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FINANCIAL NEWS DIGEST

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# Retirement Planning Mistakes

*Courtesy of Horizon Wealth Strategies, LLC*

Here are just a few of the retirement planning mistakes I see people making:

**Underestimating lifespan and over-estimating investment returns.** We are expected to live longer than our ancestors. Many of us will be spending 25 years or more in retirement. Naturally, the longer we live, the more of a nest egg we will need. Also, many experts feel that the returns from both equities and the bond market may not be as high as they have been in the past.

**Underestimating retirement expenses.** One of the most underestimated expenses in retirement is health-care costs. Too many employees errantly believe that Medicare plans with supplements and prescription drug insurance will cover practically all their medical expenses.

**Failing to diversify enough.** Too many people maintain portfolios that are not broad enough. Sectors that perform well for a year or two may not continue to do as well. Consider a portfolio that is diversified across multiple sectors.

**Investing too much in a home.** Your retirement will be much easier if you enter it without a large mortgage. You should consider downsizing prior to retirement, or pre-pay the outstanding mortgage balance so your housing expense in retirement is reduced.

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*You can pay for a computer with money from 529 college-savings plans.* The computer must be for a student enrolled at an eligible college, and he/she must be the primary user. Software and Internet access can be paid for through 529 plans as well. But the plans may not be used for equipment for high school students and probably not for students who are in a gap year between high school and college.

*Source: Detroit Free Press*

*New mortgage approval policy from Fannie Mae benefits some borrowers.* As of September 2016, Fannie Mae, the government-sponsored buyer of home mortgages, started favoring borrowers who are paying down their credit cards rather than making minimum payments. *Example:* If two borrowers both have $10,000 in credit card debt, Fannie Mae will favor the borrower who had $20,000 in debt six months ago and has paid it down over the borrower who had $3,000 in debt but charged another $7,000 and is making minimum payments.

*Source: HSH.com*

*Car insurance rates often are reduced by 10% for those age 55 or older.* You may have to take a driving class to qualify, depending on the insurance company.

*Source: Fidelity.com*

*"Many a man thinks he is buying pleasure, when he is really selling himself to it."*
— Benjamin Franklin


# Have The Estate Planning Talk

*By Jill Schlesinger, Tribune Content Agency*

Family conversations about money are almost always difficult, particularly the topic of estate planning.

Why is this topic so hard?

*Son (age 40):* "Mom, have you and Dad updated your will recently?"

*Mom (age 75):* "Why—are you hoping that we will die soon, so you can finally pay off that big mortgage that we warned you not to take?"

You can see how these kinds of conversations can go downhill pretty fast, which is why each side needs to resist the urge to grab whatever bait is thrown out. Parents of teenagers have been told "not to take anything that they say so personally"; that advice applies to discussing financial and estate issues with your loved ones too.

Instead of jumping into such a discussion full throttle, it's helpful to focus on an isolated issue, like titling of a bank account or making a beneficiary designation. This can lead to a broader discussion on family finances and estate planning.

Once you break the ice and start the process, it is helpful to ask what goals you are trying to accomplish. Do you want to ensure that your assets will be passed to the next generation and beyond? Are you worried that one of your heirs will squander any money that is left to him or her? Do you want to be charitable? Are you anxious that you will offend one of your heirs?

The good news is that by discussing your concerns with a qualified estate attorney, you can build a plan that addresses all issues and concerns. It's important not to get stuck on the next 50 years. Every estate plan can be changed—and in fact should be revisited every few years.

Here are the basic documents that you will likely draft:

**Will:** This ensures that assets are passed to designated beneficiaries in accordance with your wishes. In the drafting process, you name an executor, the person or institution that oversees the distribution of your assets. If you have minor children, you need to name a guardian for them.

**Letter of instruction:** This may appoint someone who will ensure for the proper disposition of your remains—creepy but important if you are choosing a method that is contrary to your family's tradition.

**Power of attorney:** This appoints someone to act as your agent in a variety of circumstances, covering matters such as withdrawing money bank accounts, responding to tax inquiries or making trades.

**Health care proxy:** This appoints someone to make health care decisions on your behalf if you lose the ability to do so.

**Trusts:** Revocable (changeable) or irrevocable (not-changeable) trusts may be useful, depending on family and tax situations.

The goal is to have these documents in order before the circumstances that necessitate them arise. As difficult as it is to initiate a conversation about these circumstances, that is far easier than facing them unprepared.

