



Navigate Financial

Nancy LaPointe, CFP®, ChFC®,
CLU®, RICP®
Financial Planner, Wealth Manager
3663 College St. SE, Ste. B
Lacey, WA 98503
360-628-8175
nancy@navigatefinancialnw.com
navigatefinancialnw.com

From Intern Nick Papen: My internship with Navigate Financial has reached its end. It has been a pleasure learning under someone who is so knowledgeable and *customer service-driven*. Staff here really work to provide clients with the best service possible. I would also like to **thank the clients** whom I've met - **you helped me feel welcome** and allowed me to receive the best experience possible. I am heading back to Central Washington University for my senior year where I will be completing my Personal Financial Planning degree. I would again like to **thank everyone involved with Navigate Financial** for making my internship **a great learning experience.** - Nick Papen

Fall 2018: Prep for Retirement; Drop cable?

Building Confidence in Your Strategy for Retirement

Infographic: Working in Retirement

Should I enroll in a health savings account?

Should I cut the cord on cable?

Navigate Financial

Charting Your Journey

Have You Made Any of These Financial Mistakes?



As people move through different stages of life, there are new financial opportunities — and potential pitfalls — around every corner. Have you made any of these mistakes?

Your 50s and 60s

1. *Raiding your home equity or retirement funds.* It goes without saying that doing so will prolong your debt and/or reduce your nest egg.

2. *Not quantifying your expected retirement income.* As you near retirement, you should know how much money you (and your spouse, if applicable) can expect from three sources:

- Your retirement accounts such as 401(k) plans, 403(b) plans, and IRAs
- Pension income from your employer, if any
- Social Security (at age 62, at your full retirement age, and at age 70)

3. *Co-signing loans for adult children.*

Co-signing means you're 100% on the hook if your child can't pay, a less-than-ideal situation as you're getting ready to retire.

4. *Living an unhealthy lifestyle.* Take steps now to improve your diet and fitness level. Not only will you feel better today, but you may reduce your health-care costs in the future.

Your 40s

1. *Trying to keep up with the Joneses.*

Appearances can be deceptive. The nice lifestyle your friends, neighbors, or colleagues enjoy might look nice on the outside, but behind the scenes there may be a lot of debt supporting that lifestyle. Don't spend money you don't have trying to keep up with others.

2. *Funding college over retirement.* In your 40s, saving for your children's college costs at the expense of your own retirement may be a mistake. If you have limited funds, consider setting aside a portion for college while earmarking the majority for retirement. Then sit down with your teenager and have a frank discussion about college options that won't break the bank — for either of you.

3. *Not having a will or an advance medical*

directive. No one likes to think about death or catastrophic injury, but these documents can help your loved ones immensely if something unexpected should happen to you.

Your 30s

1. *Being house poor.* Whether you're buying your first home or trading up, think twice about buying a house you can't afford, even if the bank says you can. Build in some wiggle room for a possible dip in household income that could result from leaving the workforce to raise a family or a job change or layoff.

2. *Not saving for retirement.* Maybe your 20s passed you by in a bit of a blur and retirement wasn't even on your radar. But now that you're in your 30s, it's essential to start saving for retirement. Start now, and you still have 30 years or more to save. Wait much longer, and it can be very hard to catch up.

3. *Not protecting yourself with life and disability insurance.* Life is unpredictable. Consider what would happen if one day you were unable to work and earn a paycheck. Life and disability insurance can help protect you and your family. Though the cost and availability of life insurance will depend on several factors including your health, generally the younger you are when you buy life insurance, the lower your premiums will be.

Your 20s

1. *Living beyond your means.* It's tempting to splurge on gadgets, entertainment, and travel, but if you can't pay for most of your wants up front, then you need to rein in your lifestyle, especially if you have student loans to repay.

2. *Not paying yourself first.* Save a portion of every paycheck first and then spend what's left over, not the other way around. And why not start saving for retirement, too? Earmark a portion of your annual pay now for retirement and your 67-year-old self will thank you.

3. *Being financially illiterate.* Learn as much as you can about saving, budgeting, and investing now and you could benefit from it for the rest of your life.

Building Confidence in Your Strategy for Retirement



In 2018, 64% of workers surveyed were either somewhat or very confident in their ability to afford retirement, up from 60% in 2017. Among retirees surveyed in 2018, 75% were confident, down from 79% in 2017.

