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Don't Be Victimized By These 10 Common Scams

Scams of all varieties continue to bilk unsuspecting victims out of billions of dollars each year. In particular, older Americans are being targeted, especially those who have been recently widowed. With that in mind, here are 10 scams to watch out for:

1. IRS imposters. This scam proliferates during tax-return season. A caller will say he or she is an IRS agent and claim you owe back taxes. Then the caller threatens you with stiff penalties or a lawsuit—and even arrest—if you don't wire the money immediately. But the IRS doesn't call debtors without sending a notice via U.S. mail first. To be on the safe side, if you get such a call, check with the IRS at 1-800-829-1040 to check the caller's credentials.

2. Tech support. Typically, you receive a phone call purporting to be from Microsoft or another software company, and the caller says a virus has invaded your computer. Then you're asked to provide access to your computer and the hacker installs malware that steals personal information. These software companies don't make unsolicited phone calls, so hang up immediately.

3. Robo-calls. Are you a victim of those annoying automatic telephone calls? Although the call itself isn't an attempt at ID theft, it helps the crooks build a "go-to list" for future phone scams. Use your caller ID to screen calls and don't answer if someone is calling from a number you don't know.

4. Charitable solicitations. Many legitimate charities call on the phone so it's hard to weed out the real ones from the fakes. Investigate any charity before handing over cash or making a credit or debit card contribution by mail or online. If the charity is for real, the caller won't hesitate to provide additional information. Check out charities at www.charitynavigator.org.

5. Credit cards. It's not surprising that scam artists are working an angle as credit card companies change their cards from magnetic strips to chips. Someone impersonating a credit card company employee may request information or ask you to click on a link to update your status. But credit card companies don't operate this way. If you have any doubts, call the company directly.

6. Dating websites. Initially, scams were based on prying money or sensitive data out of single people who recently have entered the dating scene. But now it has mushroomed into more sophisticated cons aimed at newcomers to religion-based sites. Because you're "dating" someone from your faith, you may be more likely to let your guard down and give access to money.

7. Widows and widowers. A typical trick of con artists is to prey on your emotions. Of course, elderly individuals are especially vulnerable

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Ben's Banter

Throughout most of my lifetime, I was aware that the age of 65 meant "Retirement Age". I am now there and as a financial planner I am seeing it from the "Other Side".

I have always been cognizant of my retirement plan from a financial sense, but like most, never certain what it would look like otherwise. While I have the ability to retire, I am not planning to do so. I am in a good position of enjoying my work and my clients, unlike many, such as my Dad, who looked forward to the day they could walk out of the office and never go back.

However, as a planner, I know that "Stuff" happens. As one ages, "Stuff" happens with greater frequency. It would be wrong of me if I did not make certain my clients would be well taken care of in the event that I can no longer do so. We have developed a team of young advisors who have shown exceptional ability to work with and help our clients. Additionally, two of my young associates have taken significant management positions in the operation of the Firm. Selfishly, this will allow me to spend most of my working time on client matters, as well as to take some time off.

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

Thanks,
Ben
CPA/PFS, CFP®, CIMA®

When One Roth IRA Is Not Enough

If you've finally decided to pull the trigger on a Roth IRA conversion, the simplest approach is to transfer assets from your traditional IRAs into a single Roth account. But you might instead consider setting up multiple Roth accounts to help insulate your savings from fluctuating markets.

This strategy depends on the rules for Roth "recharacterizations," in which you reverse a conversion to put your money back in traditional IRAs. With multiple Roth IRAs, you can recharacterize selected accounts if particular investments go south.

With a conversion to a Roth IRA, you pay taxes now to avoid them later; most distributions you take after you've reached age 59½ from a Roth you've had for at least five years are 100% tax-free.

Another advantage of a Roth is that if you don't want to take out money during your lifetime, you don't have to. There are none of the required minimum distributions (RMDs) that apply to traditional IRAs.

The trade-off for these benefits is that you must pay tax on the amount you convert to a Roth, just as if you had taken the money out of a traditional IRA for a normal distribution. You're taxed on the value of the assets you convert on the date of the conversion.

And what if that value declines after the conversion? You could end up paying taxes on assets that essentially have disappeared. That's where recharacterizations come in. The deadline for recharacterizations is your tax return due date for the year of the conversion plus any extensions. Thus, you have until October 15, 2017, to recharacterize a Roth conversion you make in 2016.

But you can't recharacterize part of a Roth IRA; you have to move the entire contents back into a traditional account. That's why it could make sense to set up multiple Roth accounts, with each one holding a different kind of asset.

