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2017 has been quite a year: the stock market hit new highs, unemployment is low, and the economy is growing. Our country experienced tension and political unrest, with along with natural disasters and man-made tragedies. Democracy is an experiment of balancing the tension between individual rights and the greater needs of people bound together. We consistently deal with the challenges of living together in a free society. I feel blessed to have a part in this wonderful experiment called the United States of America.

The work I do with you is investing in the dream of America. Purchasing shares represents your buy-in to the ideas, products and services offered by companies. Know that as we navigate investments for your financial future you participate in the hope and dreams of the future. Be a forward thinker; live each day while working toward your dreams for tomorrow. Plan to succeed, be resilient, and always keep moving forward.

Fall Newsletter - 3rd Quarter, October 2017

Navigate Financial

Charting Your Journey

Client Survey and Feedback

Thank you to all who responded to our recent survey. Your feedback, whether provided directly or indirectly, is an important part of evaluating the job we're doing. The anonymous survey is a tool we use every three to four years to gather your thoughts regarding our service. Your suggestions and comments are taken seriously, and shared amongst everyone in the office. Your responses help us 'navigate' the journey we are on to provide you with the best possible service, while identifying areas needing improvement.

Some helpful feedback included requests for us to act specifically on behalf of a few clients. Unfortunately, since the survey was designed to be anonymous, we now must ask that you follow up with us. We'd love to get started on your requests right away, but we don't know who you are. Please reach out to us soon so that we can address your requests.

The feedback is very positive overall and brought smiles to all of us. We strive to do well on your behalf, and to seek constant improvement in our services. Please don't wait until the next survey if you have feedback for us. We are human and will stumble sometimes, but we always recognize that we're dealing with matters which are dear and sensitive to you and your family. If we can do better, if we are not communicating well, please let us know right away. We always strive to do right and to be better.

We feel wonderful that most responders feel they are getting the advice and service they expect. And roughly 95% of you feel confident referring friends and family to our firm. This feedback warms my heart, and reaffirms the trust and the relationship between our firm and you, my clients. My firm is growing and I'm constantly on the lookout for more clients, please send folks my way!

It is an honor to be your trusted advisor, your navigator through the world of financial planning and retirement. Again, thank you and have a wonderful fall season!

P.S. Do you have specific requests? Any questions? Please reach out to us and let us help you directly. Instruct us on your needs and we'll get started on it right away.

Managing Debt While Saving for Retirement

It's a catch-22: You feel that you should focus on paying down debt, but you also want to save for retirement. It may be comforting to know you're not alone.

According to an Employee Benefit Research Institute survey, 18% of today's workers describe their debt level as a major problem, while 41% say it's a minor problem. And workers who say that debt is a problem are also more likely to feel stressed about their retirement savings prospects.[1] Perhaps it's no surprise, then, that the largest proportion (21%) of those who have taken a loan from their employer-sponsored retirement plans have done so to pay off debt.[2] Borrowing from your plan can have negative consequences on your retirement preparedness down the road. Loan limits and other restrictions generally apply as well.

The key in managing both debt repayment and retirement savings is to understand a few basic financial concepts that will help you develop a strategy to tackle both.

Compare potential rate of return with interest rate on debt

Probably the most common way to decide whether to pay off debt or to make investments is to consider whether you could earn a higher rate of return (after accounting for taxes) on your investments than the interest rate you pay on the debt. For example, say you have a credit card with a $10,000 balance that carries an interest rate of 18%. By paying off that balance, you're effectively getting an 18% return on your money. That means your investments would generally need to earn a consistent, after-tax return greater than 18% to make saving for retirement preferable to paying off that debt. That's a tall order for even the most savvy professional investors.

And bear in mind that all investing involves risk; investment returns are anything but guaranteed. In general, the higher the rate of return, the greater the risk. If you make investments rather than pay off debt and your investments incur losses, you may still have debts to pay, but you won't have had the benefit of any gains. By contrast, the return that comes from eliminating high-interest-rate debt is a sure thing.

Are you eligible for an employer match?

If you have the opportunity to save for retirement via an employer-sponsored plan that matches a portion of your contributions, the debt-versus-savings decision can become even more complicated.

Let's say your company matches 50% of your contributions up to 6% of your salary. This means you're essentially earning a 50% return on that portion of your retirement account contributions. That's why it may make sense to save at least enough to get any employer match before focusing on debt.