# Can I Contribute To My 401(k) If I Work Part-Time?

*By Kimberly Lankford, Kiplinger's Personal Finance*

**Q:** *If I "retire" from full-time work but continue with the same employer part-time, can I still contribute to my company's 401(k), or do I have to stop at age 70 1/2? Also, can I avoid having to take RMDs at age 70 1/2 because I'm still working there, or do I need to work a certain number of hours to qualify?*

**A:** Employers can't prevent employees from participating in their 401(k)s just because they reach a certain age, so you should be able to contribute even after age 70 1/2 if you qualify otherwise. However, some employers let part-time workers participate in their 401(k)s while others do not, and the number of hours required to be eligible can vary by employer, too, says Keith McGurrin, a certified financial planner with T. Rowe Price.

If you are working enough hours to participate, you can still make contributions and may also be able to delay taking RMDs—although those rules vary by plan, too. "Some employees who continue working at their employer past age 70 1/2 find themselves eligible to continue making plan contributions but also having to take RMDs at the same time," says McGurrin. If your employer doesn't permit part-time workers to participate in the plan, you will need to start taking your required minimum distributions at age 70 1/2.

If you switch to working as a consultant and are considered a self-employed independent contractor rather than an employee, you usually won't be eligible to contribute to the employer's 401(k) and you'd have to start taking RMDs from the plan at age 70 1/2. Self-employed people can contribute to a solo 401(k) at any age, but you will have to start taking RMDs from the solo 401(k) at age 70 1/2, too. The reason: You can't delay taking RMDs even while working if you own more than 5 percent of the company.

Whether or not you're still working, you'll need to start taking RMDs from your traditional IRAs after you turn 70 1/2. You can't make new contributions to traditional IRAs after age 70 1/2, but you can contribute to a Roth IRA at any age if you have earned income from a job.


"You saved $126 for your retirement. My advice is to convert it all to pennies and reinvest it at the nearest wishing well."

***Tipping protocol while traveling in the US:*** Rental car shuttle bus driver, $1 or $2...skycap, $2 to $3 per bag...airport wheelchair attendant, at least $5, depending on the assistance provided...hotel maid, $2 to $5 per night...bellhop, $1 to $2 per bag...taxi or Uber driver, 15% to 20%, but varies depending on length of trip...half-day or full-day tour guide, $5 to $25...bus tour guide, $5 to $10.

*Source: Bottom Line Personal Magazine*

***Buying a home is now cheaper than renting in all 100 of the largest US metro areas,*** ranging from 52.3% cheaper in New Orleans to 14.4% in Honolulu, according to a survey by the home-listing website Trulia.com. On average, buying is 34.8% cheaper. The survey, which assumes that the person will live in the home for seven years, took into account factors including monthly rent and renter's insurance for rentals versus the purchase price, a 20% down payment, closing costs, monthly mortgage payments on a 30-year fixed-rate mortgage, property taxes, homeowner's insurance, maintenance and utility costs and likely home price appreciation as well as savings from interest tax deductions.

*Source: The Wall Street Journal and Trulia.com*

*"People are living longer than ever before, a phenomenon undoubtedly made necessary by the 30-year mortgage."*
— Doug Larson

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# How To Thwart Identity Thieves

*By Lisa Gerstner, Kiplinger's Personal Finance*

Experts say protecting your Social Security number and rejecting online and phone scams are critical to protecting your personal data from falling into the wrong hands.

A Social Security number is like gold to an identity thief. A crook can use it -- along with other information, such as your name, address and birth date—to open credit card or loan accounts, file a fraudulent tax return, obtain government benefits and get medical care.

Never carry your Social Security card in your wallet, and don't leave anything in your car that contains your SSN or other sensitive information. If you don't think an organization needs your SSN, omit it on forms. If the company insists that it needs the number, ask how it will protect your information. Walk away if the response doesn't satisfy you.

During tax season, submit your return as early as possible. You may deflect any attempts by thieves who already have your SSN to file a return in your name and collect a refund.

You may receive phone calls or e-mails from fraudsters claiming to be representatives from, say, your bank, the IRS or even a doctor's office requesting personal information or demanding payment. If you're not sure that a call or message is legitimate, look up the phone number for the company and call to ask whether it contacted you. (The IRS never initiates contact about a bill by phone or e-mail.)

Never download a file or click on a link in an e-mail or text message unless you're sure it's from a safe source. Doing so could infect your device with malware or lead you to a scam website that mimics a real one. In one scheme, smartphone users who click on fraudulent ads or links in text messages unknowingly install malware that later gathers their identifying information when they use banking applications.