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financial



U C C E S S

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Tax Planning Throughout Your Life

Tax planning is perhaps one of the most misunderstood aspects of financial planning. Most people only think seriously about taxes when they file their annual state and federal tax returns.

True tax planning involves making strategic decisions throughout the year that will help you minimize taxes for many years in the future. And, contrary to many people's assumptions, tax planning isn't something that's just for the ultra-wealthy. If you earn money and file taxes, you can probably benefit from some level of tax planning.

In Your 20s

You're just getting started building your life and career, and there's a good chance your taxes are a bit more complicated than they were

when you were a high school or college student. Consider sitting down with an accountant to make sure you understand where things stand with your finances and you're doing all that you can to reduce the taxes you owe. Specific tax planning steps you may want to take in your 20s include:

- ✓ Contribute money to a tax-deferred retirement account, like a 401(k) plan or IRA.
- ✓ Keep track of student loan payments, if you have them. If

your income falls below certain limits, you may be able to deduct the interest you pay on that debt, even if you don't itemize.

- ✓ Save receipts and other records if you move for a new job, since expenses related to a move you make for work can be deducted even if you don't itemize.
- ✓ Check your withholding. If you're getting a big refund at tax time, you may need to tweak

Continued on page 2

Changing Life Insurance Needs

Your life insurance needs will typically change over the years:

Just starting out — If you have no major debts and no one else is relying on your income, a death benefit may not be necessary.

Married with no children — If you rely on both salaries to cover monthly expenses, you may want to consider insurance to cover funeral expenses and lost income in case of death.

Two incomes with children — The death of either spouse can create a financial hardship. Even if only one spouse works, the death of the nonworking spouse can require additional funds. You may want to consider first-to-die insurance.

Middle age with children — Expenses during this time can be high, especially if you provide funding for education or if you are a primary care provider. Your death benefit should ideally help cover your funeral expenses, income, unpaid tuitions, and the cost to replace you as a primary caregiver.

In or nearing retirement — There are many reasons to review all life insurance policies during this important time in life. Consolidating policies to meet your existing and projected needs can help to simplify your financial plan. ○○○



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Tax Planning

Continued from page 1

how much is being withheld from your paycheck, so that you're not giving an interest-free loan to the government.

Finally, make sure you're keeping all your key financial documents organized. Find a secure place to store everything, and get essential documents from your parents if they still have them, like your Social Security card, birth certificate, and information about any accounts they may have opened for you when you were a minor.

In Your 30s

Your finances are probably getting more complicated as you increase your savings and complete major financial goals like buying a house. These tips will help you keep things on track:

✓ Keep saving for retirement in tax-deferred accounts, but also look into accounts that will generate tax-free income in retirement, like a Roth IRA or Roth 401(k) plan. Yes, you'll pay more in taxes now, but you'll be happy to have a tax-free option for income once you stop working.

✓ Getting married or having children? Set up a meeting with a tax advisor or financial advisor (or both together) to make sure you're making tax-smart financial decisions, like itemizing or not itemizing your return. An advisor can also talk to you about setting up a 529 plan to help pay for your children's future college educations.

✓ The government has plenty of credits and deductions for people with children, like the child tax credit, the child and dependent care credit, and the adoption credit. Know what you do — and don't — qualify for.

✓ Take advantage of flexible spending plans and reimbursement accounts. Between you, your

spouse, and your children, you may be spending a lot of money on co-pays, prescription drugs, dental appointments, and more. Save a bit of cash by using money in a tax-free flexible spending account for these costs.

In Your 40s

You're hitting your financial stride. Don't let any bumps in the road derail your financial plans:

✓ Incomes tend to hit their peak when people hit their 40s – 50s. That's good news, but it also means that you may find yourself in a higher tax bracket. If that happens, look for ways to reduce your taxable income, like maximizing deductible retirement contributions.

✓ You may be making more money than in past years, which could mean that you're ready to upgrade your charitable giving. Make sure you're keeping track of any gifts you make to eligible charities, whether they are in cash, stock, or in-kind gifts, since you'll need that documentation if you plan to deduct them on your tax return.

✓ If your children are headed off to college, don't neglect tax credits for education, like the lifetime learning credit and the American opportunity tax credit.

