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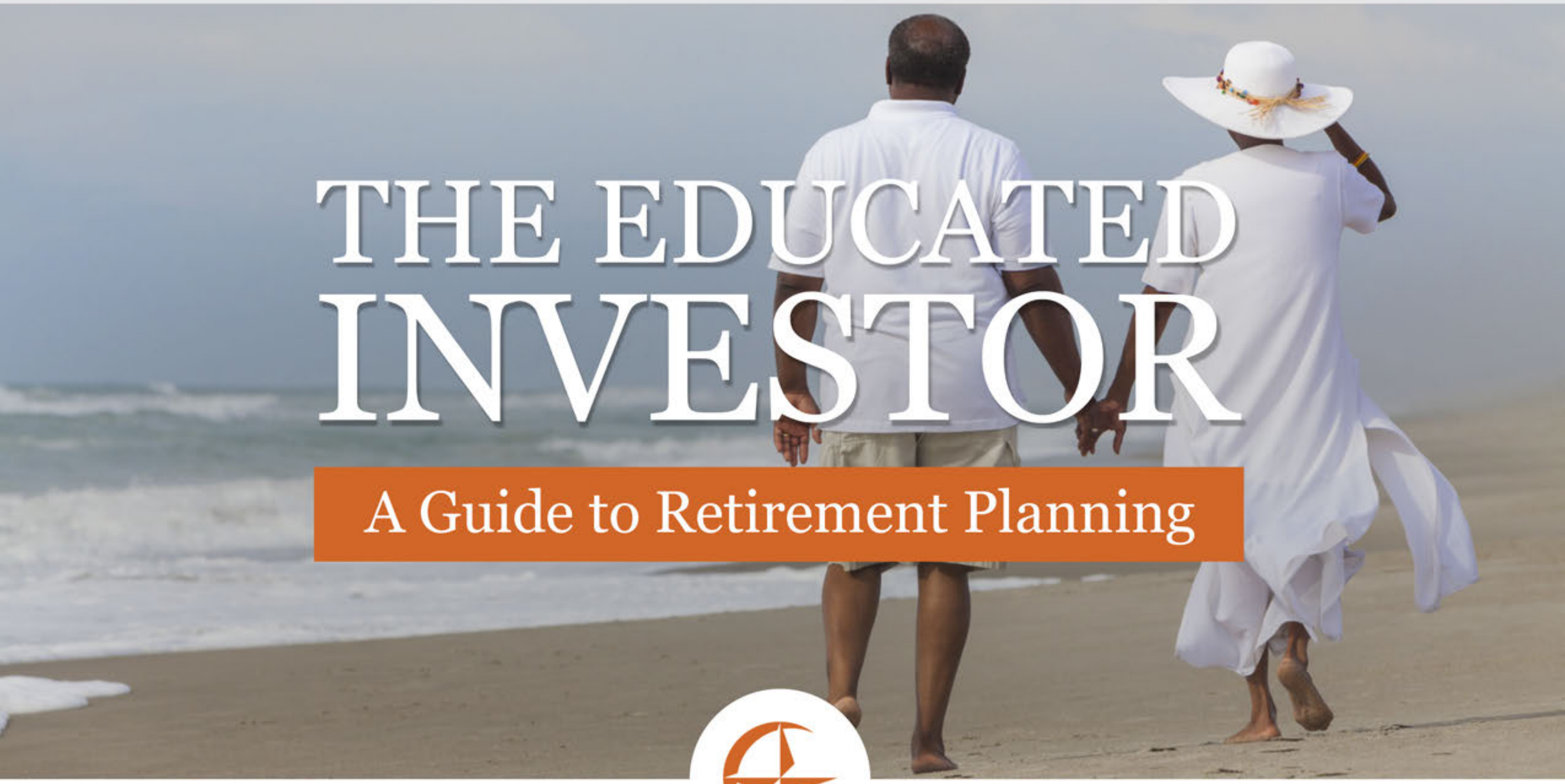
Householder Group
Estate & Retirement Specialists



THE EDUCATED INVESTOR

A Guide to Retirement Planning

FEATURED ARTICLE

The Phases of Retirement: Updating Your Finances for Your Changing Lifestyle

As people live longer and healthier lives, retirement income and distribution strategies require a flexible approach that provide for changing needs over time.

