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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, until age 70, your monthly check will be about 8% more than the monthly amount you would have received at full retirement age.

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

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Have Your Child Kick Into A Roth With A Reward To Boot

Suppose your teenage child lines up an after-school job and is raking in the money. Your progeny might have an eye on the latest X-Box or iPhone, but there are plenty of other ways to spend that hard-earned cash.

Crazy as it might sound, you could encourage your child to deposit some of the funds in a Roth IRA.

Why would a high school student contribute to a Roth? This is a good time to teach your child about the benefits of tax-advantaged accounts. If your 17-year-old puts away $5,500 each year (the current maximum) and receives a hypothetical 7% annual return, the stash will grow to a staggering $2,235,909 by the time he or she is ready to retire at age 67!

What's more, future distributions from a Roth may be 100% tax-free. Although you generally have to wait until age 59½ to qualify for this treatment, earlier distributions may be wholly or partially tax-free under certain circumstances.

Finally, if you want to take some, or all, of the sting out of the situation, you can give your teenager a cash gift for up to the amount of the Roth contribution. This is perfectly legal as long as the child has earnings from a job. Plus, there's no gift tax liability because the maximum IRA contribution is less than the $14,000 a year you can give without tax liability. Everybody wins.

Robert J. Pyle, CFP, CFA

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. ●

The Path For Charitable Lead Trusts

One popular tax planning idea is to set up a charitable remainder trust (CRT). Typically, it provides an income tax deduction for the present value of your charitable contribution while removing the assets from your taxable estate.

Depending on your circumstances, however, you might want to consider the opposite approach and set up a charitable lead trust (CLT).

With a CRT, you fund a trust with assets of your choice. The CRT pays out annual income to an "income beneficiary"—this can be you or another family member. After a term of a specified number of years or your lifetime, the assets that remain in the trust go to the designated charity.

The income tax savings are immediate. When you set up a CRT, you're entitled to a deduction for the present value of the remainder interest that will go to the charity, even though that transfer may not happen for years. If you put securities that have appreciated in value into the CRT, you'll never be taxed on that appreciation. This could help you minimize or eliminate gift tax liability on the assets transferred to the CRT. Finally, the assets in the trust won't be included in your taxable estate.

There are two basic versions of CRTs—the charitable remainder annuity trust (CRAT) and the charitable remainder unitrust (CRUT). With a CRAT, the payment to the income beneficiaries must be a fixed amount equal to at least 5% of the value of the amount of your donation. A CRUT, in contrast, also requires an annual payment of a fixed percentage of the trust assets, but in this case the payment is based on their current fair market value.

To keep the assets in your family, you might opt for a CLT instead. In this case, the charity receives the annual income, but the remainder goes to the designated family members. As with a

Keep Plugging Away With Retirement Plans

The stock market plunge on August 24, 2015—the 8th worst day in U.S. stock market trading history—gave investors plenty of cause for concern. But there's no reason to abandon your long-term investment plans after a temporary setback. The same logic extends to your retirement plans.

Try not to be discouraged by the market turbulence and keep contributing as much as you can to your retirement plans. In fact, if you can, it could make sense to increase your contributions to help make up for any lost ground. And remember—you won't actually lose or gain anything on the assets inside your plans until you sell the assets. Here are the main kinds of retirement plans to which you may contribute:

401(k) plans: The 401(k) is the most popular retirement plan for employers. Employees can make contributions of a percentage of their pre-tax salary, plus the company may choose to add matching contributions. For 2015, the limit for tax-deferred contributions is $18,000 or $24,000 if you're age 50 or over. These plans have to observe strict nondiscrimination testing rules designed to make sure they don't favor higher-paid employees.

Simplified Employee Pensions (SEPs): This alternative often is favored by sole proprietors and other small businesses. With a SEP, an employer can make deductible contributions up to the lesser of 25% of an employee's compensation or $53,000. (Catch-up contributions for older employees are not allowed.) As with other such retirement plans, that 25% amount is based on maximum compensation of $265,000 in 2015.

SIMPLEs: The Saving Incentive Match Plan for Employees (SIMPLE) is an alternative to SEPs for some small business owners. With a SIMPLE, employers generally are required to provide matching contributions of 3% of an employee's compensation. For 2015, the maximum SIMPLE contribution is $12,500 or $15,500 for someone age 50 or over.

Pension plans: The traditional pension plan, a type of "defined benefit" plan, is not as prevalent as it was in your grandfather's generation, but some still exist. An employer makes contributions to the plan on an employee's behalf that are based on actuarial assumptions. For 2015, the maximum contribution to a defined benefit plan is the lesser of 100% of the participant's average compensation for the three consecutive calendar years of highest earnings or $210,000.