And don't forget the potential tax benefits of retirement plan contributions. If you contribute pre-tax dollars to your plan account, you're immediately deferring anywhere from 10% to 39.6% in taxes, depending on your federal tax rate. If you're making after-tax Roth contributions, you're creating a source of tax-free retirement income.[3]

Consider the types of debt

Your decision can also be influenced by the type of debt you have. For example, if you itemize deductions on your federal tax return, the interest you pay on a mortgage is generally deductible — so even if you could pay off your mortgage, you may not want to. Let's say you're paying 6% on your mortgage and 18% on your credit card debt, and your employer matches 50% of your retirement account contributions. You might consider directing some of your available resources to paying off the credit card debt and some toward your retirement account in order to get the full company match, while continuing to pay the mortgage to receive the tax deduction for the interest.

Other considerations

There's another good reason to explore ways to address both debt repayment and retirement savings at once. Time is your best ally when saving for retirement. If you say to yourself, "I'll wait to start saving until my debts are completely paid off," you run the risk that you'll never get to that point, because your good intentions about paying off your debt may falter. Postponing saving also reduces the number of years you have left to save for retirement.

It might also be easier to address both goals if you can cut your interest payments by refinancing debt. For example, you might be able to consolidate multiple credit card payments by rolling them over to a new credit card or a debt consolidation loan that has a lower interest rate.

Bear in mind that even if you decide to focus on retirement savings, you should make sure that you're able to make at least the minimum monthly payments on your debt. Failure to do so can result in penalties and increased interest rates, which would defeat the overall purpose of your debt repayment/retirement savings strategy.

[1] Employee Benefit Research Institute, 2017 Retirement Confidence Survey

[2] Employee Benefit Research Institute, 2016 Retirement Confidence Survey

[3] Distributions from pre-tax accounts will be taxed at ordinary income tax rates. Early distributions from pre-tax accounts and nonqualified distributions of earnings from Roth accounts will be subject to ordinary income taxes and a 10% penalty tax, unless an exception applies. Employer contributions will always be placed in a pre-tax account, regardless of whether they match pre-tax or Roth employee contributions.

[redacted]

The ABLE National Resource Center's website, [ablenrc.org,](ablenrc.org) contains links to state ABLE programs and a comparison tool.

****Before investing in an ABLE plan, consider whether your state offers an ABLE plan that provides residents with favorable state tax benefits. Consult a tax professional for more information.***

*****Participating in an ABLE account may involve investment risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful. Carefully consider a portfolio's risk, charges, and expenses before investing. Read the program's disclosure statement to learn more about the program, including investment objectives, risks, and tax implications.***

Upon an account owner's death, states can file a claim for Medicaid expenses paid while the ABLE account was open. Check with an estate planning professional.

[redacted]

Seven Questions and Answers About ABLE Accounts

ABLE accounts are tax-advantaged savings accounts that were created as a result of the Stephen Beck Jr. Achieving a Better Life Experience (ABLE) Act. Now that many states have launched ABLE programs, you may have questions about how these accounts work and how they may help you or a family member save for disability-related expenses.

Why open an ABLE account?

Retaining eligibility for Medicaid, Supplemental Security Income (SSI), and other much-needed public benefits depends on meeting a means or resource test. Individuals may have only $2,000 in countable assets, such as savings and retirement funds. This makes it very difficult to establish financial independence and save for most disability-related expenses, including those not covered by public benefit programs.

ABLE accounts help address this problem. Because funds in an ABLE account will generally not count toward this asset limit, individuals with disabilities may put money aside for their future needs without jeopardizing their eligibility for public benefits. Regardless of the balance, money in an ABLE account does not affect an individual's eligibility for Medicaid, but any account balance over $100,000 may temporarily affect SSI eligibility. When an ABLE account exceeds $100,000, SSI payments will be suspended until the account balance falls back to the level required.

Who is eligible to open an ABLE account?

If you have a significant disability that began before age 26, you may be eligible to open an ABLE account. If you meet that age criteria and are already receiving SSI or Social Security Disability Insurance (SSDI), you automatically qualify. You may also qualify if you're not receiving those benefits but you meet Social Security's definition of disability and are able to obtain certification from a physician.

If you have a family member who qualifies, you may be able to open and oversee an ABLE account on that person's behalf if you are legally authorized to do so (for example, you're the parent or legal guardian of a minor or someone who is legally unable to manage his or her account, or you have power of attorney). The individual with the disability remains both the account owner and the beneficiary. No matter who opens the account, each eligible beneficiary can have only one ABLE account.

