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Clock's Ticking for Tax Savings

Looking to save more for retirement and reduce your tax bill now and in the future? Consider opening a traditional or Roth IRA.

There's Still Time

If you qualify by income, you may open either a traditional or Roth IRA and contribute to it until April 17, 2018 for a 2017 tax break. A traditional IRA may benefit you now, since contributions may be tax-deductible if you meet income rules, and later, in the form of potential earnings that grow tax-deferred.

Eye on the Future

The Roth IRA turns its traditional cousin on its head. You contribute after-tax dollars to this retirement vehicle, but potential earnings and distributions, once you meet certain requirements, are tax-free. To open a Roth you must meet income rules.

Now or Later

Which type of IRA is right? It depends on how you look at taxes. If you qualify by income for a tax deduction, you could favor a traditional IRA. Because you can deduct contributions to this IRA from your gross income, you lower your taxable income. Or you might not want to take a chance on future tax rates and choose the tax-free distributions of a Roth IRA.

Know the Rules

In 2017, you can put up to $5,500 annually into either IRA, plus another $1,000 if you're over age 50. The limit applies to combined contributions made to either or both types. You also can't contribute more than your earned income, even if this is below the annual contribution limit. Early withdrawal and required minimum distribution rules* include tax penalties, so talk to a financial professional to learn more.

**Roth IRAs are not subject to required minimum distribution rules during the account owner's life.*

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Estimating Future Taxes

Did you underestimate your tax bill? It doesn't have to be this way next year.

Costly Mistake This can happen when you don't deposit taxes with the IRS for income from which taxes were not deducted. Not paying taxes periodically on this income can trigger penalties and interest on your underpayment.

Calculations on IRS Form 1040-ES can tell you what you owe next year. Divide that number by four and submit payment on the dates instructed by the IRS (located in the form). Or if your spouse has a job where the employer withholds taxes from income, consider decreasing exemptions, which would increase the taxes withheld.

Take It Easy If you want to use technology to estimate your taxes, use a popular tax software program or the IRS' own app at *https://apps.irs.gov/app/withholdingcalculator.*

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It's about Life (Insurance)

Some 60 million American households need more life insurance, but only one in four will shop for life insurance over the next 12 months. Fewer still will actually buy the coverage they need.

No Doubt about Need

Four in 10 people surveyed by LIMRA, a research organization for the financial services industry, say they would immediately have financial trouble if a primary wage earner died. About 30% would struggle with basic living expenses after several months.

Why so many underinsured? After all, LIMRA also found that while 85% believe life insurance is important, almost 19 million consumers were "stuck," frozen into inaction because they don't know what or how much to buy and how much it will cost.

Take Another Look

If you're confused about life insurance, start with what's offered through your employer. This will provide a solid foundation at a good price. Next, work with a financial professional to learn which type of life insurance makes sense for you. Ask questions to understand how much insurance you need and the cost of different options. It may be more economical than you think, particularly at younger ages.

Take it or Leave it?

When you leave your company due to job change or retirement, you may have a choice of how to handle your 401(k) account balance. Do you take it with you or leave it be?

Leaving your balance with your current employer is the easiest choice, but not all companies allow this option. When you are forced, or decide on your own, to empty your workplace account, you have two choices.

Lump Sum Consequences

Your first option is to do it yourself, instructing your 401(k) provider to make out a check to you, minus 20% it withholds by law for federal income taxes. This has potential consequences, even if you have plans to put the money into another retirement account, because you have to pay the 20% withheld by your provider (and file to have it refunded on next year's return).

60-Day Rule

You must roll over any amount, including the sum withheld by your employer, within 60 days to another qualified retirement account, such as an IRA. If you don't, you could owe a 10% early withdrawal tax penalty (if you're under age 59½), plus ordinary income tax on the amount at any age.

The Easy Choice

The easier way to move your money is to have your plan administrator make a direct rollover of the entire account balance to a new employer's 401(k) plan, if allowed, or to a rollover IRA. In either case, there is no need to withhold taxes and you don't have to scramble to avoid early withdrawal penalties. Talk to us to learn more.

