LET'S TALK MONEY®

September/October 2014

A 401(k) plan, when appropriate for your personal financial situation, can be a powerful vehicle for getting you to where you'd like to be at retirement time — if you take advantage of all it has to offer.

Energize Your Retirement Investing

Ratchet down your taxes

A 401(k) plan gives your retirement goals a boost by letting you make *pretax* contributions.* These contributions reduce your current taxable income — and your current income taxes. So, you may be able to contribute more. Also, your contributions and investment earnings can potentially grow and earn additional income without being depleted by annual taxes. Your money has the potential to grow faster than it might in an account where earnings are taxed annually. Taxes aren't due on pretax contributions and earnings until you withdraw money from the plan. Withdrawals are taxed at ordinary income-tax rates and, if taken prior to age 59½, may be subject to a 10% federal income-tax penalty.

Make your match

If your employer matches your contributions, consider contributing at least enough to receive the maximum amount. A recent study showed that the most common 401(k) matching contribution is dollar for dollar on the first 6% workers contribute to their plan accounts.** The employer contributes a dollar for every dollar the employee contributes, up to 6% of pay. Check to see if your plan offers a match. *Any* matching contributions can really rev up your plan account.

Fuel your returns

401(k) plans offer a variety of investments that can work together to potentially maximize your investment return. You're responsible for choosing appropriate investments for your retirement plan account from the investment choices offered by your plan. To take full advantage of the investments available to you, learn as much as you can about the investments offered and the basics of investing for your future. Your financial professional can help. A difference in annual returns of even 1% can have an impact in the long term.

For help tuning your investments to power up your retirement plan account, talk with your financial professional. Ask about how a traditional or Roth individual retirement account could help boost your efforts.

* Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax deferment. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

** *2013 Trends & Experience in Defined Contribution Plans*, Aon Hewitt

Tom Meaglia, ChFC®
Chartered Financial Consultant
Investment Advisor Representative
CLU®, AEP®, MSFS

Meaglia Financial Consulting
2105 Foothill Blvd. #B140
La Verne, CA 91750

Toll Free: (800) 386-3700
Bus: (909) 593-6105
Cell: (818) 681-8600
Fax: (909) 593-6120
meaglia@earthlink.net
MeagliaFinancialConsulting.com

I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Meaglia Financial Consulting is a full-service comprehensive financial consulting and investment advisory business. For 35 years, Tom has been helping clients with financial coaching, investing for retirement, and estate planning.

For the Times of Your Life

Let's face it: People generally don't like thinking or talking about life insurance. But there are far worse things to ponder — like what might happen to your loved ones if you don't have it or don't have enough of it.

When you reach one of the following mileposts, it's more important than ever to think about the financial protection life insurance provides. If you don't have a policy, you probably need one. If you do have a policy, review it to make sure it provides enough protection for the new life phase you are entering.

When you get married. When you tie the knot, you're making a commitment to share responsibilities and obligations, financial and otherwise. Life insurance provides a cushion should the unspeakable happen. Without it, even paying for a funeral might be difficult for a young widow or widower.