✓ Some parents may draw money from taxable investment accounts to pay for college or other expenses. If you're tapping that cash, be aware of the tax implications of selling appreciated securities. It may be well worth it to meet with an advisor before you make any big moves.

In Your 50s

As you hit the mid-century mark, keep doing what you can to reduce the taxes you owe and save as much as you can for retirement.

✓ Don't forget about catch-up contributions to IRAs and 401(k) plans. You can contribute an

extra \$6,000 to a 401(k) plan and an extra \$1,000 to an IRA once you hit age 50.

✓ Start thinking about health care expenses in retirement, if you haven't already. Putting some money into a tax-free health savings account is a way to reduce your taxable income today and have a tax-free fund to draw on for health expenses later in life.

✓ Selling the family home? Don't neglect to consider the potential tax implications.

✓ If you've earned stock options or other perks through your employer, make sure you understand the tax implications of a cash-out.

In Your 60s

Retirement is on the horizon. The tax planning decisions you make in this decade will be crucial to your overall retirement success.

✓ Understand how your Social Security benefits will be taxed. Up to 85% of your total benefit may be taxed, depending on how much other income you have.

✓ Consider converting a traditional IRA to a Roth IRA. Some people may benefit from paying the taxes on the conversion now for the promise of tax-free income later on. For those who are not eligible for traditional or Roth IRAs, consider contributing to a nondeductible IRA. As of 2011, all taxpayers, regardless of income level, can convert traditional IRAs to Roth IRAs.

✓ Check your options before retiring. The choices you make regarding distributions from your pension plans and IRAs will have a significant impact on your tax situation after retirement. Make sure you review all your options before deciding how to withdraw those funds.

We're here as a resource for you and your families to help you navigate these lifetime decisions. ○○○

Easing into Retirement

In recent years, talk of longer life expectancies, uncertain Social Security benefits, declining pension benefits, unknown inflation rates, and low retirement savings have made retiring at a relatively young age seem difficult. More and more people are coming to the conclusion that either retiring later or continuing to work during retirement is necessary to ensure that they remain financially comfortable for the rest of their lives.

Working doesn't necessarily mean you have to stay with your current employer. Rather, many individuals are taking on totally different jobs that can allow them to try something new, provide more free time by working less, or ensure less stress. Besides the nonfinancial reasons for working, there are several financial reasons that make this an important retirement strategy:

✓ **You have more time to save.** Each additional year you work is an additional year you can continue to save for retirement.

✓ **You shorten your retirement period.** The longer you work, the less time you'll spend in retirement, which means you'll need less money to fund that retirement.

✓ **You can delay Social Security benefits.** Each additional year you wait to take Social Security benefits, up to age 70, will permanently increase your monthly benefit.



✓ **You keep health insurance benefits.** One of the most significant costs in retirement is health care, and you can delay that cost by working at a job that provides this benefit.

Some companies are helping employees with retirement issues by allowing phased retirement, in which hours are gradually reduced until full retirement. If your employer offers a phased retirement program, find out these details before signing up:

1 How will phased retirement affect your benefits? Many pension benefits are calculated based on your earnings in the last few years of your working career. If you don't want to take pension benefits yet, make sure your pension will be calculated using earnings while you worked full-time. You may also be able to draw a pension and work part-time.

2 What will happen to your salary with reduced hours? Will you receive a pro-rata share of your pay or will a different pay scale be used? Will you be entitled to pay increases in the future? Make sure you agree on how you will be paid before moving to part-time status.

3 Will you be eligible for health insurance benefits? Find out the company's policy regarding health insurance benefits for part-time workers. This will be especially important if you move to part-time status before age 65, since you won't be eligible for Medicare.

4 What other details should you investigate? Make sure there is a mutual understanding about your hours. Can you take time off to travel? Is this a permanent or short-term arrangement? If you don't like part-time work, can you go back to your full-time job?

