Loose Change®

a penny saved is a penny earned

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Changing Your Retirement Start Date

As you near retirement, you'll need to make some financial decisions that will affect the rest of your life. We say *will* because even inaction is a decision. Foremost among these decisions is when you begin drawing retirement income, from Social Security and a Health Savings Account to an IRA and 401(k) plan. Everyone's situation is different, but the following diverse scenarios may ring a bell with you.

Medical Before Retirement

Need money for medical care before you begin retirement? If you have a high deductible health plan with an accompanying Health Savings Account, tap the account for tax-free qualified withdrawals.

Withdrawals Before Retirement

It's easy to think about taking money from an IRA or other retirement plan once you reach age 59½, when there are no penalties for early withdrawals.* But if you're still working and contributing to one, consider taking a loan instead (if available), and only as a last resort. Retirement funds are meant for retirement.

Healthy and Wealthy

If you're healthy and you have a guaranteed pension from which to draw, consider delaying Social Security payments past normal retirement age, as well as pushing off IRA* or 401(k) plan* withdrawals until they must begin at age 70½.

Healthy, Not Wealthy

If you're healthy, like your job and are short of your retirement financial goals, why not keep working? You can reduce or delay retirement withdrawals and, if you have an employer retirement plan, continue putting money away while you continue to work.

Down Year

Taxes on your retirement income are a wild card depending on the whims of lawmakers and your state laws. But if you meet qualifications and your income is down, you might convert a portion of a tax-deferred IRA or 401(k) to a Roth IRA.** You'll pay taxes on the converted amount, but qualified distributions are tax-free.

**Distributions from traditional IRAs and employer-sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% IRS tax penalty.*

***To qualify for tax-free and penalty-free withdrawals of earnings, a Roth IRA must be in place for at least five tax years, and the distribution generally must take place after age 59½, with few exceptions.*

Managing Market Volatility

It seems like any piece of news can either rattle or encourage stock markets these days, propelling stock prices to rapidly decrease or increase and giving some investors heartburn as they worry and watch.

If you are a long-term investor, you typically don't need to fret about short-term volatility. But if you can't help worrying or you have a shorter investment timeframe, consider a more conservative approach, which may potentially limit losses, as can spreading your risk by diversifying* among and within asset classes. Diversify by asset class by spreading your investment dollars among stock, fixed income and money market asset classes. Diversify within an asset class, for example, by choosing large- and small-cap stocks and domestic and international equities.

**Diversification cannot eliminate the risk of investment losses. Past performance won't guarantee future results. An investment in stocks or mutual funds can result in a loss of principal.*

Curb Holiday Spending

Now is the time to prepare financially for the holidays.

Be Accountable
Set a holiday budget. Create a list of items you intend to buy with expected prices, and match the total cost to your budget. Hold yourself accountable.

Be Thrifty
You can find coupons for just about anything online, in print and through apps. Don't buy a sale item if it wasn't on your original list, no matter how low prices go. No discount is more than the 100% you save by not buying an item.

Be Card-Smart
One of the easiest ways to not overspend during the holidays is to leave your credit cards at home. It's hard to exceed your budget when you only have cash. If you do use a card, use those with the best cash-back offers for additional savings, and pay your cards off in full each month.

Be Money-Smart
If the thought is what counts, consider baking cookies and gifting them in a nice tin during the holidays. Host a potluck dinner or dessert gathering rather than exchanging gifts with friends. Most likely, they will appreciate the money savings and the relaxing time together.

Build an Emergency Fund

When the government partially shut down last January, we learned that many Americans didn't have even one paycheck's worth of savings to tide them over. Having an emergency fund is essential to ensure funds are available when unexpected financial hardships occur.

Put It in Writing
For many people, writing it down makes saving money for an emergency fund real, not theoretical. Talk with your loved ones to discuss how much you need and solicit ways to find the extra dollars that can add up over time. Make a chart and track how much you're able to save each month toward your goal.

Show Me the Money
Consider selling unwanted items via the Internet or smartphone apps, you can increase your disposable income—and your emergency funds—quickly. Consider having a yard sale. Save any raises and bonuses from work. Keep your car an extra year or two to go without monthly car payments. Keep your phone, too, with new smartphone prices soaring.