A Little This, A Little That

In the world of investing, many people overlook an important part of the market: mid-cap stocks. What are they and how might they fit in your portfolio? Let's take a look.

Not Too Big, Not Too Small

Mid-cap stocks have middle-child syndrome. Measured by the S&P MidCap 400® Index, mid-cap stocks generally have a market capitalization of roughly $2 billion to $7 billion. Yet, you can find larger mid-cap stocks in large-cap stock mutual funds and smaller mid-caps in a small-cap stock mutual fund.

More Potential Growth

Mid-cap stocks generally have more risk and potential growth than large-caps, while they offer more potential stability compared to volatile small-cap stocks. Some mutual funds* specialize in mid-cap stocks, which gives you another investment alternative to consider.

**You should consider the fund's investment objectives, charges, expenses and risks carefully before investing. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost. Past performance doesn't guarantee future results.*

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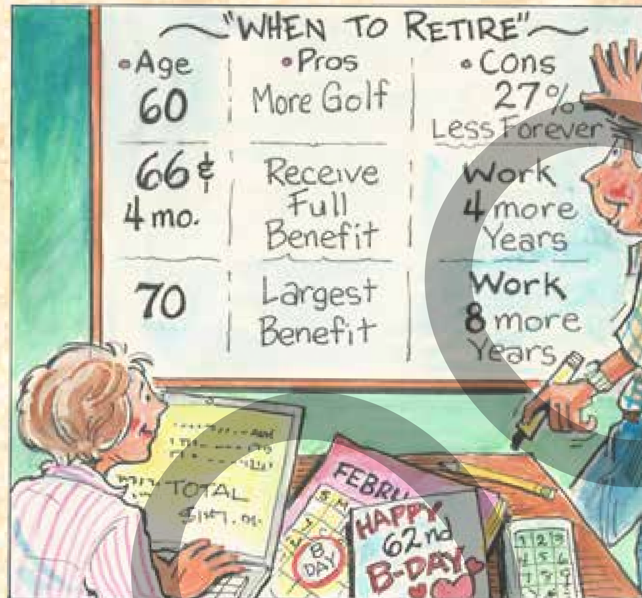
You Control Your Social Security Benefits

Social Security provides supplemental income for your retirement income, so how much or little you get from this important program can matter. You control how much you'll receive, within certain limits. When you begin receiving benefits and whether you continue to work are two major factors that will affect what you receive.

Costly Decision

If you choose to begin Social Security benefits before your full retirement age, you will permanently receive less than if you waited to take benefits. If you were born, for example, in 1956, your full retirement age is 66 years and four months. You can begin taking the benefit as early as age 62, but it will be reduced by nearly 27% per month—forever.



And if you receive benefits and are under full retirement age for the entire year, Social Security will deduct $1 from your benefit payments for every $2 you earn above the annual earnings limit. That limit was $16,920 in 2017 and $17,040 in 2018.

Full Retirement Age

In the year you reach full retirement age, Social Security will deduct $1 in benefits for every $3 you earn above a different limit. One bonus is a special rule that lets Social Security pay a full check for any whole month the agency considers you retired, regardless of your yearly earnings.

Once reaching full retirement age, your earnings won't reduce your benefits any longer, no matter what you earn.

Spousal Benefits

If you have a spouse, you can receive Social Security based on that person's earnings, whether you ever worked a day or not. The spousal benefit can be as much as half of the worker's benefit if the worker is at least full retirement age.

If the spouse begins receiving benefits before full retirement age, the spousal benefit will be reduced, unless the spouse cares for a qualifying child. A qualified child is under age 16 or is any age while receiving Social Security disability benefits.