Profit-sharing plans: Like pension plans, profit-sharing plans aren't as popular as they were years ago. These plans give the employer discretion in determining contributions to the plans (subject to the usual limits and nondiscrimination rules for defined contribution plans). The maximum deductible contribution for 2015 is the lesser of 25% of compensation or $53,000 ($59,000 if age 50 or over).

Traditional IRAs: If you have earned income from a job, you can contribute to a traditional IRA in addition to your contributions to other retirement plans. Contributions may be deductible on your tax return but that deduction is limited or eliminated if your income exceeds relatively low thresholds and you (or your spouse, if married) participate in an employer's retirement plan. The maximum IRA contribution in 2015 is $5,500 or $6,500 if you're age 50 or over.

Roth IRAs: Similar to a traditional IRA, you can contribute to a Roth if you have earned income, subject to certain annual thresholds. As with a traditional IRA, the maximum contribution is $5,500 or $6,500 if age 50 or over. Unlike with a traditional IRA, contributions are never tax deductible, but qualified distributions from a Roth after five years are tax-free. In comparison, withdrawals from traditional IRAs generally are taxed at your rate for ordinary income.

As part of your retirement savings strategy, you may choose to convert funds from a traditional IRA into a Roth. You'll owe income tax in the year of conversion but then can take tax-free withdrawals during retirement or preserve the assets in your Roth indefinitely. In traditional IRAs you must begin taking taxable distributions after age 70½.

Note that you can "undo" a conversion from earlier in the year by recharacterizing a Roth back into a traditional IRA. For instance, suppose the value of your IRA account was $250,000 when you converted on January 1, 2015, but the value has dropped by more than 10%. You must pay the conversion tax on the higher value of $250,000. However, you have until the due date for filing your 2015 tax return plus any extensions—October 15, 2016—to recharacterize the conversion. It will be as if the conversion never happened.

Use the option that is best for your situation, but don't be deterred by market swings. Keep your eye on the long-term goals. ●

CRT, a CLT may be set up as a charitable lead annuity trust (CLAT) or charitable lead unitrust (CLUT).

Unlike with a CRT, a donation to a charitable lead trust normally won't entitle you to a current income tax deduction. However, if the CLT is structured as a grantor trust whose income is taxable to you, you may claim a deduction for the present value of the charity's interest. These rules are complex, so obtain expert advice.

A properly structured CLT will provide an estate or gift tax deduction for the value of the portion of the trust that's designated for charity. That often makes it possible to transfer a remainder interest to family members without large tax costs. Taking all relevant factors into account, family members may wind up with an amount close to what they would have received through a direct bequest of the assets.

CLTs are not for everyone, but this concept might suit your needs. Consult with your advisors about the opportunity. ●

8 Smart Moves For College Grads

Have you or one of your kids recently graduated from college? There's a lot to look forward to—a first job, maybe marriage and family and financial success. But college graduates can't assume that good things will happen automatically. Here are eight moves to make as soon as the ink on the diploma dries:

1. **Get organized.** Put your house in order by collecting vital papers such as your Social Security card, passport, and any investment documents and insurance policies. For optimal protection, store papers you don't need regularly in a bank safe deposit box or another secure location.

2. **Start paying down debt.** If you've borrowed money while earning your degree, chip away at your liability. The top priority is to wipe out credit card debt, on which you're likely paying a sky-high interest rate. What about student loans? Often those interest rates are low and much of your repayment will make a dent in the principal.

3. **Devise a monthly budget.** Once you have a firm grasp on both your monthly income and expenses—rent, car payments, and the like—create a budget. The goal is to be in the black, spending less than you earn, with some savings to spare, but allocate funds for entertainment, too.

4. **Open bank accounts.** If you don't already have them, set up checking and savings accounts at a local bank. But don't overdo things with your new debit card. And be careful with credit cards—using them can help establish your credit history but try to pay off your borrowing quickly to avoid high interest charges.

5. **Look to invest.** Now that you have an income, think about how to use some of it to earn more money. For starters, open a brokerage account with a reputable firm. At this early stage in your life, you generally can afford to be relatively aggressive with your investment choices, because you'll have time to overcome temporary losses. But keep in mind your personal tolerance for investment risk.

6. **Create a "rainy day" fund.** It's impossible to anticipate all of the expenses you'll incur during the next few years. Try to set aside something extra in case of emergencies. For instance, you might face a layoff or an unexpected medical or dental bill. Have enough savings on hand to carry you through for a few months.

7. **Think about retirement.** That's not a misprint. Although you're still decades from calling it quits, the sooner you start saving for retirement, the better. Take advantage of company plans such as a 401(k) (especially if your company matches contributions) and consider supplementing your savings with an IRA.

8. **Obtain financial guidance.** Fortunately, you don't have to do it all on your own. We can provide assistance based on your personal circumstances. Don't hesitate to contact our office for more details. ●

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. ●

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