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After Equifax, Consider A Credit Freeze

Courtesy of Horizon Wealth Strategies, LLC

A credit freeze is the strongest measure you can take to prevent thieves from opening new credit accounts in your name. When you freeze your reports, new creditors cannot view them to evaluate your eligibility for a credit card, loan or other product that requires a credit check.

You must contact each credit agency individually You'll receive a PIN, which you'll have to supply when you want to temporarily lift or permanently remove the freeze.

If you're a victim of identity theft and submit documentation such as a police report, a credit freeze is usually free. (If your personal information has been compromised but a criminal has not made fraudulent use of it, you are not considered a victim.) Otherwise, placing a freeze often incurs a fee, typically $5 to $10, depending on the state.

Instead of a freeze, you can place a free initial fraud alert on your credit reports. The fraud alert notifies lenders that they should take extra steps to verify your identity, such as calling you at a phone number you provide, when someone applies for credit in your name. An initial alert lasts for just 90 days, so you'll have to keep renewing the fraud alert.

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Bluesnarfing is the newest card fraud at gas pumps and ATMs. Bluesnarfing allows fraudsters to use skimming devices at gas pumps or ATMs and use Bluetooth technology to intercept and capture credit or debit card information during the payment transaction. *Self-defense:* Use a credit card, not debit, as credit cards have better protection against fraud. Jiggle the area where the card is read. If it seems loose, don't use it.

Source: CreditCards.com

Overdraft protection on prepaid debit cards is available starting last October. This feature allows prepaid debit card users to spend more than the balance on their cards. But it will be different from checking-account overdraft protection. It cannot be offered when a card is issued—consumers must wait at least 30 days. Then they must apply for it—it cannot be offered by default. Overdrafts will be handled as a separate line of credit—consumers who overdraw their prepaid-card accounts will get statements indicating monthly payments. Interest rates can be as high as 25% a year.

Source: Consumer Financial Protection Bureau, ConsumerFinance.gov.

"An investment in knowledge pays the best interest."

— Benjamin Franklin

Changing Jobs? Consider These 3 Financial Tips

Making a job change is filled with many emotions and important considerations. Whatever your reason for seeking a new job, it is important to give careful consideration to your individual situation.

Monitor your day-to-day money matter. Job loss of any kind impacts every aspect of your life. Bringing in less money than you are accustomed to has the potential to create a ripple effect on your monthly budget and expenses. You may have to consider reducing spending, reworking your budget, and limiting your credit card use.

Decide how to receive severance pay. Did you know, severance payments in the form of salary continuation, equal to or exceeding your previous weekly wages, typically qualify as income? As a result, you may be ineligible for unemployment benefits until salary continuation payments end.

Stick to your long-term financial goals. Accessing your retirement plan can seem like an easy way to make ends meet, but withdrawing early may result in additional income tax and a potential 10% tax penalty. Unless it is absolutely necessary, avoid accessing assets that are earmarked for your long-term goals. And, although it may be tempting, don't let your insurance lapse.

Common scenarios & their tax implications.

Taxable: Your final paycheck included severance pay and accumulated leave, sick, and vacation pay. Appropriate withholding can help mitigate the tax liability.

You are approved for and begin collecting unemployment benefits. You can request that federal income taxes be withheld from unemployment checks.

You access your retirement plan to manage short-term cash flow requirements. You will be required to pay taxes on the distribution. If you are under age 59½, you may also be subject to a 10% early withdrawal penalty.

Tax Deductible: You incur costs associated with your job search. Costs associated with your job search, such as resume preparation, employment agency fees, and travel to and from interviews are tax deductible. You find a new job, but must relocate. Your moving expenses may be tax deductible.

Nontaxable/other: While unemployed, you receive monetary gifts from friends and family to help manage expenses. This is not considered taxable income to you, but the giver may be taxed if the gift exceeded the annual gift exclusion amount.

Consolidate retirement accounts. Once you start a new job and if your new employer offers a traditional retirement plan—make sure you enroll as soon as you are eligible. It's also wise to contribute at a level that will earn any employer match to help maximize savings. Consider rolling over any retirement plans from previous employers to make it easier to keep track of and manage investments. And, while examining your new employee benefits package, consider supplemental insurance options to help protect your family and provide peace of mind.

For 2018, you can contribute up to $18,500 in your employer qualified retirement plan, and if you're 50 years old or older, it's $24,500?

Transitioning between jobs can be a challenge—professionally, personally, and financially. In times of financial difficulty, consult your financial, legal, and tax professionals for guidance with your money and investments.



How Do RMDs For 401(k)s Differ From Those For IRAs?