Survivor Benefits

When a spouse dies, the surviving spouse may receive that person's benefits once reaching:

- Full retirement age
- Age 50 and being disabled
- Any age and taking care of a child younger than age 16
- Any age and taking care of a child who is disabled and receiving Social Security benefits

Additionally, dependent parents can get benefits if they're age 62 or older and received at least half of their support from the deceased.

How Much?

Depending on your age and relationship to the deceased person, your benefits can be generous. At full retirement age or older, a spouse generally receives 100 percent of the deceased spouse's benefit amount. At any age, a surviving spouse with a child younger than age 16 gets 75 percent of the worker's benefit amount, and the child gets the same amount.

Total benefits received by survivors are generally capped at 150% to 180%. Generally, a surviving widow or widower will not receive a reduction in the deceased spouse's benefit.

Talk to a Pro

While Social Security provides a foundation, it may best serve you if it is only one part of a comprehensive retirement savings strategy. Talk to a financial professional to learn more.

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Low-Tech Saving

Whether you juggle multiple financial obligations or just can't visualize longer-term goals, saving can be hard. If you are saving for a vacation, a new vehicle or even a down payment on a home, consider filling a "hopes and dreams" jar.

This low-tech way to save works like this. Find a large pretzel or coffee jar. Clear plastic or glass works best, so you can see how your money accumulates. Next, make it a routine to empty your wallet each day of $1 bills. These days, $1 doesn't buy much by itself, so you shouldn't miss it. Feeling confident? Throw in an occasional $5 bill. Your goal is to fill the jar.

When the jar gets near full, change the bills into larger ones to open up some space, or deposit them in an interest-bearing bank account. Then go back to your jar and fill it up again.

If you have young children, this exercise provides a great way for you to teach them about saving money. Invite them to participate by putting the money into the jar each day and then encourage them to take pride in watching the money grow. When it is time to empty the jar, allow them to help you count all the dollars saved and then celebrate your joint accomplishment.

Every little bit helps, which you'll learn as you literally watch your money grow.

Invest with Your Heart

Years ago, some mutual fund* companies came up with the idea to create funds focusing on companies that do good for their communities, the world at large and the environment. Born as socially responsible investments (SRI), this investing niche has blossomed into other areas, including ESG (environmental, social and governance) and impact investing.

How are they the same and how do they differ?

Both ESG and impact investing are offshoots of SRI, because they all invest responsibly. SRI fund managers generally use simple criteria. For example, an SRI stock selection may avoid certain products, such as tobacco, or invest in alternative energy, such as windmills.

ESG investments have more detailed screens and objectives than SRI stocks. They may seek a low ratio between a company's lowest paid and top paid employees. Or ESG companies may demonstrate socially desirable traits like donating some profits to community causes.

Newest Trend

Like ESG and SRI, impact investing establishes criteria for doing good while measuring market performance, but differs in its measurement of social, environmental and other impacts.

The nonprofit Global Impact Investing Network created the Impact Reporting and Investment Standards (IRIS), which helps organizations and mutual funds measure the social, environmental and financial performance of investments.

Wide Choice

From modernizing developing countries to operating in environmentally conscious ways, you can find an impact investing mutual fund or other socially responsible fund that matches your values.

**You should consider the fund's investment objectives, charges, expenses, and risks carefully before investing. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.*

Eight Reasons You Need an Emergency Fund

Why do you need an emergency fund? Let us count the ways:

◆ Your car broke down and the bill is greater than your checking account balance.

◆ You ran out of pots to catch the rain from your leaking roof.

◆ Your $1,000 home insurance deductible doesn't sound like such a good idea after you're burglarized.

◆ You didn't save enough in a Health Savings Account to pay your out-of-pocket medical costs.

◆ You lost your job and didn't find a replacement yet.

◆ Your landlord just raised your rent by 30%.

◆ Your lender just raised your adjustable rate mortgage interest rate—by a lot.

◆ Your dog needs $2,000 in veterinary care—and you don't have pet insurance.

