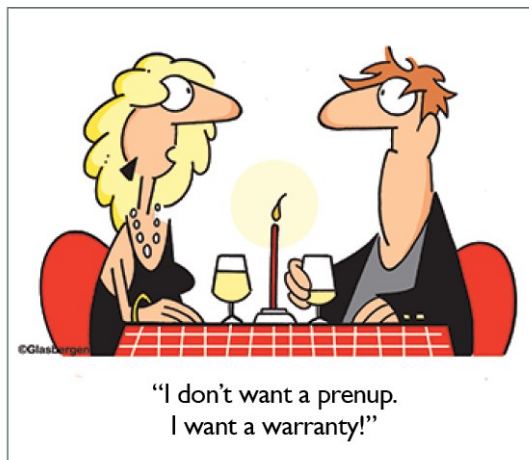
**Contribution Limit:** Salary deferrals up to \$19,000 in 2019, plus an additional \$6,000 if you're 50 or older, either on a pre-tax basis or as designated Roth contributions. You can add another 25% of your net earnings from self-employment for total contributions of \$56,000 for 2019. The limit on compensation that can be used to factor your contribution is \$280,000 in 2019.

**Pros:** You may be able to put more money into a 401(k) than a SEP due to the way the contribution levels are calculated.

**Cons:** More paperwork than a SEP.

**Defined benefit plans:** If you make a lot of money and want to sock away a ton for retirement, you can establish your own pension plan. These are very tricky, not to mention expensive, so you will need to spend money establishing and maintaining them and also funding them for a number of years.

*Please consult your own tax, legal, or accounting professional and HR administrator before making any decisions.* ➔



*Characteristics that invite fraud and how to change them:*

*Respecting authority without question leads people to believe scammers who call and claim to be government agents. Thinking you cannot be scammed can make you more vulnerable to some of the highly sophisticated scams perpetrated by thieves. Being friendly on social media invites scammers to pose as friends... limit contacts to real friends and family. Being in crisis—because of a recent death or health emergency—increases vulnerability... be especially careful about giving out personal information during times of high stress.*

*Source: AARP Bulletin 2019*

*Employer 401(k) matches are at an all-time high.* The average employer match reached 4.7% this year. That represents an automatic 4.7% return on invested money—before any gains from the investments in the 401(k). Experts recommend saving about 15% of annual income for retirement—but almost one-quarter of US adults have no retirement savings at all.

*Source: CNBC.com 2019*

*“Money may kindle, but it cannot by itself, and for very long, burn.”*

— Igor Stravinski



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## As A Successor Beneficiary Of IRA, Wife Cannot Do Rollover

By Elliot Raphaelson, Tribune Content Agency

**Q.** *My husband inherited an IRA from his deceased father, who had already been receiving distributions based on his life expectancy. My husband has named me as the beneficiary of that IRA. If he predeceases me, can I roll that IRA into my own IRA?*

**A.** No, because in this case you would be a successor beneficiary. If your husband does predecease you, you would be entitled to continue receiving distributions from your late father-in-law's IRA on the same terms as your husband. When your husband inherited the IRA from his father, he did not have the option to roll the IRA into his own IRA, according to IRS rules. Only a spousal beneficiary is given that option.

Your husband took advantage of the "stretch option" I've written about before. Non-spousal beneficiaries must take required minimum distributions (RMDs) based on their own life expectancy. Because he is younger than his father, he has a

longer period over which to take the distributions, which gives the IRA's assets more time to compound tax free. It's a nice advantage.

If you happen to be the beneficiary of your husband's own IRA, you will have options if he predeceases you:

You can treat it as your own, you can roll it over into another IRA or qualified plan, or you can treat yourself as the beneficiary. However, to reiterate, on this IRA he has inherited, you are a successor beneficiary and not a spousal beneficiary.

If you do ever inherit this inherited IRA, you should immediately name a successor beneficiary, who would continue to receive distributions on the same terms as the original beneficiary, your husband. For more information, consult IRS Publication 590-B, which is available online. [👉](#)

