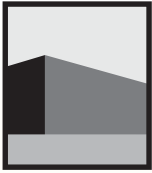

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Are You Still On Target For A Secure Retirement?

If you've been paying attention to the experts, you dutifully have set aside and invested money to provide income during your retirement years. With those savings earmarked for retirement, and what you can expect to receive from Social Security, pensions, and other sources, you figure to be in good shape. But is it enough?

The conventional wisdom is that you need to replace somewhere between 70% and 80% of your pre-retirement income in order to live comfortably during retirement. However, life expectancies are continuing to increase. For instance, a woman who expects to retire in 20 years at age 67—the current age for receiving full Social Security benefits—now has a life expectancy of more than 20 years after retirement. Your savings may have to last through much of a third decade of retirement.

Fear not. If you haven't retired yet, there's still time to take action. Here are five practical suggestions to consider:

1. Set your primary target. It helps to have a goal to shoot for and establishing this number may help you save more money. Every situation is different, so conduct an in-depth analysis of what your target should be. For instance, if you determine that you'll need to replace 75% of your pre-retirement income to create a reasonably secure cushion, continue to use that benchmark to gauge your savings.

2. Boost plan contributions. Typically, you'll be eligible to participate in an employer-sponsored retirement plan, such as a 401(k). The beauty of the deal is that the deferrals reduce current tax liability while they compound without any tax erosion inside your account. It might hurt short-term, but try to contribute as close to the maximum amount as you can, especially as you near retirement. For 2017, you can defer up to $18,000 to a 401(k) or $24,000 if you're age 50 or over. Take full advantage of matching contributions from your employer to bulk up your account even more.

3. Rely on a Roth IRA. If your 401(k) or other employer-sponsored plan isn't enough to get you where you need to go, you can supplement retirement savings with IRA contributions. The maximum contribution for 2017 is $5,500 or $6,500 if you're age 50 or over. Depending on your circumstances, you might utilize a Roth IRA, whose future payouts will be exempt from income tax. As part of your overall strategy, you could decide to convert funds in traditional IRAs into a Roth IRA. You'll pay current income taxes on the amount you convert, but you may minimize the tax damage by

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ETFs Can Provide Some Other-Worldly Benefits To Investors

ETFs may sound like aliens from the "Star Wars" movies. But they're actually an increasingly popular investment that offers several potential benefits to investors. The acronym stands for exchange-traded fund. And if you don't already have ETFs in your portfolio, you might want to consider adding some to the mix.

ETFs are securities that normally track an index, such as the well-known Standard & Poor's (S&P) 500. They are traded on a public stock exchange, so prices fluctuate throughout each trading day. Because of this liquidity, and the fact that fees associated with the investment are typically reasonable, more investors are opting for ETFs.

Technically, the ETF owns underlying assets—such as stocks, bonds, commodities, or foreign currencies—and this ownership is divided into shares for investors. Therefore, you own the ETF's investments indirectly and your shares represent their market value.

What's more, ETFs let you diversify across a wide range of underlying investments, while providing investors with other advantages such as being able to buy short or on margin. And taxable gains aren't passed through to shareholders, although you will be taxed on any gains under the usual rules when you sell an ETF.

We can help you determine whether this investment "creature" is suitable for your situation.

How To Spell Estate Tax Relief

Here's an acronym you've probably never heard of: DSUE, pronounced D-Sue, it stands for deceased spouse's unused exemption, and it could be a crucial component of your estate plan.

Frequently, a plan relies on two key tax-saving provisions—the unlimited marital deduction and the unified estate and gift tax exemption. Under the marital deduction, a spouse normally doesn't have to pay estate or gift tax on any property transferred from a spouse. The estate and gift tax exemption covers transfers to your children or other non-spouses up to $5.49 million in 2017.

That means that a married couple together can transfer almost $11 million to others without a penny of tax liability. Even better, the exemption is "portable" between spouses—so when the estate of the spouse who dies first doesn't exhaust all of that person's exemption, it can be used by the estate of the second spouse.

Normally, an estate tax return has to be filed only if an estate is worth more than the maximum exemption. However, a return will also have to be filed to take advantage of DSUE.

