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A Guide to Retirement Planning

FEATURED ARTICLE

Is Long-Term Care Insurance a Good Idea?

When deciding whether or not to buy long-term care insurance, consider the potential cost of care, the cost of insurance premiums, and the coverage provided.

There is a good possibility that you or your spouse will eventually require some form of long-term care. According to the U.S. Department of Health and Human Services, about 70% of people aged 65 or older will enter a nursing home for some period of time during their lifetimes.

Whether you or your spouse will be among this group is impossible to predict. But it is wise to consider how you might pay for long-term care and whether long-term care insurance is a good idea for you.

Cost of Care

Perhaps the first consideration is determining the potential cost of long-term care. Below is a summary of current costs according to the Genworth 2014 Cost of Care Survey.

Median costs in the United States:

- $212/day for a semi-private room in a nursing home
- $240/day for a private room in a nursing home
- $3,500/month for care in an assisted living facility (for a one-bedroom unit)
- $20/hour for a home health aide
- $19/hour for homemaker/companion services

With health care costs rising every year, these expenses can be expected to grow substantially over time. Furthermore, neither Medicare nor Medicare supplemental coverage, also known as Medigap insurance, typically cover long-term care. Medicaid will cover a large share of such services but only if you meet stringent financial and functional criteria. What's more, most employer-sponsored or private health insurance plans follow the same general rules as Medicare. Therefore, most people who need long-term care must pay for some or all of it on their own.

Cost of Insurance

Like life insurance, long-term care insurance policy premiums largely depend on your age and health. If you take out a policy when you are young, you can expect to pay comparatively low premiums during the life of the plan, while starting a new policy when you are older will entail significantly higher monthly premiums. A 65-year-old in good health can expect to pay between $2,000 and $3,000 a year for a policy that covers nursing home care and home care, with premiums adjusted for inflation.

Most long-term care policies sold today are federally tax-qualified, which means the premiums paid and out-of-pocket expenses for long-term care may be applied to the medical expense deduction of the federal tax code. (Typically, taxpayers may deduct the portion of medical and dental expenses that exceed 7.5% of adjusted gross income.) Additionally, long-term care benefits received are not taxed as income up to certain limits. Consult with a tax advisor to learn more about the tax implications of long-term care insurance.

Coverage

Long-term care policies are complex and vary widely. But in general, long-term care insurance typically covers the following:

- Nursing home care
- Adult day care
- Visiting nurses
- Assisted living
- In-home assistance with daily activities

LTC includes a range of nursing, social, and rehabilitative services for people who need ongoing assistance due to a chronic illness or disability. LTC insurance can be used by anyone at any age who suffers an accident or debilitating illness, but it most frequently is used by older adults who need assistance with essential physical needs, such as bathing, dressing, or eating.

Other Considerations

Deciding whether to purchase long-term care insurance will depend on your personal situation. You may want to consider your family health history, your level of assets to potentially pay for long-term care, and your feelings about relying on family members for support. Probing these and other individual circumstance can help you make a well-informed decision.

Source/Disclaimer:
1Source: Genworth, 2014 Cost of Care Survey, 2014.
2Source: AARP.org, 2013 (latest available).

Planning the Withdrawal of Your Retirement Assets

An efficient withdrawal strategy can significantly improve the overall performance and longevity of a retirement portfolio. Certain tactics for drawing cash from retirement assets may have more favorable tax implications for the investor. It is also possible to manage portfolio rebalancing in order to minimize transaction costs. Other factors that have a significant impact on withdrawal strategy include IRS required minimum distribution rules and large holdings of company stock in a qualified retirement plan.

You've worked long and hard to accumulate the assets that you are using to help finance your retirement. Now, it's time to start drawing down those assets. Exactly how you liquidate your assets will affect your tax and impact how long those assets last, so it pays to plan a withdrawal strategy that is efficient and maximizes the benefits of different types of investments.

The first step in planning your withdrawal strategy is to make a precise inventory of all the assets you have in your portfolio, paying particular attention to distinguish between taxable accounts, such as ordinary bank or brokerage accounts, and tax-deferred accounts such as 401(k), 403(b) and 457 plans, and IRAs. From this inventory, you can estimate how much cash you will receive from dividends, interest payments, redemptions, and distributions in the coming year. You can also assess how much you will need to hold in reserve in order to meet the associated federal and state tax obligations.

If your total net cash flow from the assets in your taxable accounts is strong enough to meet your budgeted cash needs for the year, you may consider yourself to be fortunate. You need not weigh the transaction costs of different asset sale strategies or consider the added income tax effects of withdrawing assets from employer-sponsored plans and IRAs. But if you do need to liquidate assets in order to meet your cash flow targets, then you should consider the plusses and minuses of each withdrawal strategy as outlined in the following savings withdrawal hierarchy.

As you consider these options, keep in mind that no single order can be right for every person and every situation. Among the additional issues you should consider when designing your withdrawal strategy are the management of portfolio risk, your tax bracket, and the cost basis of the investments. With that in mind, below is a high-level summary of guidelines for creating an appropriate strategy. Remember, this is a conceptual ranking. Your circumstances may require a different sequence, so be sure to obtain relevant financial advice before taking any action. Note, too, that estate tax considerations might have an impact on withdrawal priorities.

Meet the rules for Required Minimum Distributions (RMDs).
Owners of traditional IRAs and participants in 401(k), 403(b), and 457 plans must follow IRS schedules for the size and timing of their RMDs (see below). Those who fail to do so face a penalty tax equal to half of any required distribution that has not been taken by the applicable deadline.

