



THE EDUCATED INVESTOR

A Guide to Retirement Planning

FEATURED ARTICLE

Your Annual Plan: Three Steps Toward Your Financial Success

While there is no such thing as a one-size-fits-all financial plan, the three-step review process outlined in this article can help you do a better job of keeping your financial house in order from one year to the next.

As the days get shorter and cooler, it's a good time to conduct a comprehensive annual financial review. And while there is no such thing as a one-size-fits-all financial plan, the three-step review process outlined below can help you do a better job of keeping your financial house in order from one year to the next.

Step 1: The Year's Not Over Yet –Make Time for a Progress Check

The main reason for creating an annual financial plan is to plot out the most efficient route to follow as you pursue essential short- and long-term goals for the upcoming year.

However, it's difficult to get a clear vision of the future without first reviewing any existing plans to gauge whether you've managed to stay on the right track this year -- and to make sure you're not overlooking any opportunities that might present themselves between now and the end of the year. It's still not too late to make significant progress before putting a new calendar on the wall. For example, ask yourself the following questions:

- Have you taken full advantage of gifting strategies as part of your overall estate plan this year? This can be an effective way of supporting loved ones (or a charity) while simultaneously reducing your future estate tax burden.
- Have you considered selling "losing" investments in order to offset taxes on gains elsewhere in your portfolio?
- Are you certain that all of your beneficiary designations and other information on important legal documents remain up to date?
- Have you maximized IRA contributions yet? Technically speaking, the contribution deadline isn't until the April tax-filing deadline, but you probably shouldn't wait until the last minute to fund your IRA.

Step 2: Plan For Next Year Before Next Year

In all likelihood, you probably already know about some of the financial goals you'd like to chip away at in the coming year. The key to success, however, is to begin working on next year's priorities before next year actually arrives. For example, you may want to make sure you're in a position to:

- Set aside enough money in an employer-sponsored retirement account. If you're not yet contributing to one, find out when your employer allows new participants to enroll for next year, and then make plans to do so. If you're already participating, but not yet contributing the maximum, start looking for ways to afford bigger contributions in the year ahead.
- Accumulate enough money for other major financial priorities. If you're still working, for example, what more could you do to reach your goal of buying a home, funding an education, or paying off debt, etc.?
- Confirm the effectiveness of income-stream strategies. If you're already retired, what income sources have you been relying on, and do they provide enough money to meet your planned and unplanned expenses? Also, are you maintaining a sustainable withdrawal rate from your retirement accounts? Taking out too much money this year could leave you shortchanged later in life.
- Rebalance your portfolio. This could be necessary if market performance has altered your asset allocation since the last time you adjusted it, or if your personal outlook has changes at all since then. Keep in mind, rebalancing may trigger a taxable event.

Step 3: Give Your Plan a Long-Term Vision

There's an old adage that declares, "The only constant in life is change." Whoever coined that phrase probably wasn't talking about financial planning, but the words certainly apply to the task of conducting an annual review.

With that in mind, try to maintain a flexible outlook regarding your strategies for the future and make a point of considering priorities that will still be need to be addressed well beyond next year, including:

- Estate planning: Many people have done nothing to prepare financially for the post-death management of their assets. Have you? Failure to do so could leave your heirs shortchanged.

- Insurance coverage: Generally speaking, it's better to have insurance and not need it than to need it and not have it. Conducting an insurance needs analysis and reviewing your existing coverage should be on your financial "to do" regardless of what year it is.

- Meeting with your investment professional. A lot can change in 12 months. Be sure to touch base at least once year, if not more often, in order to make sure all your bases are covered.

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How Do I Pay For Health Care Costs While Living or Traveling Abroad?

What Americans living, working, or traveling abroad need to know about financing health care in a foreign country.

Generally speaking, public and private health insurance plans in the United States -- including Medicare and most private policies -- only pay for treatment and services provided to individuals while they are in this country. Therefore, as an American living, working, or traveling outside of the United States, you will typically be required to pay for any health care costs you incur while abroad.