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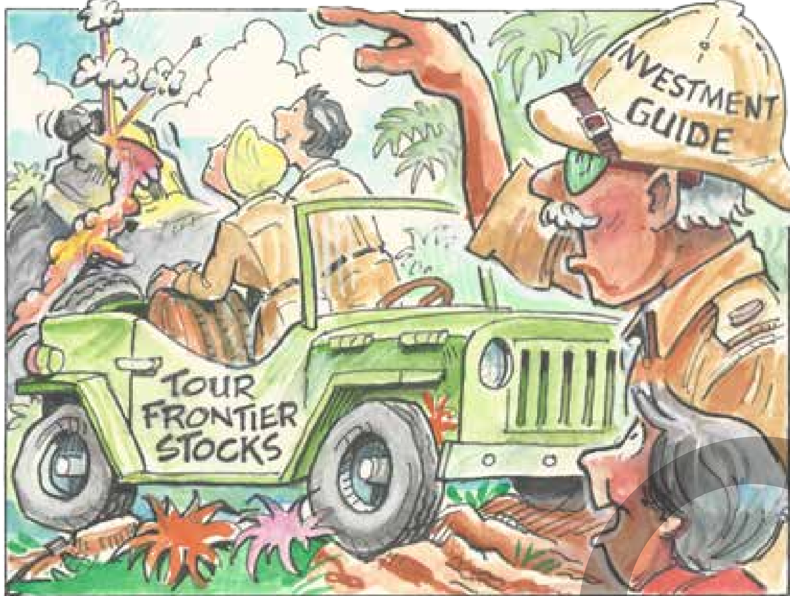
Frontier Stocks



For most of the last two decades, investors with an aggressive mindset looked at stocks from so-called BRICS countries. That's Brazil, Russia, India, China and South Africa. With a large percentage of the world's population and an increasing presence in global markets, these countries are not the new investing options they once were, although their stocks still have a large amount of potential risk and reward.

Introducing Frontier Stocks

Today, frontier stocks are the newest darlings and among the riskiest of the investing world. Developing economies including Vietnam, Bangladesh, Jordan, Slovenia and Argentina, as well as some two dozen other countries, are frontier stocks.

High Risk

Because these frontier countries have even less-established economies and markets than BRICS countries do, they pose among the highest risks to investors. First, their markets may not be as carefully regulated as older stock exchanges. Second, corruption, corporate malfeasance and government instability are more likely here than in developed markets.

Take Care

Because these frontier funds are typically more volatile than other types of investments, you may not want to devote more than a small percentage, if any, to them in your portfolio. As an alternative, you might consider investing in funds a step down in risk, like so-called MINT (Mexico, Indonesia, Nigeria and Turkey) equities or BRICS stocks.

Complications Ahead: Non-Spousal IRAs

When you inherit an IRA from a spouse, the rules for transfer are relatively cut-and-dried. For example, required minimum distributions (RMDs) must begin by April 1 of the year after you reach age 70½. If, however, you inherit an IRA from someone who wasn't your spouse, you will likely face additional complications.

RMD Rules

One allowable way to take distributions from a non-spousal IRA is by emptying the entire account within five years of the owner's death. The other distribution method you can use is to base distributions on your life expectancy, not the owner's.

More Time

For many people, this method can mean spreading out distributions over time, especially if the person inheriting the IRA is at least one generation younger. Another benefit: you have up to a year after the IRA owner's death to begin RMDs with this option.

How to Figure RMDs

If you choose to base RMDs on your life expectancy, divide the expected number of years left in your life, as determined by the IRS's uniform lifetime tables, into the account balance. The longer you have, the more time your inherited IRA can potentially grow tax-deferred.

Four Ways to Save for Anything

Whether you want a vacation, a new car or a financially comfortable retirement, little steps can equal big results in savings over time. Here are four ways to save for just about anything:

Check your monthly bills. You may notice overcharges or simply have charges for items you don't use. Maybe you'll find your allowable cellphone storage is twice what you need or your cable TV package includes charges for things you never watch.