Suppose you have $500,000 in your traditional IRAs, with $250,000 invested in stocks and $250,000 is in bonds. (This is hypothetical and not indicative of any particular allocation.) If the value of the stocks drops to $200,000 and the value of the bonds rises to $275,000, your entire account will be worth $475,000. If you recharacterized the account you could avoid paying taxes on that $25,000 of lost value ($500,000 - $475,000).

But consider what would happen if you set up two Roth IRAs—one for stocks and the other for bonds. Then, if stock prices fell, you could decide to recharacterize only the stock account. That would save you tax on $50,000 ($250,000 - $200,000), while preserving the $25,000 increase in the Roth invested in bonds.

Your financial situation may have other elements that would affect this strategy. But in the right cases it can add flexibility and protection with minimum risks. ●

Market Timing Is An Inexact Science

The Standard & Poor's 500 (S&P 500), a leading stock market benchmark, was poised to record one of the worst Januarys in history before a late recovery occurred. Due in part to plunging oil prices and concerns over the global economy, stocks were slammed early in 2016. At one point, the S&P 500 was down 11%, before the index rose 2.48% on January 29, leaving it with a 5% decline for the month.

Clearly, this was more volatility than usual, which was both good news and bad news for market timers.

Market timing is the practice of selling stocks and mutual fund shares ahead of projected declines and buying back those investments when the investor expects the stock market to climb. It's a tempting proposition, and when it works, it can reduce losses and position a portfolio for future gains. However, it usually doesn't work, and getting the timing wrong can result in big losses, from selling shares that would have recovered or from being out of the market when prices rebound.

Market timing appeals to investors who think it can bring them the best of all possible worlds—letting them buy low and sell high. But it's not for inexperienced investors, and even those who know what they're doing and who have all of the resources to help them make intelligent, well-informed decisions are just as likely to fail as they are to succeed.

Not only is the stock market volatile, it is unpredictable. Unexpected events can have an impact, either positive or negative, on a company, industry, or sector. Market timers think they know better than others what's coming next. Although they may guess right sometimes, they're bound to be wrong, too. To compound the problem, those who are successful once may start to think they are invincible. Of course, they're not.

Five Big Tax Penalties To Avoid At All Costs

Taxes are a necessary evil, but you don't want to make matters worse by paying avoidable federal tax penalties. Here are five to avoid:

1. Not taking required minimum distributions. This is the granddaddy of tax penalties. After you've reached age 70½, you must begin taking annual "required minimum distributions" (RMDs) from your tax-advantaged retirement plans (unless you're still working) and from traditional IRAs. (For the year you turn 70½, you can postpone the payout until April 1 of the following year, but that will require you to take two withdrawals in the same calendar year.) The RMD is based on your age—entered into a life expectancy table—and your account balances at the end of the year in which you turned 70½.

Failing to take RMDs can result in a 50% penalty tax on the amount that should have been withdrawn (on top of the regular income tax you owe on the distribution). Unless you can show reasonable cause for missing an RMD, you'll be stuck with this penalty.

2. Making early withdrawals. On the opposite end of the spectrum, you may be penalized for withdrawing funds from your qualified plans and IRAs too soon. Generally, a 10% penalty tax applies, in addition to the regular tax you owe on the distribution, unless you've already reached age 59½ or the payout is because of death or disability. However, the tax law provides several exceptions to the early withdrawal penalty, such as payments used for deductible medical expenses.

Another key exception is available for substantially equal periodic payments (SEPPs). If you take SEPPs over your life expectancy, or over the life expectancy of you and a beneficiary or beneficiaries, there's no penalty if those payments continue for at least five years or until you reach age 59½, whichever is longer.

3. Not reporting income from foreign accounts. Your tax return may not be the only document you're required to file each year. If you have financial interests in foreign banks totaling more than $10,000 at any time during the year, you must report the account information to the IRS using the FBAR form (short for Report of Foreign Bank and Financial Accounts).

FBARs have to be filed by June 30 of the year following the year of the foreign account activities, and no extensions are allowed. (Beginning with the 2016 tax year, the FBAR deadline is moved up to April 15 and a six-month extension is available.) The penalty for failing to make the filing is severe—a fine of up to $250,000 and a prison sentence of up to five years can be assessed for a willful violation. Other penalties may be imposed for providing false information.

4. Not having health insurance. Under the Affordable Care Act (ACA), also known as Obamacare, most people must have health insurance or must pay a "shared responsibility payment." For 2016, the amount of that payment is equal to the greater of 2.5% of your annual household income or $695 per person for the year ($347.50 per child under 18), up to a maximum of $2,085 per family.

This penalty kicks in when you, your spouse, or a dependent had gone without coverage for more than three months, with certain exceptions. Consult with your tax and financial advisors to see whether you qualify for a premium tax credit or an exception to the penalty.