By Kimberly Lankford, Kiplinger's Personal Finance

Q. ***Are there any differences in the RMD rules for 401(k)s and for IRAs?***

A. The basic rules are similar: You generally must take required minimum distributions from traditional IRAs and 401(k)s every year after you turn age 70½, and you use the same IRS life expectancy tables to calculate the amount (see our RMD calculator at Kiplinger.com). But there are differences in how and when you take the money.

Calculating the RMD

You can add up the balances in all of your traditional IRAs as of Dec. 31 of the previous year, divide that by the IRS life expectancy factor, and take the money from any one or more of your traditional IRAs. With 401(k)s, you must calculate the required distributions separately for each 401(k) account and withdraw the required amount from each account. Your 401(k) administrator may automatically send you the required amount if you haven't taken it by a certain date (usually late December).

What happens if you're still working

If you're still working past age 70½, you don't have to take RMDs from your current employer's 401(k) until after you leave your job (unless you own 5 percent or more of the company). But you do have to take RMDs from previous employers' 401(k)s and from your traditional IRAs after age 70½, even if you're still working. You may be able to delay taking those RMDs, however, if your current employer allows you to roll over money from other retirement accounts into its plan.

Roth IRAs and Roth 401(k)s

You don't need to take RMDs from Roth IRAs, but you do need to take them from Roth 401(k)s each year (the withdrawals from a Roth 401(k) aren't taxable). However, you can roll money over from a Roth 401(k) to a Roth IRA to avoid taking future RMDs. (If you're over age 70½, however, you'll have to take that year's required distribution from the Roth 401(k) before you can do the rollover.)

Tax-free transfers to charity

If you're over 70½, you can transfer up to $100,000 each year from your IRA to charity tax-free (called a qualified charitable distribution). The amount you transfer to charity counts as your RMD but isn't included in your adjusted gross income. But you can't make a tax-free transfer from your 401(k) to charity. However, you can roll over money from your 401(k) to an IRA and make future QCDs.

"If you factor in the money you didn't lose on the investments you didn't make,, you're doing quite well!"

The 10 least expensive vehicles to insure in 2018: *Insure.com* recently compared the cost of insurance at six firms for 2,800 vehicles and compiled a list of the lowest average annual insurance premiums for those cars. The least expensive to insure: Honda Odyssey LX, $1,112…Jeep Renegade Sport, $1,138…Jeep Wrangler Black Bear, $1,148…Honda CR-V LX, $1,170…Jeep Compass, $1,183…Subaru Outback 2.5l, $1,187…Jeep Cherokee Sport, $1,188…Buick Encore, $1,190…Jeep Patriot Sport, $1,190…Subaru Forester, $1,196.

Source: Insure.com

Be sure your home is completely insured in case of a catastrophic loss that could run into hundreds of thousands of dollars. *Update your insurance profile annually,* including home improvements, and ask your agent to be sure that the amount of insurance you carry will cover "full replacement" if your home is destroyed. *Cover all your possessions*—take inventory and estimate their replacement cost. *Increase liability coverage* to be sure that you are protected if you, a family member or a pet causes injury—a typical policy provides $300,000, which you can increase to $500,000 for $25 to $50 a year or to $1 million with an umbrella policy costing $150 to $300 annually.

Source: Kiplinger's Personal Finance

"He who rejects change is the architect of decay."
— Harold Wilson

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You're A Worse Investor Than You Think

By Jill Schlesinger, Tribune Content Agency

It's great that your son is maxing out his 401(k) at age 23! The 2017 Nobel Prize in economics was awarded to Richard Thaler of the University of Chicago for research showing how our emotions can impact economic decision making.

Thaler's specialty, called "behavioral finance," explains why so many of us become our own worst enemies when it comes to investing. Here are ways our emotions can betray us:

Confirmation bias: If you believe that the stock market is likely to keep rising—or, conversely, that a crash is imminent—you are likely to find affirmation of those views as a rationale for continuing to hold them. The best way to fight confirmation bias is to find credible sources that argue the other side, and to resist any urge to outguess the trend by sticking to a diversified portfolio, which you rebalance on a periodic basis.

Recency bias: We tend to remember recent events more vividly and give recent information more weight than historical information. That can cause us to believe that what's happened recently will continue to occur. When stocks are trading higher, investors erroneously believe that the trend will persist, and when they tumble, they cash out and hide. Recency bias is the reason securities law requires that every investment disclosure contain this sentence: "Past performance is no guarantee of future results."

When markets are reaching new highs or lows, fight this bias by returning to the reasons that you are investing, and remind yourself that there is no reason to alter your plan.

Illusion of control bias: Some investors want to believe that with time, energy and focus, they—or some other expert—can determine which assets will outperform others, and therefore they can control investment outcomes. Sadly, Mr. Market consistently proves them wrong. It is difficult for many to face the fact that the market can be irrational, unpredictable and volatile in the short term. The best way to combat that fact is to accept it and create a plan that accounts for variability.