Sell losing positions in taxable accounts.
If you have an investment that is worth less now than when you bought it, you may be able to create a tax deduction by selling that investment. This deduction can be used to offset any investment gains you realize. It can also be used to offset up to $3,000 in ordinary income ($1,500 for married individuals who file separate tax returns). Losses in excess of the limits can usually be carried forward for use in future years.

Liquidate assets in taxable accounts that will generate neither capital gains nor losses.
As you consider which assets to sell, keep your target asset allocation in mind. You may be able sell assets from a class that is currently overweighted in your portfolio. By focusing on reducing the overweighted class to restore balance, you can minimize net transaction costs.

Realize gains from taxable accounts or withdraw assets from tax-deferred accounts to which nondeductible contrivutions have been made, such as after-tax contributions to a 401(k) plan.
As you consider which assets to sell, keep your target asset allocation in mind. You may be able sell assets from a class that is currently overweighted in your portfolio. By focusing on reducing the overweighted class to restore balance, you can minimize net transaction costs.

Take additional distributions from tax-favored accounts.
RMD rules, state tax treatment, and other features and characteristics of the different IRAs and employer-sponsored plans may make some accounts better candidates for earlier withdrawals. For instance, withdrawals from a traditional IRA would usually precede withdrawals from a Roth IRA.

Required Minimum distributions (RMDs)

For traditional IRAs and employer-sponsored retirement savings plans, individuals must begin taking required minimum distributions no later than April 1 following the year in which they turn 70½. RMDs from a 401(k) can be delayed until actual retirement if the plan participant continues to be employed by the plan sponsor and he or she does not own more than 5% of the company. The size of an RMD is determined by the account owner's age. An account owner with a spousal beneficiary who is more than 10 years younger can base required minimum distributions on their joint life expectancy.

Estimating the Required Minimum distribution

This is the most broadly applicable required minimum distribution table -- the Uniform Lifetime Table for unmarried owners, married owners whose spouses are not more than 10 years younger, and married owners whose spouses are not the sole beneficiaries of their accounts. Other tables apply in other situations.

Age	70	75	80	85	90	95	100	105
Actuarially projected life expectancy (in years)	27.4	22.9	18.7	14.8	11.4	8.6	6.3	4.5
RMD (% of assets)	3.6 %	4.4 %	5.3 %	6.8 %	8.8 %	11.6 %	15.9 %	22.2 %

Source: The Internal Revenue Service.

A Potential Tax benefit for Company Stock Held in a Retiement Plan

For individuals who hold company stock in their 401(k) or other qualified retirement plan, the IRS offers certain tax advantages when withdrawing company stock from the plan. Keep in mind that the IRS has exacting requirements for exploiting all of the tax management strategies discussed above and that tax laws are always subject to change. You should review your cash management plans with your tax and investment advisors before taking any specific action.

Sweetheart Coconut Cookies Recipe


Source:http://www.tasteofhome.com/recipes/sweetheart-coconut-cookies

Total Prep Time: 1 hour

Makes: 24 Servings

Ingredients:

1 cup flaked coconut
1 cup sugar
3/4 cup cold butter, cubed
2-1/4 cups all-purpose flour
2 large eggs, lightly beaten
1/2 teaspoon vanilla extract
GLAZE:
3/4 cup confectioners' sugar
1 tablespoon water
1/2 teaspoon vanilla extract
Coarse white sugar, optional
1/2 cup seedless raspberry jam

Directions:

1. Place coconut and sugar in a food processor; cover and process until coconut is coarsely chopped. In a large bowl, cut butter into flour until crumbly. Stir in coconut mixture. Stir in eggs and vanilla.

2. On a lightly floured surface, roll out dough to 1/8-in. thickness. Cut with a 2-1/2-in. heart-shaped cookie cutter dipped in flour. Using a 1-in. heart-shaped cookie cutter, cut out the center of half of the cookies. Reroll small cutouts if desired.

3. Place solid and cutout cookies 1 in. apart on greased baking sheets. Bake at 375° for 7-9 minutes or until edges are lightly browned. Remove to wire racks.

4. In a small bowl, combine the confectioners' sugar, water and vanilla; brush over warm cookies with cutout centers. Immediately sprinkle with coarse white sugar if desired. Spread 1/2 teaspoon of jam over the bottom of each solid cookie; place cookies with cutout centers over jam. Yield: about 3-1/2 dozen.


Source: http://www.marketwatch.com/story/valentines-day-spending-to-fall-in-2017-after-record-2016-says-nrf-2017-02-01

Valentine's Day spending to fall in 2017 after record 2016, says NRF

Consumers will spend an average of $136.57 this year on Valentine's Day gifts, experiences and other purchases, down from a record high of $146.84 last year, according to the National Retail Federation's annual survey. Total spend will also decrease, to $18.2 billion from $19.7 billion, which was also a record.

The organization found that the number of people who plan to celebrate the holiday has fallen 10 percentage points since 2007, to 54% this year. "Consumers will find that retailers recognize that their customers are looking for the best deals and will offer good bargains just as they did during the holiday season," said NRF Chief Executive Matthew Shay in a statement. Retailers like Macy's Inc. M, +6.79% and Target Corp. TGT, +0.15% have reported weak holiday sales, in part due to heavy discounting.