Can you open an account in any state?

You can open an ABLE account in your own state if your state has an ABLE program or in any state that allows nonresidents to join (most do).* Contributions can then be made by the account owner or by family members, friends, employers, or others who want to provide financial support.

What investment options can you choose?

Plans generally offer several investment options that target different investment strategies and levels of risk. Some programs also offer an interest-bearing option such as a checking or savings account. Account contributions will be invested in whatever option(s) you choose. Federal rules allow you to reallocate previously invested money twice per calendar year, but you can change your investment options for new contributions at any time.**

How much can you contribute?

Annual and lifetime contribution limits apply. Each year, contributions from all donors combined may not exceed the annual federal gift tax exclusion for that year. In 2017, this limit is $14,000. Each state sets its own lifetime limit, which is also the state's maximum limit for Section 529 college savings plans. In many states this limit is at least $350,000.

What tax benefits do ABLE accounts offer?

Any account earnings accumulate tax deferred at the federal level (and in some cases at the state level). When money is withdrawn, the earnings on these distributions will be tax-free if they are used to pay qualified expenses. While no federal income tax deduction is available, some states may offer tax incentives to residents. Check with your financial or tax professional for more information on your state tax benefits, and information on your situation.

What can ABLE funds be used for?

Money in an ABLE account must be used for qualified disability expenses. In general, a qualified disability expense is one related to living with a disability, including transportation, health care, personal assistance, assistive technology, employment training, and legal fees. It's up to you to track how ABLE funds are spent — you won't be required to submit documentation to the program. However, keep in mind that the earnings portion of a withdrawal not used for a qualified expense may be subject to ordinary income tax and a 10% federal income tax penalty.

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What are some tips for reviewing my Medicare coverage during Medicare Open Enrollment?

During the Medicare Open Enrollment Period that runs from October 15 through December 7, you can make changes to your Medicare coverage that will be effective on January 1, 2018. If you're satisfied with your current coverage, you don't need to make changes, but it's a good idea to review your options.

During Open Enrollment, you can:

- Change from Original Medicare to a Medicare Advantage plan, or vice versa
- Switch from one Medicare Advantage plan to another Medicare Advantage plan
- Join a Medicare prescription drug plan, switch from one Medicare prescription drug plan to another, or drop prescription drug coverage

The official government handbook, *Medicare & You,* which is available electronically or through the mail, contains detailed information about Medicare that should help you determine whether your current coverage is appropriate. Review any other information you receive from your current plan, which may include an Annual Notice of Change letter that lists changes to your plan for the upcoming year.

As you review your coverage, here are a few points to consider:

- What were your health-care costs during the past year, and what did you spend the most on?
- What services do you need and which health-care providers and pharmacies do you visit?
- How does the cost of your current coverage compare to other options? Consider premiums, deductibles, and other out-of-pocket costs such as copayments or coinsurance; are any of these costs changing?

If you have questions about Medicare, you can call 1-800-MEDICARE or visit the Medicare website at medicare.gov. You can use the site's Medicare Plan Finder to see what plans are available in your area and check each plan's overall quality rating.

Is the Social Security Administration still mailing Social Security Statements?

Your Social Security Statement provides important information about your Social Security record and future benefits. For several years, the Social Security Administration (SSA) mailed these statements every five years to people starting at age 25, but due to budgetary concerns, the SSA has stopped mailing Social Security Statements to individuals under age 60.

Workers age 60 and over who aren't receiving Social Security benefits will still receive paper statements in the mail, unless they opt to sign up for online statements instead. If you're age 60 or older, you should receive your statement every year, about three months before your birthday. The SSA will mail statements upon request to individuals under age 60.

However, the quickest way to get a copy of your Social Security Statement is to sign up for a *my* Social Security account at the SSA website, ssa.gov. Once you've signed up, you'll have immediate access to your statement, which you can view, download, or print. Statement information generally includes a projection of your retirement benefits at age 62, at full retirement age (66 to 67), and at age 70; projections of disability and survivor benefits; a detailed record of your earnings; and other information about the Social Security program.

The SSA has recently begun using a two-step identification method to help protect *my* Social Security accounts from unauthorized use and potential identity fraud. If you've never registered for an online account or haven't attempted to log in to yours since this change, you will be prompted to add either your cell phone or email address as a second identification method. Every time you enter your account username and password, you will then be prompted to request a unique security code via the identification method you've chosen, and you need to enter that code to complete the log-in process.