Buy generics. Whether you're looking for a can of corn or a prescription drug, you may find no quality difference between a generic and name brand. The generic costs less.

Pack a lunch. Do you really need to eat lunch out every day of the week? Brown-bag it and watch your savings grow.

Use cash. Whether you're buying a car or using your credit card, interest charges add up. Paying with cash can eliminate those charges.

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Work Longer or Accept Less

On page 3 of this newsletter, you read about how collecting before normal retirement age can shrink your Social Security benefits. Did you know that you can increase your permanent payment for each year you delay the benefit until age 70?

Life Happens

It's great to have the freedom to choose when to retire. However, some of us lose jobs, face health challenges and encounter other financial obstacles that can have a big impact on our retirement date.

When unanticipated challenges blow up your best-laid plans financially, you have only two choices: work longer or live on less money in retirement. Here's a look at both options.

Working Longer

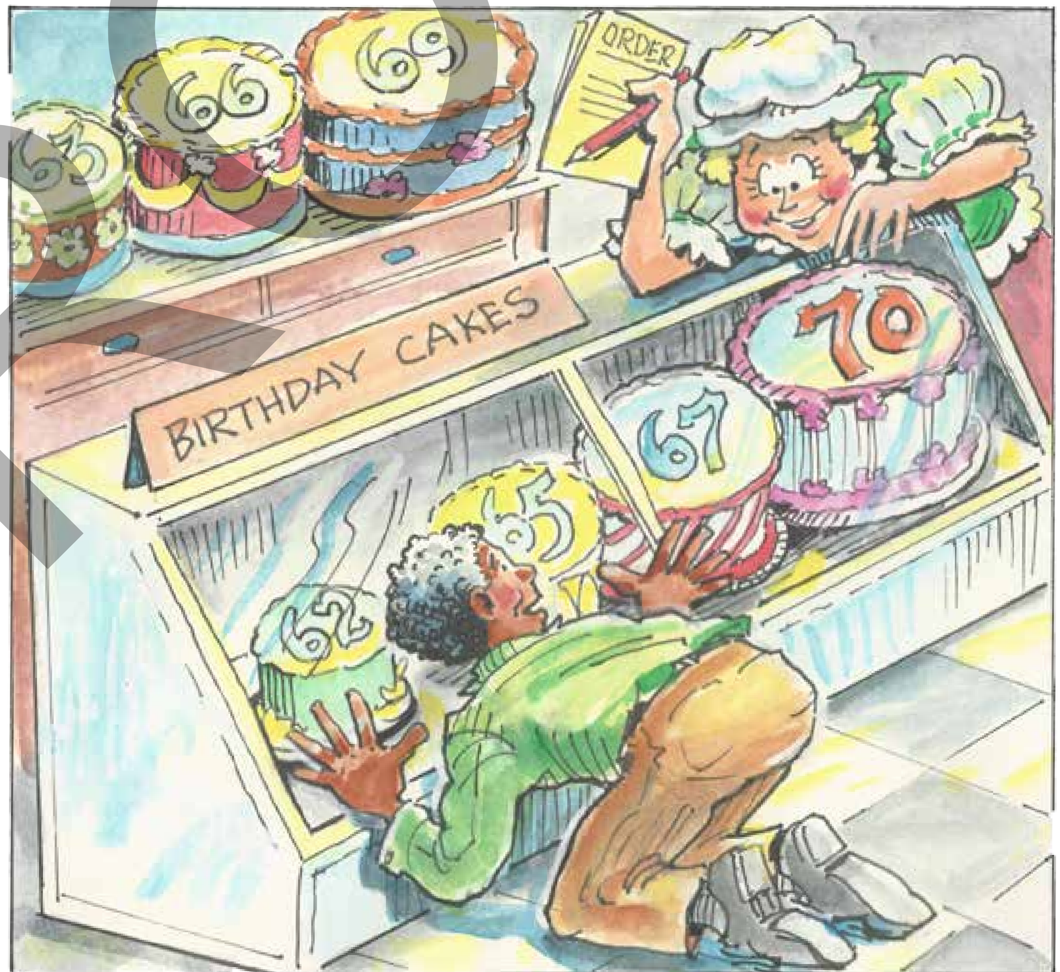
If you're physically able and employable, delaying your full retirement date is an option. After all, some people actually never retire. By adding a few years to your working life, you can contribute more to an IRA or company 401(k) plan. You also won't have to tap them for income while you still work.

