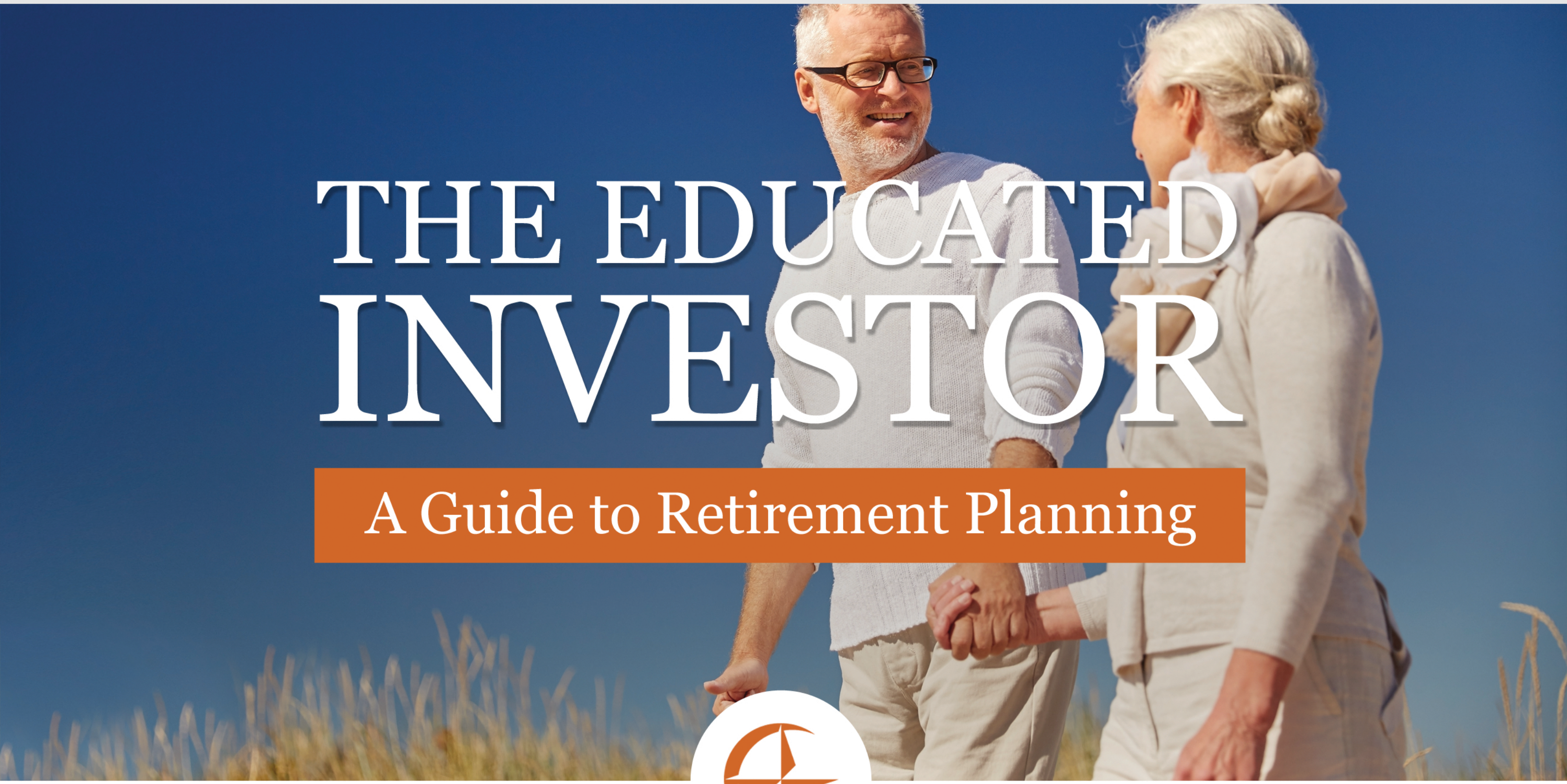
MAY 2016

Householder Group
Estate & Retirement Specialists

THE EDUCATED INVESTOR

A Guide to Retirement Planning



FEATURED ARTICLE

When It Comes to Retirement, Timing Is Everything

Deciding when to retire can have a lasting impact on an individual's financial security for decades to come. Unfortunately for most, timing issues are little understood and poorly planned.

Most everyone dreams of the day they can finally retire and live the life of leisure. Yet recent evidence suggests that most near-retirees and retirees need to do a better job of timing and long-term planning.

One study, conducted by the Society of Actuaries, looked at retirement risk factors and concluded that while decisions around the timing of retirement are among the most critical, for most individuals, those decisions are not carefully planned out. The study found that while a high percentage of retirees/preretirees have considered delaying retirement, when asked how a three-year delay in retirement would or could have affected them financially, almost half of current retirees said a delay would have made them no more financially secure. Among current workers, nearly 40% felt a delay would have no impact on their future finances.