Make Small Sacrifices
Passing on one $5 designer latte, one $10 lunch and one $75 dinner every two weeks are other ways to increase your funds quickly.

Make Bigger Sacrifices
Still looking for free money to increase your emergency funds? Maybe you need to free it up by first creating a budget that includes your income and itemized expenses. Little adjustments add up. Scour your phone and cable bills to eliminate unneeded services. Study your clothes and grocery bills to find additional savings. Write down every dime you spend to get the best idea of where your money goes.

Generate More Income
There are many opportunities online to get paid to answer surveys and participate in market research. You might be surprised how much earnings from a second part-time job can help your increase your fund.

It is not easy to put in extra hours or making sacrifices when it comes to living within a budget, but knowing you have that emergency fund when you need it will help you breathe a little easier.

Know Your 401(k) Words

If you're like many workers, you contribute to a company-sponsored 401(k) plan, but you might not understand all the financial jargon that comes with one. If you're among the justifiably confused, some of these definitions may clear up any uncertainty.

Beneficiary As with a life insurance policy, you'll need to name one or more beneficiaries of your 401(k) plan so its assets can pass as intended in the event of your death.

Contribution Limit In 2019, you may contribute up to $19,000 plus another $6,000 if you're at least age 50. Your plan, however, may have different limits, so ask about them.

Distribution IRS-speak for withdrawals, don't take distributions before age 59½ because, with few exceptions, you'll pay a penalty and income tax on the amount.

Match That's how much of your contributions an employer matches. Make it a point to contribute enough to take full advantage of the match.

Required Minimum Distributions This mouthful is better known as RMDs. They are not space movie robots, but required withdrawals you generally must begin taking at age 70½. Fail to do so and you'll owe a penalty.

Vested Interest Your contributions belong to you, but you may not immediately vest fully in your employer's match, which can take up to five years.

Jump Start
Now that you know a few more 401(k) plan words, take the next step and begin contributing more. The retired you will appreciate your early efforts.

Spousal Catch-Up

While many Americans have difficulty putting enough money away for retirement, stay-at-home spouses have even greater difficulty due to typically low or no lifetime earnings. This can affect how much they get in Social Security benefits and via retirement plans. If this sounds familiar to you, take hope: There are ways to help ensure your retirement income.

Special Rules

Most retirement plans require earned income to offset qualified contributions, which can be a problem for stay-at-home spouses. Fortunately, federal tax law and the Social Security Administration offer vehicles to provide for retirement for spouses with little income.

A spousal IRA is one such vehicle, and it is no different than other IRAs except that the spouse needn't have earned income. The reason? Contributions to the spousal IRA cannot exceed the total earned income of both spouses.

If you meet this requirement in 2019, you can contribute up to $6,000 to a traditional IRA, plus another $1,000 annually if you're at least age 50. If you fall within income limits and you file a joint tax return, you also get a tax deduction for contributions. Your accounting professional can tell you more. And, if you're looking for potentially tax-free withdrawals in retirement, you might opt for a spousal Roth IRA.

Social Security

You will need earned income to receive your own Social Security benefits, but the hurdle is very low. Your monthly payment will be based on your earnings history. Alternatively, you might opt to receive a spousal benefit, which is typically equal to 50% of what your spouse receives.

Unless you're divorced or widowed, you can't begin payments until your spouse does. If your spouse or ex-spouse is deceased, your benefit will be substantially higher, based on a variety of formulas, and up to almost 100% of what your spouse would have received.

Social Security benefits for those using a deceased spouse's wages can begin at a variety of different ages (and affect the amount of payments), which your financial professional and Social Security office can help you understand.*

By understanding your retirement and Social Security rights as a stay-at-home spouse, you can help make your financial future more secure.

**https://www.ssa.gov/pubs/EN-05-10084.pdf*

Preparing Financially for Winter

Severe snow, ice and cold are not laughing matters. They increase the number of vehicle accidents and cause blackouts, property damage, hypothermia, heart attacks and carbon monoxide poisoning.