Source: 2018 Retirement Confidence Survey, EBRI

¹ Guarantees are contingent on the claims-paying ability and financial strength of the annuity issuer. Generally, annuity contracts have fees and expenses, limitations, exclusions, holding periods, termination provisions, and terms for keeping the annuity in force. Most annuities have surrender charges that are assessed if the contract owner surrenders the annuity. Withdrawals of annuity earnings are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

Each year, the Employee Benefit Research Institute (EBRI) conducts its Retirement Confidence Survey to assess both worker and retiree confidence in financial aspects of retirement. In 2018, as in years past, retirees expressed a higher level of confidence than today's workers (perhaps because "retirement" is less of an abstract concept to those actually living it). However, worker confidence seems to be on the rise, while retiree confidence is on the decline. A deeper dive into the research reveals lessons and tips that can help you build your own retirement planning confidence.

Create a foundation of predictable sources of income

Workers surveyed expect to rely less on traditional sources of guaranteed income — a defined benefit pension plan and Social Security — than today's retirees. More than 40% of retirees say that a traditional pension plan provides them with a major source of income, and 66% say that Social Security is a primary source. Yet just one-third of today's workers expect either a pension or Social Security to play a big role.

Understand how Social Security works.

Although nearly half of today's workers say they have considered how their Social Security claiming age could affect their benefit amount, the median age at which they plan to claim benefits is 65. Moreover, less than a quarter of respondents say they determined their future claiming age with benefit maximization in mind. Why does this matter? It's because the vast majority of today's workers won't be able to collect their full Social Security retirement benefit until sometime between age 66 and 67, depending on their year of birth. Claiming earlier than that results in a permanently reduced benefit amount. To help ensure you make the most of your Social Security benefits, take the time to understand the ramifications of different claiming ages and strategies before making any final decisions.

Consider creating your own "pension" income.

Eight in 10 workers in the EBRI survey hope to use their defined contribution plan assets [e.g., 401(k) or 403(b)] to purchase a product that will provide a guaranteed stream of income during retirement. Depending on individual circumstances, this could be a wise move. To help provide yourself with a steady stream of income, you might consider annuitizing a portion of your retirement plan assets or purchasing an immediate annuity,

a contract that promises to pay you a steady stream of income for a fixed period of time or for life in exchange for a lump-sum payment.¹

When combined with your Social Security benefits, the payments received from an immediate annuity can help ensure that your everyday "fixed" expenses are covered. Any additional assets can then be earmarked for future growth potential and "extras," such as travel and entertainment.

Pay attention to your health — and health-care costs

Health. The EBRI survey revealed a correlation between health and retirement planning confidence. For example, 60% of today's workers who are confident in their retirement prospects also report being in good or excellent health, while only a little more than a quarter of those who are not confident report similar levels of health. Moreover, 46% of retirees who say they are confident also say they are in good health, compared with just 14% of those who are not confident.

The lesson here is pretty straightforward: Healthy habits may pay off in healthy levels of confidence. Eat plenty of fruits and vegetables, exercise, get enough sleep, and take steps to minimize stress. And don't skip important preventive checkups and lab tests. Keep in mind that even the most diligent savings strategies can be thrown off track by unexpected medical costs.

Health-care costs. The percentage of retirees who are at least somewhat confident that they will have enough money to cover medical expenses in retirement has dropped from 77% in 2017 to 70% in 2018. And four out of 10 retirees say that health-care expenses are at least somewhat higher than they expected. However, retirees who have estimated their health-care costs (39% of respondents) are more likely to say their expenses are about what they expected them to be. On the other hand, just 19% of workers have calculated how much they will need to cover their health expenses in retirement.

If you have not yet thought about how much of your retirement income may be consumed by health-care costs, now may be the time to start doing so. Having at least a general idea of what your medical expenses might be will help you more accurately project your overall retirement savings goal.

Infographic: Working in Retirement

Do You Plan to Work in Retirement?

The 2018 Retirement Confidence Survey found that more than two-thirds of all workers surveyed expect that paid work will play a role as a source of retirement income. If you believe that working for pay will supplement at least some of your retirement income, consider the following facts.

1



More people are working beyond age 65

According to the Bureau of Labor Statistics, 37% of men and 28% of women between the ages of 65 and 69 were still in the workforce in 2017. In addition, 17% of men and 10% of women age 70 and older were still working.

2



Social Security imposes an "earnings limit"

If you plan to work and claim Social Security benefits before reaching your full retirement age (66 to 67, depending on year and month of birth), you will be subject to an earnings limit (\$17,040 in 2018). Above that limit, \$1 will be withheld from your benefit for every \$2 earned. In the year you reach full retirement age, you will lose \$1 for every \$3 earned above a higher limit (\$45,360 in 2018). Once you reach full retirement age, there is no reduction in benefits.