Another trouble spot is time horizons. According to the study, the typical retiree has a planning horizon of just 5 years; preretirees plan just 10 years out. A shockingly low number -- 7% of retirees and 13% of preretirees -- look 20 years or more into the future when making important financial decisions. Even fewer respondents have plans to account for their life expectancies.

Clearly these gaps in planning can have major implications for your financial security and standard of living in retirement. Consider the following points when planning for your own retirement.

Should You Delay?

For many, Social Security is a major component of their retirement income. Social Security benefits increase substantially with retirement age. For instance, for those with full Social Security benefits the monthly payout is substantially higher at age 70 than it would be if you opted for early retirement at age 62. Visit the Social Security Administration's website for more on benefits and retirement age.

Consider a Long Horizon

Regardless of income level, maintaining lifestyle expectations through a retirement that may last 30 years or more requires careful planning. Researchers refer to this planning challenge as "longevity risk," or the risk that an individual could outlive their retirement income. To plan for such a contingency, many financial experts suggest the following game plan:

- Withdraw very conservatively (just 4% or 5% annually) from your retirement accounts.
- Consider purchasing a long-term care insurance policy, which covers nursing home and other long-term care expenses.
- Maintain an allocation to stock investments, for their long-term growth potential.
- Consult with a financial professional.

Source/Disclaimer:

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

Investing in stocks involves risks, including loss of principal. Past performance is not a guarantee of future results. Insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your financial professional can provide you with costs and complete details.

Source: Society of Actuaries, "2009 Risks and Process of Retirement Survey Report," February 2011 (latest available)

Give a Gift With Meaning and Worth

A special child in your life is about to reach a milestone: 13 years of age. You have no idea what's in these days for kids in that age group. The latest computer simulation game? A hot-selling compact disc? Well, maybe, but which one?

In addition to the birthday dilemma, your friends are getting married soon, and you don't have much time to shop for a gift. A check or cash can seem so impersonal; you'd rather give them something with meaning. What can you do?

Consider a gift offering years of potential: investments or assets that may increase in value over time. The IRS allows you to give up to $14,000 in 2015 (or $28,000 if you give jointly with your spouse) to as many people as you like in cash, investments, and/or property without triggering mandatory filing of IRS Gift Tax Form 706 and possible payment of gift taxes. This limit may be adjusted for inflation in future years. Couple that with a bit of creativity, and you have gifts that can potentially benefit you as well as the recipients.

A Gift for Children, a Tax Break for You

Along with The Uniform Gifts to Minors Act or The Uniform Transfers to Minors Act (UGMA/UTMA -- depending on your state), the tax break associated with gifts of up to $14,000 (or more, in some cases) annually can help benefit parents and grandparents, as well as children, by diminishing the overall contribution to Uncle Sam's wallet. This can be especially beneficial for adults looking to minimize their estate taxes.

A UGMA/UTMA account allows you to establish a savings or investment account in a child's name, with one adult named as custodian. In many cases, each parent can contribute up to $14,000 annually without triggering mandatory filing of IRS Gift Tax Form 706 and possible payment of gift taxes. These funds can be used to secure the child's future -- whether they are for college, marriage, buying a house, or other financial challenges looming in the future. Options can include savings accounts; Series EE U.S. Savings Bonds; individual securities such as stocks, Treasury bills, and zero-coupon bonds; and mutual funds.

Consider the value that even smaller gifts can provide over time. For example, a $2,500 investment made in a zero coupon bond earning 5% interest per year would grow to over $4,000 if left untouched for 10 years. And continuing to make contributions over that 10-year period would have put an 18-year-old entering his or her freshman year further ahead in meeting the college-funding challenge.

Through UGMA/UTMA, the first $1,000 per year of unearned (investment) income is tax free. Under the so-called kiddie tax, unearned income between $1,001 and $2,000 is taxed at the child's rate. All unearned income kids receive above that threshold is taxed at their parents' rate.

Benefits of UGMA/UTMA Accounts
• Generally, the IRS allows tax-free gifts of up to $14,000 per child, per year; this limit may be adjusted for inflation in future years. • Earnings carry tax benefits, depending on amount and child's age.

Gifts for Adults

Remember that asset gifts are not limited to children. Generally you can also give adults up to $14,000 a year as well (to as many people as you like) -- and it can be in cash, investments, or property such as land or a piece of artwork (consult a qualified tax advisor for details). Keep in mind, however, that the IRS considers the value of the gift -- its cost basis for purposes of computing gift tax -- to be its value at the time that it's given, not when you originally purchased or invested in it.

Other Gift Options

If you don't feel comfortable with giving substantial gifts directly to your recipients, the IRS allows you to pay for someone's college tuition or medical expenses -- tax exempt -- as long as you write the check directly to the institution. Known as a qualified transfer, this option has no limits for amounts contributed.

Know the Liabilities Before You Give
• In some cases, children have 100% access to UGMA/UTMA accounts at the age of majority, depending on state law. • Giving money for college savings can diminish the amount of financial aid your recipient will be eligible for. • Adults who sell/redeem gifts for profit must pay capital gains taxes.