Prepare

Caulk leaky windows and weather-strip your exterior doors to keep the cold out and heat in. If power outages are common, consider buying a gas generator, but make sure to keep it outside your home to vent.

Make sure your storm drains are clear of debris so water can flow off your roof properly during a warm-up, and clear your walkways to prevent serious slips and falls, as well as potential financial liability. Check that you have the right amount of property and liability insurance, and consider disability income insurance.

Survive

Make sure smoke and carbon monoxide detectors are working, and clear your heating system's outdoor vents to let the poisonous gas escape. If you live in a heavy snow area, keep a roof shovel to prevent collapses. Create an emergency survival kit in case you become stranded in your vehicle.

The following tips and the federal government website www.ready.gov/winter-weather can help you prepare and survive severe winter weather.

Holiday Spending Soars

Holiday online spending via the MasterCard payments network from November 1 through December 24, 2018 increased 5.1% to around $850 billion. Online holiday spending comprised 13% of total holiday sales, an increase of 19.1%, according to MasterCard Spending Pulse. Here's how we spent some of those billions online:

Home Improvement
up **9.0%**

Electronics
up **8.5%**

Apparel
up **7.9%**

Home Furnishings
up **2.3%**

Family Matters

If starting and running a successful business is difficult, doing the same as a family business can seem next to impossible. You can avoid the pitfalls by setting and following some ground rules. Here are a few to consider:

Business is Business
Family businesses are no different than any others when it comes to needing plans, structure and follow-up to succeed.

Insurance is Insurance
As with any business, a family business requires all types of insurance to financially protect against property and auto damage, general liability, poor employment practices, errors and omissions, injuries on the job and more.

Unlike other businesses, your family firm may want to structure a financial plan to help family members assume ownership while you work, after you retire or in the event of your death. Also consider how you might equalize your estate for family members outside the business. Often, life insurance can provide a cost-competitive way to do this.

Family is Family
Treating your family member as you would any other business associate works when you're on the job. During family time, it's best to keep business out of family affairs. Running a business is hard, and family businesses often find their difficulties increase exponentially because of close ties.

Finding the Right Franchise

For many people, starting a franchised business is the quickest way to launch a company. The best franchises provide all sorts of support and may provide access to financial and other products you need at a reduced cost. But you can also find unexpected challenges, including franchise rules that control how you run your business. Here's how to find a happy medium:

Eyes Open
Buying a franchise can be rewarding. Many franchises offer extensive training and, most importantly, brand recognition, giving your franchise a leg up on competitors who don't enjoy the same brand awareness. But buying a franchise isn't for everyone. A successful franchise will typically have an established way of doing things, and you generally won't have the freedom to stray from its approach.

This means potentially paying a percentage of income or sales as royalties and contributing to franchise-wide initiatives such as advertising. Standard dress, presentation and even bookkeeping may also be mandatory. A contract will state these and other stipulations, and the franchisor may terminate or opt not to renew your contract for any number of reasons.

Insurance
Reputable franchises will require that your business has general liability, product liability, worker's compensation and unemployment insurance. They may also require insurance to cover business interruption, employment practices and vehicle use. Typically, franchisees have access to lower rates on these protections. Sometimes, a franchisor will contractually state it be named as an additional insured on some policies.

If employee benefits are not offered through your franchisor you may want to work with a financial professional, especially if you want to offer health insurance, life insurance and a retirement plan. Often, you can find these benefits at a reduced price through a group insurer.

Plan Ahead
If you are considering buying a franchise, thoroughly research it. Look for claims, scour social media for comments on it and run the numbers to make sure you can handle the financial commitment. The latter is crucial because even the best franchises take time to earn back initial investments.

Most importantly, talk to legal, accounting and financial professionals who are experienced dealing with franchise issues. The work you do up front can save you grief later.

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The communication submitted appears consistent with applicable standards.

Reviewed by,

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This year's Advertising Regulation Conference will be held on October 24-25 in Washington, D.C. For more information and to register, please access the conference webpage at www.finra.org/2019adreg.

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