Consider this hypothetical example. A husband died early in 2017 with assets valued at $8.49 million. He left $5 million to his wife and the other $3.49 million to their children. Thus, the amount of the DSUE—the $5.49 million exemption minus the amount given to non-spouses—is $2 million.

Now say that the wife dies late in the year with an estate valued at $7.9 million ($5 million from the husband and $2 million of her own assets). Thanks to DSUE, her estate can add that $2 million to the $5.49 million of her own exemption to cover her entire estate. Without DSUE, her estate would owe estate tax of 40% of $2 million, for an estate tax bill of $800,000.

Even if a surviving spouse remarries, he or she maintains the DSUE from the previous spouse. However, you can't use a DSUE from more than one spouse. So, if your second spouse dies before you do, your estate forfeits the DSUE from your earlier spouse.

Finally, keep in mind that the $5.49 million exemption gets higher every year to account for inflation, but the DSUE remains locked into the amount that was available when the first spouse died. ●

Five Steps When You Inherit Assets

During the next 30 years or so, an estimated $30 trillion is expected to change hands, and many offspring of older Baby Boomers may inherit a small fortune. Here are five practical suggestions for handling the windfall:

1. Give yourself time to grieve. If you're like most people, the loss of a loved one will come at an emotional cost. So you're probably not going to run out and buy a luxury car or book a cruise the day after the funeral. Allow yourself enough time for your grief to pass before you make any major decisions. Don't let your heart overrule your head.

2. Consider the limitations. Just because you've come into some money doesn't necessarily mean you'll be living on Easy Street. So try to resist the impulse to splurge on items you still can't afford. You might consider using some of the money for a one-time "treat" for your family and use the rest to invest for long-term goals.

3. Pay down debt. If you owe a lot of money, this could be a good opportunity to pay off some of your obligations. While you don't have to rid yourself of *all* of your debt—you might decide to keep your mortgage and perhaps a car loan—it could make sense to retire credit card and other debt that has high interest rates.

4. Set goals. In considering how to use your windfall, you might divide your objectives into short-, medium-, and long-term goals. For instance, in the short term you may decide to move to a bigger home. A medium-term goal might be to save money for a child's college education through a Section 529 plan. And a long-term objective for many is to secure a comfortable lifestyle in retirement.

5. Create an estate plan. If you haven't done this already, your

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17 Year-End Moves To Preserve Your Tax Benefits

Barring any tax legislation that takes effect this year, your best overall tax strategy in 2017 is much as it would be in any year: To postpone receiving income that will be highly taxed and increasing deductions to offset current income. The less income you realize, the lower your bill. In that vein, here are 17 smart year-end tax moves to consider.

1. Harvest capital losses. If you sell securities at a loss before 2018, you can use those losses to offset gains from other sales—including those from selling stock or other holdings you've owned for a year or less. Those would otherwise be taxed at the high rates for ordinary income. Losses that exceed your gains can offset up to $3,000 of ordinary income, and you can deduct additional amounts in future tax years.

2. Harvest capital gains. Meanwhile, if you decide to take profits on securities you've owned for more than a year, the maximum tax rate on these long-term gains is 15%, or 20% if you're in the top tax bracket for ordinary income.

3. Max out on the 0% rate. Even better than the usual 15% or 20% tax rate on long-term gains, you can benefit from a 0% rate on long-term capital gains that applies to income in the 10% and 15% tax brackets. If you suffered a business loss this year or received less income than usual for another reason, there may be no tax pain on your long-term gain.

4. Buy dividend-paying stocks. Most dividends are taxed at the same favorable tax rates as long-term capital gains. However, to qualify for this tax break, you have to have held the stock for at least 61 days.

5. Watch out for "wash sale rule." Under this rule, you're prohibited from deducting a loss from a securities sale if you acquire substantially identical shares within 30 days. The easiest way to stay out of trouble is to wait at least 31 days to buy similar holdings.

