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How To REALLY Get Ready For Your Retirement Years

According to the U.S. Census Bureau, about 77 million "baby boomers"—people born between 1946 and 1964—were alive when the first wave of boomers turned age 65 in 2011. Now, more than 10,000 baby boomers celebrate their 65th birthdays every day, and by 2030 those who are 65 and older will represent an estimated 20% of the entire U.S. population.

If you're part of this demographic surge, it's essential to plan ahead for your pending retirement, which is likely to last much longer than those of previous generations. Someone who's 65 now can expect to live to 84.3, on average, according to the National Center for Health Statistics. So you easily could live for 20 years or longer after you retire.

How can you prepare financially for what's ahead? While there are no guarantees, these three ideas can be sound strategies for the future:

1. Slide into retirement gradually. Retirement doesn't have to be like a bandage that you rip off quickly. Staying on the job longer has obvious financial advantages. If you're still earning a paycheck, you probably won't need to take early Social Security benefits or distributions from your retirement plans or IRAs, and waiting longer to begin your withdrawals will mean bigger payouts. But a gradual transition to retirement also may help in other ways. Many people simply aren't able to cope with such a drastic lifestyle change in one fell swoop.

If you've been an executive, or you're a business owner or partner, you may be able to stop working full time but continue as a consultant. That can help your company, too, and you may retain some valuable fringe benefits. In addition, when you work part time, you can continue to contribute to retirement plans and IRAs.

2. Time your Social Security benefits. Deciding to keep working at least part time can affect when you file to begin receiving Social Security retiree benefits. You can start as early as age 62, but the monthly amount you receive then will be about 25% less than if you'd waited until the normal retirement age for full benefits (age 66 for most baby boomers). If you delay benefits even longer, noting the latest age to claim is at 70, the annual benefit increases about 8% per year for every year you don't claim past your full retirement age.

Deciding when to begin benefits requires an in-depth analysis of your

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Ben's Banter

From our "Breaking News" department, let's all welcome TFA's newest addition. Samuel Jacob joined parents Dan and Jillian Tobias on September 9th. He tipped the scales at 8 pounds, 9 ounces and measured 20.5 inches. His twin older sisters, Amira and Nora, are also very excited about their new little brother!

I recently saw an article about Derek Jeter, the star shortstop who played twenty years for the New York Yankees; he recently retired in 2014. Certainly 20 years is long term in baseball but interestingly, the attributes displayed by Jeter during this time translate well to the investment arena.

1. Don't try to hit home runs: The adage of "Slow but steady wins the race" comes to mind. Go for the singles and doubles instead of the homer, where you are more likely to strike out.

2. Be a Leader: Don't follow the crowd, set your own plan and follow it.

3. Stay balanced at the plate: Being diversified and remaining flexible reduces risks.

4. Keep an even keel: In the best of times and the worst of times, stay cool, calm and collected.

5. Plan ahead for a comfortable retirement: Stick to your plan, and you will have a better chance of achieving your goals, just as Jeter has done.

I find it interesting how success in completely different areas is facilitated by the same core principles.

Remember, no one plans to fail, they simply fail to plan.

Thanks,
Ben
CPA/PFS, CFP®, CIMA®

How A Financial Advisor Can Help

What are your hopes and dreams for the future? They probably begin with being able to provide for yourself and your family. But you also might aspire to a bigger home, an exotic vacation or another luxury, savings for your children's education, and a nest egg for retirement.

While you may be able to achieve all of those things, you can't just snap your fingers and make them happen. You'll need hard work and financial discipline, and you'll need to make a long-term commitment to work toward your goals. Enlisting the services of a financial advisor could help guide you along the way.

Of course, you still would be the one calling the shots, but an advisor can provide valuable assistance in many respects. An advisor can help you:

- Assess your current financial status, including your income, investments, assets, liabilities, insurance coverage, tax situation, and estate plan;
- Set goals that are both ambitious and reasonable;
- Account for changes in your personal circumstances (births, deaths, marriage, or divorce);
- Address weaknesses in your current investment and retirement planning;
- Develop a comprehensive plan to suit your current needs and future desires.

Couldn't you do all of this on your own? If you're sufficiently savvy about financial matters you could, but few people have the time, expertise, and inclination to do all that's required. And even if you're determined to tackle your financial objectives by yourself, you could need a push to get you started. What's more, an objective third party such as a professional financial advisor may add a valuable new perspective to your own outlook. You might benefit from having someone review key decisions about your financial future.

Even if you don't feel you need the help of a financial planner now, something could happen to trigger a call for help. For instance, maybe you've inherited a large sum of money or property and you're not sure how to handle it. Perhaps you, or your spouse, have been laid off from a job and suddenly money is tight and you're forced to make financial trade-offs. Or you may require assistance on other financial fronts ranging from elder-care planning to paying higher-than-expected college costs for your kids or resolving a shortfall in your retirement savings.