Delaying your Social Security benefits can also pay off in the long term. Delaying Social Security until age 70 can increase your earning years and potential retirement funds. If you were born in 1943 or later, the Social Security Administration estimates you can increase your eventual benefits by 8% for each year you delay them, up until age 70.

Taking Less

Sometimes, people don't have a choice and retire before they planned, due to their health or the health of a loved one. You can make do by cutting back on a few things.

Consider relocating. There's no doubt some states are cheaper than others, and some people choose living abroad, where the cost of living may be much cheaper. Also consider which states tax Social Security and other retirement benefits. Talk to a financial professional to learn more.



Monitor Your Credit

After the Equifax hack took center stage in 2017, most Americans are paying more attention to safeguarding their credit information. Here are a few ways you can make your credit information more secure:

- Never carry your Social Security card with you. Use a photocopy if you know ahead you'll need it.
- Don't give your Social Security number to just anyone. Other than taking out new credit, there are few reasons to divulge this number.
- Get a free credit report every year, or sooner if you are denied credit for any reason, at *www.annualcreditreport.com*.
- If you know you won't need to open new credit, freeze your accounts through the three major credit reporting agencies. You can still use your credit, but scammers can't open new accounts in your name.
- Monitor your credit, investment and bank accounts diligently.

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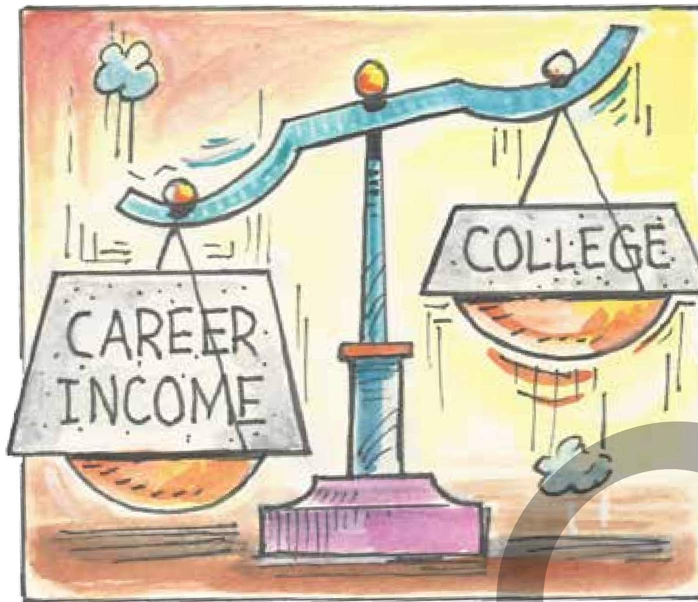
Is College Worth the Cost?

That's the question some people are asking as the cost of college—and college debt—continues to rise. The Consumer Financial Protection Bureau found that the percentage of borrowers with $20,000 or more in student debt doubled over the last decade.



College Graduates Make More

According to the Department of Labor's Bureau of Labor Statistics, Americans with only a high school education earn about half of what those with a bachelor's degree make. College graduates also have half the unemployment rate of those with only a high school diploma.

Statistics, however, can drown out the exceptions. Understand that each person's path to a future career is different. A licensed electrician may make more than a social worker with a college degree, and college debt differs widely from region to region. Know the numbers and talk it over with family before making any decision.

College: When Money's Tight

If you haven't saved all you wanted for a loved one's college education, take heart in knowing there are a variety of ways to lessen the impact of increasing costs.