6. Minimize the NII surtax. A 3.8% surtax applies to your net investment income (NII) or the amount by which your modified adjusted gross income (MAGI) exceeds $200,000 for single filers and $250,000 for joint filers, whichever is less. Keep those thresholds in mind as you consider ways to minimize your income for the year.

7. Give 'til it hurts. As long as you keep proper records, you generally can deduct charitable donations made as late as December 31, even if you use a credit card and aren't billed until next year. Special rules could limit this deduction.

8. Seek a Roth conversion. If you have funds in a traditional IRA, you could transfer the funds to a Roth IRA. You'll pay income tax on the amount you convert but future withdrawals are generally tax-free. So, you pay tax now to save later. Stretching out conversions over several years can reduce the tax bite.

9. Bulk up 401(k) contributions. By increasing deferrals to a 401(k) plan, you reduce your taxable income. For 2017, you can defer up to $18,000 ($24,000 if you're 50 or older). Your contributions accumulate without current tax.

10. Avoid RMD penalties. If you're over age 70½, you usually must take required minimum distributions (RMDs) from employer retirement plans and traditional IRAs each year. The penalty is 50% of the required amount if you miss the December 31 deadline.

11. Donate stock to charity. You can deduct the fair market value of stock donated to charity if you've owned it more than a year. That can be a good way to sidestep taxes on shares that have appreciated.

12. Sidestep the AMT. Certain types of "tax preferences" may increase what you owe under the alternative minimum tax (AMT) calculation. If it otherwise makes sense, try to postpone preferences to 2018.

13. Bunch medical expenses. Generally, you can deduct medical expenses only to the extent that they exceed 10% of your adjusted gross income (AGI). When possible, shift expenses to the tax year you expect to clear the AGI hurdle.

14. Shift family income. If you transfer taxable investments to a child taxed at a lower rate, your family may pay less overall. However, investment income of more than $2,100 received by a dependent child in 2017 may be taxed at your top tax rate.

15. Use the installment sale method. You can normally defer tax on the sale of real estate if you take payments over two years or longer.

16. Pay next semester's tuition. If you qualify, college tuition paid in 2017 may result in one of two higher education tax credits, depending on your situation. But these tax breaks are phased out for high-income parents.

17. Get in the holiday spirit. Finally, you can give each family member up to $14,000 this holiday season without owing any gift tax. Using this annual exclusion also reduces the size of your taxable estate. ●

windfall could provide an excellent opportunity to prepare for the eventual transfer of your own wealth, including the assets you've just inherited, to other family members. You might decide to establish a trust for the benefit of minors or make other arrangements to help ensure financial security for a surviving spouse or grandchildren.

Fortunately, you don't have to do all this on your own. With the help of experienced professionals, you can develop a plan that makes sense. Don't hesitate to contact us for assistance. ●

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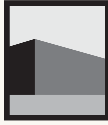

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A Secure Retirement

(Continued from page 1)

shifting the money into the Roth over several years.

4. Adjust your portfolio. Again, every situation is different, but it generally is recommended that you develop a diversified portfolio. Although there are no guarantees against a loss of principal, particularly in a declining market, diversification may minimize your exposure to the risk of losing money. When you assemble your portfolio, take into account all relevant factors, including your age and life expectancy, your risk tolerance, and your personal needs. Most investors tend to become more conservative during their retirement years, but investing for a long retirement may require taking some investment risks.

5. Stay on track. It's not enough simply to set a target and meet it for a short period of time. Retirement saving requires dedication and stick-to-itiveness. Maintain this as a top priority as you draw closer to the day you'll call it quits. Don't be seduced by temptations you really can't afford and really don't need. If you're suddenly able to splurge—perhaps you inherited a large sum or came into another unexpected windfall—you can treat yourself, but don't go overboard. The extra money can feather your retirement nest.

Finally, keep in mind that targeting a comfortable retirement is an ongoing process. For instance, you may have to adjust your portfolio to accommodate market fluctuations or raise or lower your 401(k) contributions if you start earning more or less in the future. Also, it's likely that your retirement isn't your only financial goal—you also may want to help your children or grandchildren, for example, or support your philanthropic objectives. Just try to take a balanced approach and keep your eye on the prize(s). ●

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