If you do decide to use a professional financial advisor, you'll still need to find one who is experienced and has experience helping clients in your situation. We would be glad to show you the high level of services that we provide. ●

3 Ways To Deduct Mortgage Interest

Your home is more than an investment and a place to live—it also can be a valuable source of tax deductions. For many homeowners, one of the biggest itemized deductions on Form 1040 is the one for qualified residence interest (commonly called the "mortgage interest deduction"). In the usual situation, you can write off all, or almost all, of the mortgage interest you've paid for the year.

But this generous tax break might not stay intact forever. Recent proposals in Congress would scale back some of the tax benefits. Keep an eye out for future developments.

Under current law, you may claim deductions for three basic types of mortgage interest, up to certain limits:

1. Acquisition debt. This involves mortgage proceeds you use to buy, build, or substantially renovate a home. The loan must be secured by a qualified residence (either your principal residence or a second home such as a vacation home). Interest on such debt is deductible on amounts of up to $1 million. Acquisition debt often amounts to the lion's share of your mortgage interest deduction.

2. Home equity debt. If it's allowed by the laws of your state, you also may deduct the interest on home equity loans secured by a qualified residence, regardless of how you use the proceeds. But with home equity debt, deductions are limited to interest paid on loans of up to $100,000. In addition, the loan amount can't exceed your equity in the home.

3. Points. Although points really aren't mortgage interest, the tax law essentially treats them as if they were. These are the charges a lender may impose when you obtain a mortgage. (One point equals 1% of the amount you borrow.) You can deduct any points you paid for acquisition debt, but you'll need to deduct charges for refinancing over the term of the loan.

7 Traps For IRA Owners To Steer Around

The rules for IRAs offer plenty of opportunities to save a tidy nest egg through contributions directly to the accounts as well as rollovers from 401(k)s or other employer-sponsored retirement plans. Funds in the accounts normally compound tax-deferred while you're working and into the early years of your retirement. You won't owe a penny of federal income tax until you take money out of your IRA.

But if you don't fully understand those rules for IRAs you could run into trouble. Consider these seven common tax traps:

1. You withdraw money from your IRA too early. Because IRAs are meant to be used for retirement saving, the government will penalize you for taking withdrawals prematurely. Generally, a 10% tax penalty applies to distributions made before you reach age 59½, although there are some exceptions—your heirs won't owe the penalty on withdrawals if you die before you reach that age, and you also are allowed to take "substantially equal periodic payments" over several years without penalty. But when you do have to pay the penalty, 10% is added to the regular income tax you owe on the withdrawal.

2. You fail to withdraw money from your IRA. But you're also not allowed to keep money in an IRA indefinitely. The IRS requires you to begin taking required minimum distributions (RMDs) in the year after you reach age 70½. Then you must take an RMD, based on a life expectancy table and the amount in your account at the end of the prior year, for each succeeding year. Failure to take RMDs results in a penalty equal to 50% of the amount that should have been withdrawn.

3. You don't complete a rollover in time. The tax law allows you 60 days from the time you receive a distribution from a tax-deferred retirement plan to redeposit the funds in an IRA. This rollover is exempt from federal income tax. That's generally true whether the rollover comes from an employer plan or from another IRA. However, if you don't redeposit the same amount as you withdrew within 60 days, the transfer is treated as a taxable distribution.

4. You double up on RMDs in the first year. Technically, you don't have to take your first RMD until April 1 of the year following the year in which you turn age 70½. However, if you wait until then to withdraw that first year's RMD, you still must take an RMD for the second year as well. What's more, doubling up on RMDs in one year may increase your overall tax by pushing you into a higher tax bracket. You might end up owing less in taxes if you take the first distribution during the year you turn 70½.

5. You roll over to another IRA more than once a year. Although rollovers aren't taxed as long as they're completed within 60 days, you can make an IRA-to-IRA transfer only once during a 12-month period. Violation of this "once-in-a-year rule" results in a taxable transfer. Previously, the IRS treated this rule as applying separately to each IRA you own. However, because of a recent Tax Court case and a subsequent change in IRS rules, the once-a-year rule now applies to all IRAs. So if you make a transfer between any of your accounts, you won't be able to make another one until a year has passed.

6. You make the wrong choice for a spousal rollover. Spouses who inherit an IRA may elect to treat the IRA as their own, remain as a beneficiary of the deceased spouse's IRA, or "disclaim" the IRA so that it goes to a contingent beneficiary. This complex decision could have unintended tax consequences. For instance, if you inherit an IRA, you are under age 59½, and you need to make a withdrawal, designating the IRA as your own could result in a 10% tax penalty.

7. You ignore estate tax ramifications. IRA owners sometimes forget the estate tax implications of inherited IRAs. Because IRA assets will be included in your taxable estate, the person you designate as beneficiary can make a difference. Spouses normally can inherit an unlimited amount without owing estate taxes, but that money could be taxed when the second spouse dies. It pays to consider all of the possible implications when you work with your advisors to devise an estate plan that fits your situation.