As people live longer and healthier lives, it may help to view retirement as a series of stages: early, middle, and late. It will be increasingly common to continue working part time in retirement, which impacts income and tax planning.

Another important decision will be the optimal time to begin taking Social Security and distributions from tax-deferred accounts. Estate planning and living arrangements, as well as a strategy for payment of increasing out-of-pocket health care costs, will need to be examined regularly. Retirees will likely wish to use a flexible planning approach as they enter this vibrant time of life.

Key Points

- The Need for Flexible Planning
- Early Years: Income and Tax Decisions
- Middle Years: Distributions and Lifestyle Realities
- Later Years: Your Legacy
- Points to Remember

Although many Americans now plan for a retirement up to 20 years, your retirement may last much longer.

Believe it or not, living nearly a century may someday soon be almost commonplace. As a result, rather than thinking of retirement as the final stage of life, a more realistic approach may be to view it as a progression of phases, such as early, middle, and late. This involves taking a fresh look at retiree expenses and income, as well as withdrawal and estate planning strategies.

The Need for Flexible Planning

Traditionally, retirees were advised to project income needs over the length of time of retirement, add on an annual adjustment for inflation, and then identify any potential income shortfall. But the planning required may not be that linear.

For example, research suggests that some retirees' expenses -- other than health care -- may slowly decrease over time. That means many retirees -- depending on personal expenses -- may need more income early in their retirement than later. That's why it's critical not just to determine a sustainable withdrawal rate at the outset of retirement but also to periodically evaluate that withdrawal rate.

Or consider another trend: The desire to remain active means many people are continuing to work part time or starting new businesses in retirement. In fact, some psychologists and gerontologists believe that many people don't really want to retire, but instead want to reinvent themselves through a mixture of work and leisure. As a result, more older men and women may be inclined to jump back into the workforce - and possibly enjoy the most productive years of their lives.

Early Years: Income and Tax Decisions

Keep in mind that adding employment earnings to your retirement "paycheck" requires careful planning because it may impact other sources of retirement income or bump you into a higher tax bracket. For example, in 2014 retirees who collect Social Security before the year of their full retirement age will see their benefits cut $1 for every $2 earned above $15,480. Also, depending on adjusted gross income, you might have to pay taxes on up to 85% of benefits, according to the Social Security Administration.

The need to potentially stretch out income over a longer period than previous generations also means that some people may not want to tap Social Security when they're first eligible. Consider that for each year you delay taking Social Security beyond your full retirement age until age 70, you'll receive a benefit increase of 6% to 8%, depending on your age. One caveat: If you do decide to delay collecting Social Security, you may want to sign up for Medicare at age 65 to avoid possibly paying more for medical insurance later.

Also plan ahead as to how you'll pay for health care costs not covered by Medicare as you age. Remember that Medicare does not pay for ongoing long-term care or assisted living and that qualifying for Medicaid requires spending down your assets. If you have accumulated assets in qualified employer-sponsored retirement plans, now may be the time to decide whether to roll that money into a tax-deferred IRA, which could make managing your investments easier.

A tax and financial pro can also help you decide which accounts to tap first at this point in your post-retirement planning -- a situation that could significantly affect your financial situation.

Finally, don't overlook any pension assets in which you may be vested, especially if you changed employers over the course of your career. Pensions can supply you with regular income for life. Annuities may also play a role in helping you generate steady income.1

Middle Years: Distributions and Lifestyle Realities

By April 1 of the year after you reach age 70½, you'll generally be required to begin making annual withdrawals from traditional IRAs and employer-sponsored retirement plans (except for assets in a current employer's retirement plan if you're still working and do not own more than 5% of the business you work for). The penalty for not taking your required minimum distribution (RMD) can be steep: fifty percent of what you should have withdrawn. Withdrawals from Roth IRAs, however, are not required during the owner's lifetime. If money is not needed for income and efficient wealth transfer is a goal, a Roth IRA may be an attractive option.