3



Income for older workers is on the rise

According to the U.S. Census Bureau, the average earnings for workers age 65 and older increased by 47.6% between 2000 and 2015, a far greater increase than that of any other age group.

Navigate Financial

Nancy LaPointe, CFP®,
ChFC®, CLU®, RICP®
Financial Planner, Wealth
Manager
3663 College St. SE, Ste. B
Lacey, WA 98503
360-628-8175
nancy@navigatefinancialnw.com
navigatefinancialnw.com

The accompanying pages have been developed by an independent third party. Commonwealth Financial Network is not responsible for their content and does not guarantee their accuracy or completeness, and they should not be relied upon as such. These materials are general in nature and do not address your specific situation. For your specific investment needs, please discuss your individual circumstances with your representative. Commonwealth does not provide tax or legal advice, and nothing in the accompanying pages should be construed as specific tax or legal advice. Securities and advisory services offered through Commonwealth Financial Network®, member FINRA/SIPC, a Registered Investment Adviser.



Should I enroll in a health savings account?

A health savings account (HSA) is a tax-advantaged account that you can establish and contribute to if you are enrolled in a high-deductible health plan (HDHP). Because you shoulder a greater portion of your health-care costs, you'll usually pay a much lower premium for an HDHP than you would pay for traditional health insurance. This allows you to contribute the premium dollars you're saving to your HSA. Then, when you need medical care, you can withdraw HSA funds to cover your expenses, or opt to pay your costs out-of-pocket if you want to save your account funds. An HSA can be a powerful savings tool, especially if your health expenses are relatively low, since you may be able to build up a significant balance in your HSA over time. Before you enroll in an HSA, ask yourself the following questions:

What will your annual out-of-pocket costs be under the HDHP you're considering? Estimate these based on your current health expenses. The lower your costs, the easier it may be to accumulate HSA funds.

How much can you afford to contribute to your HSA every year? Contributing as much as you

can on a regular basis is key to building a cushion against future expenses. For 2018, you can contribute up to \$3,450 for individual coverage and \$6,900 for family coverage.

Will your employer contribute to your HSA? Employer contributions can help offset the increased financial risk that you're assuming by enrolling in an HDHP rather than traditional employer-sponsored health insurance.

Are you willing to take on more responsibility for your own health care? For example, to achieve the maximum cost savings, you may need to research costs and negotiate fees with health providers when paying out-of-pocket.

How does the coverage provided by the HDHP compare with your current health plan? Don't sacrifice coverage to save money. Read all plan materials to make sure you understand benefits, exclusions, and all costs.

What tax savings might you expect? HSA funds can be withdrawn free of federal income tax and penalties provided the money is spent on qualified health-care expenses. Depending on the state, HSA contributions and earnings may or may not be subject to state taxes. Consult your tax adviser for more information.



Should I cut the cord on cable?

In the last few years, it's become common for consumers to ditch cable television in favor of streaming services and devices. Many affordable streaming options are available, making it easier for consumers to give up cable without necessarily sacrificing their favorite shows. But there are some drawbacks to relying exclusively on streaming services for television viewing. Consider the following before you decide to cut the cord.

The most obvious benefit of cutting cable is the money you'll likely save each month. Compare what you spend on your monthly bill to how much of your cable subscription you actually use. Are you regularly watching all the channels you pay for, or do you watch only a few of them? Are the channels you watch worth what you pay each month? If not, it might make sense to cancel cable and switch to an alternative entertainment source.

You may decide to replace cable with a streaming service or device. In addition to being less expensive than cable, most services are user-friendly. You won't need to flip through hundreds of channels to find your favorite

shows, and as long as you have an Internet connection, you can view them on the go on your cell phone or tablet. Plus, streaming services typically let you stop and start month to month without termination fees.

But depending on your viewing preferences, a streaming service might not be the right option for you. There is often a delay in the online release of many television shows, which can be frustrating for dedicated viewers. And if you're a sports fan, you might be disappointed to learn that you won't have access to live sports coverage through most streaming services. Comprehensive sports packages are offered by some services, but they can be expensive and are not available in all regions.

Another disadvantage of switching to streaming is that you may need to subscribe to multiple packages or invest in special streaming devices to access the programs you want. You might also consider the cost of high-speed Internet — you won't be able to stream without a relatively fast Internet connection. Between multiple subscriptions and reliable Internet, the cost of streaming can add up quickly. Be sure to compare prices and take advantage of any free-trial offers.