A Few Considerations

Although UGMA/UTMA accounts may be good vehicles for college savings, gift givers should bear in mind an important fact: Assets held in a child's name can reduce the amount of financial aid received. And a word of caution: Although UGMA/UTMA accounts are administered by custodian adults on behalf of the beneficiary, when the child reaches an age defined by each state's law, the money belongs to the child, free and clear. He or she controls the money (regardless of your initial intentions and wishes) and is also fully responsible for paying taxes on all earnings. For these and other reasons, it's wise to give a child the gift of financial education and responsibility along with the account. Some investment providers offer programs offer funds especially for children, providing such marketing tools as newsletters, coloring books, and other fun items designed to help educate this age group about the benefits of investing.

When giving investment gifts to adults, you might want to warn your recipients that, should they decide to sell or redeem your gifts, they will be responsible for any taxes on the capital gains.

The next time you find yourself searching for the perfect gift with a bit of special meaning behind it, consider giving assets that will likely appreciate over time. Offering potential benefits to both you and your recipients, such gifts can mean -- and actually be worth -- much more in the years to come.

Points to Remember

Although UGMA/UTMA accounts may be good vehicles for college savings

1. Gifts of cash, investments, and other assets can offer benefits to you as well as your recipients.

2. The IRS allows you and your spouse to each give up to $14,000 in 2015 to as many people as you like without triggering mandatory filing of IRS Gift Tax Form 706 and possible payment of gift taxes. This limit may be adjusted for inflation in the future.

3. This can be especially beneficial for people looking to minimize their estate taxes.

4. The Uniform Gifts to Minors Act or Uniform Transfers to Minors Act (UGMA/UTMA) allows you to set up an investment account in a child's name with an adult named as a beneficiary.

5. Through UGMA/UTMA, the first $1,000 per year of \ unearned (investment) income is tax free. Under the so-called kiddie tax, unearned income between $1,001 and $2,000 is taxed at the child's rate. All unearned income kids receive above that threshold is taxed at their parents' rate.

6. Because students are expected to contribute a greater percentage of savings to their education than their parents, any assets held in their name can reduce the amount of financial aid they will receive.

7. When children reach a specific age defined by each state (age 18 in some cases), all assets in their UGMA/UTMA accounts are theirs.

8. If your adult recipient decides to sell or redeem your gift, he or she will be responsible for any capital gains tax.

Source/Disclaimer:
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. Source: IRS.gov.

Mother's Rolls Recipe

Ingredients

*2 packages (1/4 ounce each) active dry yeast
*1 cup warm water (110° to 115°)
*1-1/2 cups warm milk (110° to 115°)
*1/3 cup sugar
*1/3 cup shortening
*1 egg
*2 teaspoons salt
*7 to 7-1/2 cups all-purpose flour

Directions

1 In a large bowl, dissolve yeast in warm water. Add the milk, sugar, shortening, egg, salt and 3 cups flour. Beat on medium speed until mixture has a spongy texture. Let stand for 10 minutes. Stir in enough remaining flour to form a soft dough.

2 Turn onto a lightly floured surface; knead until smooth and elastic, about 6-8 minutes. Place in a greased bowl, turning once to grease top. Cover and let rise in a warm place until doubled, about 1 hour.

3 Punch dough down. Turn onto a lightly floured surface; divide into three portions. Let rest for 5 minutes. Divide each portion into 36 pieces. Shape each piece into a ball; place three balls in each greased muffin cup.

4 Cover and let rise until almost doubled, about 30 minutes. Bake at 375° for 12-15 minutes or until golden brown. Remove from pans to wire racks. Serve warm.

Yield: 3 dozen

Source: *http://www.tasteofhome.com*

10 Facts About Mother's Day

1 26 was the average age a mother gave birth for the first time in 2013.
2 In its early days, people observed Mother's Day by going to church and writing letters to their mothers. Eventually, sending cards and giving gifts and flowers were added to the tradition.
3 120 million Mother's Day cards are exchanged annually in the United States.
4 Consumers purchase an average of 2.8 Mother's Day cards.
5 Approximately 65% of card sales occur five days prior to Mother's Day.
6 More people purchase fresh flowers and plants for Mother's Day than for any other holiday except Christmas/Hanukkah.
7 In 2015, the National Retail Federation (NRF) estimated that U.S. consumers would spend nearly $21.2 billion celebrating Mother's Day.
8 Most consumers will give cards (80%) and flowers (67.2%) or take mom out (54.2%), but more money will be spent on jewelry ($4.3 billion), followed by cards ($2.2 billion) and outings ($3.8 billion), according to the NRF.
9 According to the Insure.com 2014 Mother's Day Index, various tasks Moms perform at home would be worth $62,985 (up from $59,862 in 2013) a year in the professional world.
10 Anna Jarvis started the tradition of wearing a carnation on Mother's Day. A colored carnation means that a person's mother is living. A white carnation indicates that a person's mother is dead.

Source: *http://www.cnn.com*