Also, consider reviewing the asset allocation of your investment portfolio. Does it have enough growth potential to keep up with inflation? Is it adequately diversified among different types of stocks and income-generating securities?

Later Years: Your Legacy

Review your financial documents to make sure they are true to your wishes and that beneficiaries are consistent. Usually, these documents include a will and paperwork governing brokerage accounts, IRAs, annuities, pensions, and in some cases, trusts. Many people also draft a durable power of attorney (someone who will manage your finances if you're not able) and a living will (which names a person to make medical decisions on your behalf if you're incapacitated).

You'll still need to stay on top of your investments. For example, an annual portfolio and asset allocation review are important. Keep in mind that a financial advisor may be able to set up an automatic rebalancing program for you.

And finally, be aware that some financial companies require that you begin taking distributions from annuities once you reach age 85.

Preparing for a retirement that could encompass a third of your life span can be challenging. Regularly review your situation with financial and tax professionals and be prepared to make adjustments.

Points To Remember

1. By April 1 of the year after you reach age 70½, you'll generally be required to begin making annual withdrawals from any tax-deferred accounts.

2. Match living arrangements to changing lifestyle needs and plan ahead for how you'll pay escalating health care expenses.

3. Make sure that financial documents are true to your wishes and beneficiaries are consistent.

4. Regularly consult with financial and tax professionals and be prepared to make adjustments, depending on how your life and needs change.

Source/Disclaimer:
1Withdrawals from annuities before age 59½ are taxed as ordinary income and may be subject to a 10% federal penalty tax. In addition, the issuing insurance company may also have its own set of surrender charges for withdrawals taken during the initial years of the contract. Asset allocation does not ensure a profit or protect against a loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Getting Divorced?
A Checklist for FinanciallySound Separation

Separating your finances after a divorce is a vital first step on your road to singlehood. This checklist can help you get off to a strong start.

Managing the financial aspects of a divorce may be just as important as coping with the emotions. This checklist can help you transition from "ours" to "mine" and "yours."

Day-to-Day Transactions and Financial Accounts

• Divide all bank account balances as called for in the divorce agreement.

• Cancel joint checking, savings and revolving credit accounts, such as credit cards.

• Establish individual accounts in your name for ATMs, checking, savings and credit cards.

• Let your utility companies know if you're assuming responsibility for the bills or if your name should be removed from the accounts. Make sure to update the accounts for gas, electric, heating oil, water, sewer, cable/satellite television, telephone and broadband Internet. Clarify responsibilities for any condo or co-op fees.

• Convert family mobile plans to individual contracts, if applicable.

• Notify all of your creditors of your changed circumstances and responsibilities, including change of address if applicable. Make sure you notify organizations with whom you may have automatic payment arrangements such as private schools, religious congregations and associations.

[Note: The divorce agreement negotiated during your proceedings should spell out who owes what to whom and who is assuming which obligations. You should make suitable arrangements for your responsibilities and remove yourself from things you are no longer responsible for. Community property states may have unique rules governing the division of assets and liabilities, but similar post-separation principles would apply.]

Other Financial Assets

• Revoke any joint authorizations or powers of attorney you gave to your ex-spouse over investment accounts and assets.

• Remove yourself from any joint accounts your spouse intends to maintain independently. (You may have to explicitly notify the institutions that you will claim no future interest in the account.)

• Remove your ex-spouse from any accounts you intend to maintain individually.

• Make suitable arrangements (opening new brokerage or trust accounts if necessary) for any securities due to you from the divorce settlement.

• Open new trust accounts for any assets you expect to receive on behalf of dependents.

Retirement Plan Issues

• Update the beneficiary designations of your existing retirement accounts and insurance policies.