Even though officials from a U.S. consulate may be able to help you by locating medical services, by informing family or friends of your predicament, and by assisting in the transfer of funds from the United States, the payment of all expenses remains your responsibility. (There are exceptions, however. For workers posted to a non-U.S. location, for example, insurance provided through employers usually does cover overseas medical costs.)

With that in mind, it's almost always a good idea to purchase a special health insurance policy before you depart that will cover you during your travels -- especially if you have a serious pre-existing condition (diabetes, HIV, etc.). A travel agent or insurance agent can help you find one that fits your time frame. For example, short-term health insurance policies for international travelers are available to cover brief trips overseas.

Without insurance, the financial implications of incurring health care costs in a foreign country can be significant. For example, a patient who undergoes major surgery and spends several weeks in intensive care in Mexico could receive a hospital bill for \$30,000 or more. And a subsequent medical evacuation back to the United States could cost nearly as much.

Remember, too, that moving to a country with universal health coverage does not necessarily mean you will be immediately eligible for such coverage. In Canada, for example, you must be a legal resident of that country in order to fully benefit from its national health care system.

Although most trips abroad end without a visit to a doctor's office or hospital emergency room, purchasing a health insurance policy to cover you during overseas travel could end up saving you thousands of dollars in unexpected expenses.

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Surviving The Holiday Spending Season . . . Debt Free



As the traditional giving season approaches, there is one important item to add to your to do list: Create a holiday budget. Before the gift shopping and wrapping begins,

take control of your wallet through financial preparation. Remember, you can avoid the credit card crunch and the dangerous pitfall of borrowing against your company's retirement savings plan or IRAs.

Here's how to establish a holiday wish list and spending budget:

- Start by determining the total amount of money that you want to budget for gifts. Carefully evaluate how much money your budget will allow for holiday spending. Be honest and be realistic. The idea is not to spend more than you plan for during the holiday season.
- Next, make a list of people that you will be buying gifts for this year.
- Write down ideas for each person on the gift buying list. Set an amount that you will spend for each person on the list, then estimate the cost of each gift idea. Create an alternative gift idea for each person if your first idea is too expensive.
- After making the purchase, write down the exact cost of the gift, totaling your expenditures. Be sure to include the price of gift wrap and cards.
- Prioritize your holiday wish list and consider your plans in light of your budget. You may have to choose between gift-giving, entertaining, or travel. Families can decide together how much to spend for the holidays, including gifts, decorations, and food.
- Take a radical step to hide your credit cards. For example, put your credit cards in the freezer.
- Don't forget inexpensive gifts, such as themed baskets. An Italian gift basket can include a colander, spiral pasta, gourmet spaghetti sauce, a pasta spoon, and garlic bulbs.

Whether you celebrate Christmas, Chanukah, Kwanzaa, or even the Winter Solstice, you can make a commitment to sharing holiday presents with family and friends, attending your place of worship, and giving to your favorite charity, without worrying about credit card bills or repayment of bank or 401(k) loans.

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Christmas Tree Brownie Cookies



Ingredients

9 cups soft bread crumbs
3/4 cup butter, cubed
4 ounces unsweetened chocolate, chopped
3 large eggs
2 cups sugar
1/4 teaspoon salt
1 teaspoon vanilla extract
1 cup all-purpose flour
1 can (16 ounces) vanilla frosting
Green paste food coloring, optional
Assorted nonpareils

Directions

1. Preheat oven to 350°. Line a 13x9-in. baking pan with foil, letting ends extend up sides; grease foil. In a microwave, melt butter and chocolate; stir until smooth. Cool slightly. In a large bowl, beat eggs, sugar and salt. Stir in vanilla and chocolate mixture. Gradually add flour, mixing well.
2. Spread into prepared pan. Bake 25-30 minutes or until brownie begins to pull away from sides of pan. Cool completely in pan on a wire rack.
3. Lifting with foil, remove brownie from pan. Cut brownie to form a tree (save trimmings for another use). If desired, tint frosting green. Frost tree; decorate as desired. Store in an airtight container. Yield: 1 tree.