If your employer doesn't offer a phased retirement program or you want to try something new, investi-

gate your options before quitting your job. Some factors to consider include:

- How do you plan to spend your retirement? If you plan to travel a lot, how will work fit into that schedule? If you plan to split your time between two homes in two locations, how will you be able to work?
- What interests you? Would you be happier pursuing a job that takes advantage of skills from your current job, or would you like to try something totally different? Do you need to obtain additional skills or go back to school?
- Do you want a job with significant responsibility, or are you trying to reduce the stress in your life?
- Are you passionate about an interest or hobby that you may be able to turn into a business? Do you want to start your own business? If so, do you have the financial resources, without risking funds for your retirement?
- Is there a cause that is important to you? Is it time to move to the nonprofit sector, finding an opportunity that matters to you on a personal level?

Retirement is in the midst of being redefined once again. The last generation was able to retire to a life of total leisure due to the generosity of company pension benefits and Social Security. But longer life expectancies, less-generous benefits, and declining asset values mean it is time to redefine retirement. What many are seeking is not so much total leisure as more leisure or a more meaningful lifestyle. Many are finding that those goals can be accomplished while still working, with those additional working years providing more financial security. If you'd like to discuss work and its role in your retirement, please call. ○○○

Maple Bacon Grilled Cheese

(4 Servings) Adapted from FoodNetwork.com

Ingredients:

- 6 slices of Bacon
- 2 T Maple Syrup
- 7 T softened Butter (preferably unsalted)
- 4 large Eggs
- 9 slices of Cheddar Cheese
- 1 whole Avocado, sliced thinly
- 8 slices of Bread (i.e. – Brioche or Whole Grain)

Directions: Preheat the oven to 375°. Lay the bacon slices on a baking sheet. Bake ~10 minutes, until cooked, but not yet crispy. Baste the bacon on both sides with the maple syrup and continue to bake until caramelized and the edges just start to brown, ~10 to 15 min more.

Let Bacon cool on the rack, about 5 min, then cut them in half.

Melt 1 tablespoon of the butter in a large nonstick skillet over medium heat. Crack the eggs into the skillet and fry until thoroughly set, 3 – 4 min. Ideally, the yoke should still has some dark yellow to it. Transfer cooked eggs to a plate.

Slice your avocado into thin slices. You can opt to season it lightly with salt, pepper, or garlic powder.

Create an assembly line. Lay out 4 slices of the bread and layering each with cheese on the bottom, the middle, and the top. I recommend the following order: 1 slice of cheese, 3 pcs bacon, 3 slices of avocado, 1/4 slice of cheese, 1 egg, and finally, top with another whole slice of cheese.

Close the sandwiches with the remaining bread. Thinly and evenly spread the remaining butter on both sides of the bread (approx. 1 – 1.5 T).

Reuse your egg skillet to brown 2 of the sandwiches on med heat. Cover the skillet with a lid and cook until the bread is golden brown (2 min). Flip and cook, uncovered, until the bread is golden brown on both sides and all of the cheese is visibly melted (~2 min). Repeat with the remaining sandwiches.

Investment Answers News

Over the months of January and February, we will be making updates to our website www.InvestmentAnswers.net. We value your feedback and are improving the site according to what you like most. We hope you enjoy it.

Your Client Log In remains in the same place, for easy access.

Some of the new features include a larger font, an online Event Page, including an option for online RSVP, and more appealing links to the many financial resources we offer.

We hope having online Event links make it easier for you to RSVP and to invite friends, co-workers, and family to events.

Our goal is to make the experience seamless for you. If you experience any unforeseen website challenges, please contact us.

Financial Thoughts

While the percentage of workers who expect to retire later than age 65 has steadily increased — from 11% in 1991 to 35% in 2015 — the median retirement age has been stuck at age 62 since 1991 (Source: Employee Benefit Research Institute, 2015).

In 2014, 50% of retirees stopped working earlier than planned, with 60% citing health

problems or disability, 27% citing changes at their company, and 22% indicating a need to care for a family member (Source: Employee Benefit Research Institute, 2015).

About 53% of parents would rather use retirement savings to pay college costs than have their children take on student loans, while 51% would be willing to take on a second job, and 49%

would delay retirement so they could work more years (Source: *Financial Advisor*, April 2015).

More than 20% of IRA contributions occurred in April of the following tax year (Source: *AAIL Journal*, April 2015).

When looking for financial guidance, 58% of children prefer going to their mother first (Source: *Money*, May 2015).

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