• Seek a qualified domestic relations order (QDRO) for any retirement assets you are entitled to in your spouse's employer-sponsored plans. (The QDRO is a tax-efficient way to preserve and enforce your financial interests in your ex-spouse's pensions and defined contribution plan assets.)

• Create rollover IRAs in your name to receive any assets you might be due immediately from your ex-spouse's IRAs under the terms of your divorce settlement. (Taking those transfers as cash distributions could trigger immediate and costly tax consequences.)

Property and Other Resources

• Update the deeds and title papers to reflect any changes in property ownership conditions specified in your divorce agreement. Notify any mortgage holders and lienholders of the changes.

• Notify all taxing authorities (city, country, school district, etc.) of any changes in responsibility for real estate tax payments.

• Update motor vehicle title, tax, insurance and lease arrangements.

Moving Forward with Your Life

• Take a fresh look at your plans for the future to determine whether your divorce will affect your financial needs, risk tolerance and time frames. Among the things to reevaluate are:

o Life insurance and disability insurance needs
o Investment allocations
o Retirement savings rates

• Review your will to be sure that its provisions reflect your new circumstances (if you have no will for yourself, create one).

• Evaluate your Social Security status. (A divorced person may be eligible for Social Security benefits based on his or her ex-spouse's earnings record if he or she is at least 62 years old, was married for at least 10 years, and does not remarry before age 60.)

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor. LPL Financial Representatives offer access to Trust Services through The Private Trust Company N.A., an affiliate of LPL Financial.

Pecan Caramel Candies

Ingredients

* 63 Miniature Pretzels
* 63 Rolo Candies
* 63 Pecan Halves

Directions

Line baking sheets with foil. Place pretzels on foil; top each pretzel with a candy.

Bake at 250° for 4 minutes or until candies are softened (candies will retain their shape).

Immediately place a pecan half on each candy and press down so candy fills pretzel. Cool slightly.

Refrigerate for 10 minutes or until set. Yield: 63 candies (about 1-1/4 pounds).

SOURCE:
http://www.tasteofhome.com/recipes/pecan-caramel-candies

August is Time for a Financial Reboot

August. You could call it the nap-time of personal-finance planning. Many workers find this month is a quiet time at the office. For families, it's a time to amble back from vacation and start gearing up for the school year. But its very calm makes August a stellar time to work on your finances.

"August is a good time to start your year-end planning, and plan for next year, because once the holidays hit, you don't want to think about that," says Beth Lynch, a certified financial planner with Schneider Downs Wealth Management Advisors in Pittsburgh.

Ready for a personal-finance reboot? Here are six steps:

1. Get ready for upcoming college costs
Is your child in high school? Robert Weinerman, senior director, college finance, at consulting firm College Coach in Watertown, Mass., says the summer before 10th grade is the time to start.

2. Prepare for workplace health-care and Medicare open enrollment
Come October, people who enjoy workplace benefits, and Medicare beneficiaries, too, generally can choose among the various plans available to them. Now's a good time to start recording all of the drug and other medical costs you incur so you can choose the best plan for you.

3. Assess whether you need to rebalance investments
Shift money from your top-performing assets into those that haven't done as well, but be wary of taxes. Tax-qualified accounts such as 401(k)s don't pose a problem, but in a taxable account, one tax-smart way to rebalance is to use new contributions to increase underweighted assets.

4. Revisit your budget
Is it time to trim some costs, maybe eat out less? Are there forgotten charges you're neglecting? I'm currently paying about $16 a month for a Netflix account that allows for streaming videos online and receiving DVDs by mail. But I haven't requested a DVD in ages. By reducing the service to streaming only, I'll save $8 a month. Why waste $96 a year?

5. Set a course toward your goals
Do you have dreams of buying a house, getting going on college savings, or ramping up your retirement savings? Take the time this month to draw up a plan to meet those goals.

6. Plan for your next tax bill
August is usually a slow time for accountants and other tax experts—that makes it a good time for tax planning.

SOURCE:
http://www.wsj.com/articles/SB10001424127887324136204578640223323460806