Apply for Aid

Even if family income is high, apply for financial aid everywhere. Most colleges or universities will require you to complete the Free Application for Federal Student Aid (FAFSA). Submit it early — as early as October 1 this year for 2019-2020 college costs. Go to *https://fafsa.ed.gov/* to fill out your application online.

If family income prices you out of receiving grants, which needn't be paid back, apply for other school and private scholarships.

Places of worship, community groups and business organizations offer small scholarships. Every bit helps. You might also find money through your employer. Talk to human resources to learn if your company has a program to help pay for your family's college education.

Still Hope with No Aid

If you strike out with aid, consider other ways to reduce costs. Talk to your college student about boarding at home for a year or two if the college is within commuting distance. The student's income has a large impact on aid. But, if your family isn't getting any, your student can work extra hours.

Students and parents can also apply for loans. The best rates are from those loans backed by the U.S. government and some states. One caveat: You can always borrow for school, but not for retirement. In other words, don't take money from your retirement account that you'll miss later.

Tax Breaks

Claim up to a $4,000 federal tax deduction on Form 8917, whether you itemize or not, and deduct up to $2,500 for student loan interest you pay. You may also put up to $2,000 annually into a Coverdell Education Savings Account, subject to income and other limits, that the recipient can draw tax-free for qualified education expenses.

Avoid Pump & Dump Stocks

Do you get email and snail mail solicitations for pump and dump stocks? These stocks go by many names, including the next hot stock, surefire investment, can't-miss equity and more. These are penny stocks with little to no prospect of long-term gains, so be careful when approached about these investments.

Can't Miss — Not!

The U.S. Securities and Exchange Commission (SEC) describes these stocks as pump and dump stocks. It explains that scammers connected with them often tout false and misleading claims via phone, email and social media. Often, scammers will urge potential victims to buy a stock quickly so as not to miss what they invariably describe as huge gains. They don't want you to miss out. Right!

Bait and Switch

Once these scammers entice enough people to buy shares of the stock, pumping up its share price, they will dump their shares at a profit. Victims are left holding often worthless stocks.

There is no legal thing such as inside information, so be careful about any sales pitch offering some.

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Tax-Smart Distribution Strategies

If you are a tax-smart investor, you may want to look for ways to lessen the effect taxes can have on your investments. Once you retire, you'll have a different concern: which distributions to take first in a tax-friendly manner. Consider the following.

Ground Rules

First, understand that you must begin taking required minimum distributions from a traditional IRA and most workplace retirement plans by April 1 of the year after reaching age 70½. Because distributions are based on your life expectancy, your withdrawals will be higher at this age than if you chose to begin them earlier. Delaying, thus increasing, distributions from these plans and accounts can also put you in a higher tax bracket, so talk to a tax professional to learn more.

While you must begin RMDs for many retirement vehicles, there are no such rules for a Roth IRA and a Roth 401(k) plan. You can delay withdrawals indefinitely and even leave your account to a beneficiary once you're gone.

Next Step

If you don't have to take Social Security payments, delay them up until age 70. Taking payments before normal retirement age will reduce your permanent benefits and can cost additional dollars if you work and earn over a certain limit.

At any point, you may want to tap your taxable investments and let investments inside tax-qualified accounts continue to grow tax-deferred (or tax-free in the case of the Roth IRA). And if you have a down year financially, consider converting a portion of your traditional IRA to a Roth IRA while your other income is low.

Plan Now

If you know you'll retire in the next few years, plan now. The steps you take today can make retirement more comfortable, financially.

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FINRA
Financial Industry Regulatory Authority

October 31, 2017

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REVIEW LETTER

1. 2018 Loose Change Mar-Apr FINRA
   Rule: FIN 2210
   9 Pages

The material submitted appears consistent with applicable standards.

Reviewed by,

Brian L. Finnell
Associate Principal Analyst

aec

NOTE: *This review is limited to the communication that was filed. We assume that the communication does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis. This communication may be described as*
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