5. Missing the deadline for your tax return. Generally, if you don't file your tax return on time, or if you fail to pay the tax you owe by the tax return due date (even when you receive an extension for filing your return), you'll be assessed a penalty.

The penalty for filing late is 5% of the unpaid taxes for each month or part of a month that a tax return is late. It begins accruing after the tax-filing due date and can't exceed 25% of your unpaid taxes. If you don't pay your taxes by the tax deadline, you normally face a penalty equal to 0.5% of the unpaid taxes. This applies for each month or part of a month after the due date and starts accruing the day after the tax-filing due date.

Again, the six-month filing extension, which is automatic if you request it, is not an extension for *paying* your taxes. You still must make a reasonable estimate and pay that amount. ●

But just because market timing is generally a loser's game doesn't mean you always have to sit idly by while markets fluctuate. Tactical adjustments may be in order depending on what's in your portfolio, what your goals are, and your investing timetable. However, by investing for the long term and periodically rebalancing your portfolio, you can focus on specific objectives in a consistent manner. This could be especially important following a period of extreme volatility such as the one the markets experienced early this year. Working toward your long-term goals also takes emotions out of the investing equation.

When you engage in market timing, you effectively have to be right twice—getting out of the market at the right time, before a downturn, and then getting back in before the market rallies. That's much less likely to pay off than staying in the market over the long haul—which also happens to be a lot easier on the nerves. ●

Women Save More For Retirement Than Men But Have Less

Question: Are men or women more likely to invest in retirement savings plans at work?

Answer: 73 percent of women employees participate in such plans while only 66 percent of men do.

Question: Do men or women put more of their employment income into retirement savings accounts?

Answer: Women put 7 percent of their salary into retirement savings while men stash away 6.8 percent.

Question: Are men or women more likely to invest their retirement savings in the stock market?

Answer: Women are just as aggressive as men when it comes to investing their money for retirement, with women investing 73 percent of their savings in equities compared to 74 by men.

Despite these statistics – compiled and reported by the research department at Vanguard – women still come up short in the all-important area of account balances.

Jean Young, senior research analyst at Vanguard and author of the report, says that in March 2015, women held an average of $79,572 in defined contribution retirement plans as compared to an average of $123,262 held by men. The median balances, for women and men, were $24,446 and $36,875, Young says.

"Women seem to be a bit better at (retirement saving) than men. They're more likely to save, and when they save, they save more," she adds.

Then what is behind these discrepancies? The glass ceiling is partly responsible. To this day, women still make less money on average than men even when they're doing the same kind of work.

In addition, because men make more money than women, it tends to be easier for them to save more money over time. Young says that when the Vanguard researchers adjusted their data to account for disparities in income, the savings balance differences almost vanished, except for workers at the very top end of the income picture.

Why do differences persist at the top of the income scale? Young believes that may be because men are likely to have spent more of their careers in high-paying jobs compared with women. That may give the well-paid men more years to put away substantial retirement savings.

Another reason women may lag behind overall is access to retirement savings plans. Lower-paid workers and part-time employees—and women are likely to fall into both categories—frequently can't participate in such plans.

Another study, by the Employee Benefits Research Institute, found that the gender pay gap also can be explained by the kinds of jobs men and women gravitate to. Women in the past have frequently applied for jobs at the bottom end of the employment spectrum, and often chose part-time work because of their other responsibilities.

Young says these findings are a reminder that women need to negotiate for better salaries when applying for jobs or promotions. ●

10 Common Scams

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after the death of a loved one. It's not unusual for a criminal to pretend to be a banker or other professional to coerce you to hand over funds. Rely on reputable financial planners you know and trust and close family members to steer you in the right direction.

8. Medical ID theft. ID theft often is associated with financial information, but loss of medical information can be just as damaging. Just imagine someone running up costs for expensive drugs, doctor visits, and even surgery under your name. What's more, unlike theft of credit card data, you're often held liable for these purchases. Don't volunteer your particulars (for example, Social Security and insurance account numbers) unless you're certain it's for a valid reason. Check with your insurer about any charges you don't understand.

9. Gift card vouchers. If you're targeted for this scam, you receive an unsolicited email offering you a free gift card from a well-known retailer or restaurant if you click on a link. It can look legitimate—the scammers will go to great lengths to replicate logos and corporate designs—but often it isn't. Clicking on the link will install malware on your computer that can siphon away personal data. No matter how appealing an offer is, don't click on links you have not verified.

10. Counterfeit apps. Finally, in a highly publicized incident, Apple developed some applications that were found to contain vicious malware that spied on consumers. While Apple believes it has purged these malicious apps, similar occurrences could lead to loss of personal data. Try to use only well-known apps and consider reading reviews before purchasing them.

These are just 10 of the scams currently making the rounds. Be on your guard and be skeptical of anything that doesn't seem just right. ●

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