By paying close attention to the rules, and sidestepping these traps, you can derive the maximize benefits from your IRAs. ●

For instance, if you refinance a $200,000 mortgage with a 10-year loan and pay two points – or $4,000 – you may deduct $400 in points ($4,000 divided by 10) annually for 10 years.

Mortgage interest deductions are claimed as itemized deductions on Schedule A of Form 1040. You can claim the deduction only if you're an owner of the home and pay the interest. Other special rules may apply, but this overview covers the basics.

Keep in mind, though, that the "Pease rule" may reduce your itemized deductions, including mortgage interest deductions, if your income is sufficiently high. The reduction equals 3% of the excess adjusted gross income (AGI) over an indexed threshold (but not by more than 80% overall). For 2015, the AGI threshold is $258,250 for single filers and $309,900 for joint filers. ●

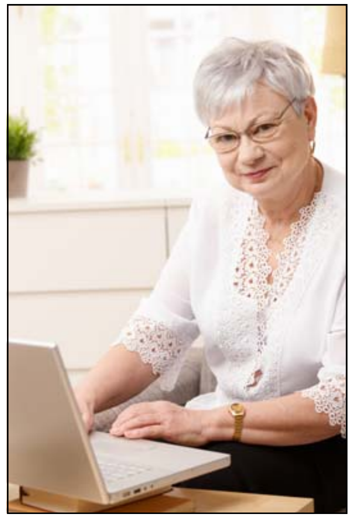
You Know You're Getting Old When You Get RMD Notice

Growing older is something everyone must face, even if it's only one day at a time. But what is old, and how do you know when you get there? One way is when you get a notice that you have reached the year of your 70th birthday and must begin taking required minimum distributions from your 401(k) or other retirement plan or a traditional IRA account. This is a wakeup call, and a shock, for some people.

Here is a typical notice from an IRA custodian. Sent this year, it reads, "Federal tax law requires that you receive taxable payments from your traditional IRA every year once you reach age 70½. These payments are called required minimum distributions (RMDs). If the RMD is not taken, the IRS could assess a 50% excess accumulation penalty tax on the amount of the payment that should have been distributed but was not. According to our records, you have a traditional IRA with us and will attain age 70½ in 2015."

Owners of Roth IRAs do not receive these notices because there's no tax deduction for Roth contributions—that money already has been taxed—and withdrawals therefore are tax-free.

A woman who recently received a RMD notice called her IRA custodian and exclaimed that she was shocked into reality about her age when she received the notice. "Even though I was of course aware of my age at one level, the notice shocked me into reality that indeed I am getting old." Although still working, she said she plans to retire after she takes her first withdrawal by April of 2016. By law, RMDs may be taken as late as April of the year following the year a person turns 70½.



Now, back to the question of how old is old. According to statistics compiled by the Organization for Economic Cooperation and Development (OECD), whose membership is composed of 36 nations, the average man in the U.S. as of 2011 could expect to live to age 76. Women in the U.S. the same year can expect to live to an average age of 81.

As far as longevity is concerned, the U.S. doesn't fare very well when compared to other nations. This country ranked No. 26 among the 36 OECD member nations, with an overall life expectancy for both genders of 78.7.

That's the bad news. Now, here's the good news: people are living longer as time passes.

Here's proof: according to statistics compiled by Infoplease, overall life expectancy in the U.S. in 2014 had moved up to 79.56 years.

Time is precious. Enjoy the rest of your life on earth. Proper retirement planning will help ensure your life's enjoyment after you reach "old age."

We are more than happy to assist with your planning. ●

Get Ready For Your Retirement

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circumstances. Also, keep in mind that you may have to forfeit some Social Security benefits if you're still working before your full retirement age. Usually, it doesn't make sense to apply for benefits if you then have to give back part of the monthly payout.

3. Take systematic withdrawals. When it comes time to start taking distributions from the assets you've accumulated—and the longer you can postpone this, the better—it's wise to be systematic about it. One traditional method is to use a 4% solution, withdrawing 4% of your account balances in the first year and then adjusting subsequent distributions based on market performance, inflation, and other factors. Yet there are limitations to that method, and we can work with you to assess your personal situation and create a customized, systematic approach that works for you.

However you proceed, there are a few basic guidelines about when to tap each of your sources of retirement income. It's normally best to start with taxable accounts, such as stock and mutual fund holdings that aren't in tax-advantaged retirement accounts. Generally, these distributions will result in long-term capital gains, taxed at a maximum rate of 15% for most investors and 20% if you're in the top tax bracket for ordinary income. Then you can take money from traditional IRAs and retirement plans such as 401(k)s; that income will be taxed at your ordinary income rates. You'll likely want to save Roth IRAs for last. Unlike with other retirement accounts, which generally require you to take minimum withdrawals after age 70½, you can leave your money in a Roth as long as you like, and distributions from these accounts generally won't be taxed.

These three strategies aren't all you'll need to consider in positioning yourself for a long retirement. But making a gradual transition into your retirement years, figuring out the best timing for your Social Security benefits, and tapping your assets in a logical order can go a long way toward improving your chances for a successful retirement. ●