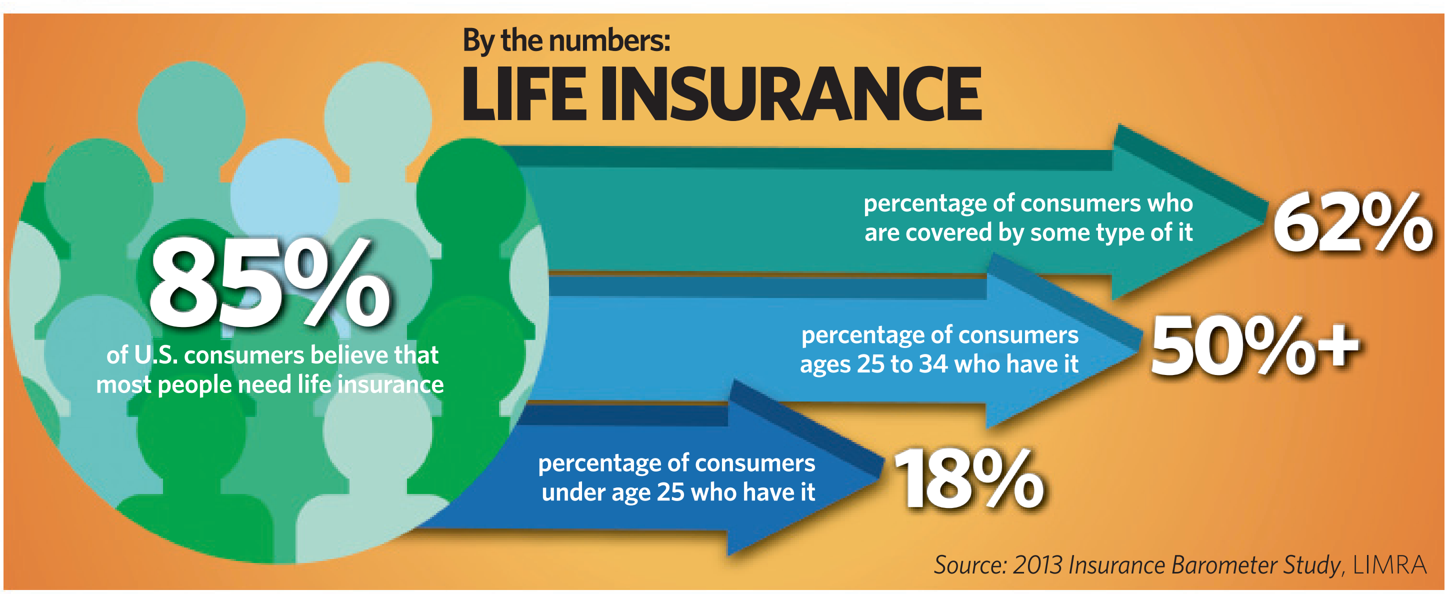
When you buy a home. For most people, a mortgage is a significant financial commitment. Without the protection of life insurance, the loss of income due to the death of one spouse could force the other spouse to sell the home.

When you become a parent. Adding a child to your family means another significant financial commitment. One good way to help ensure long-term financial security for your family is to purchase adequate life insurance coverage.

When you own a business. Life insurance can play an important role in helping your business continue after your death. It can provide the funds your family would need to carry on without you or allow a co-owner to purchase your interest in the business.

When you're providing support for elderly parents. If you're caring for your parents or supporting another family member, life insurance can help cover their care and medical costs if something happens to you.

Whether or not you're approaching one of these important life stages, meet regularly with your financial professional to talk about using life insurance to provide the financial protection you need.



Source: 2013 Insurance Barometer Study, LIMRA

Freshman Gains and Losses

So many temptations, so little oversight: Freshman year at college can be a challenge. Weight gain, or the "Freshman 15," is a good example of how easily some first-year students give in to temptation. On their own for the first time, many kids make poor choices.

Failing grade in personal finance

Debt is another big temptation that college freshmen face — and often fail to resist. Like tackling a 15-pound weight gain, paying down even a moderate credit card balance with a 15% interest rate (or higher) can be difficult.

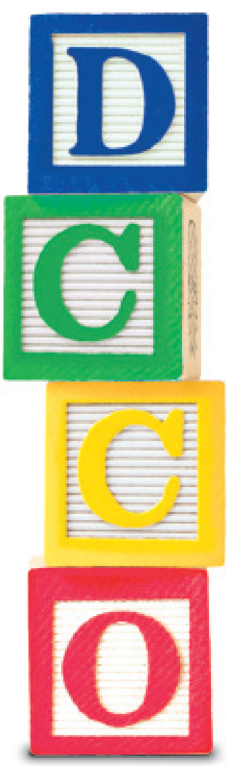
Home schooling required

Don't leave things to chance. Before your young adult heads off to college, make sure he or she is prepared to make good choices.

- Explain how credit works.
- Consider co-signing on a card with a low limit and no annual fee.
- Establish clear expectations, including the requirement that the balance be paid in full each month.

Some Health Insurance ABCs

Are you having trouble understanding your health insurance options? Don't worry, you're not alone. These definitions may help:



Deductible: the amount you have to pay for covered health care services before your plan begins to pay. Note that the deductible may not apply to all services.

Coinsurance: your share of the cost of covered health care services once you've met your deductible (usually expressed as a percent). Example: An office visit is $100 and your coinsurance is 20%. Your insurance company pays $80, you owe $20.

Copay/copayment: a fixed dollar amount you pay for a covered health care service. Example: a $25 copay per visit to your doctor's office.

Out-of-pocket limit: the highest amount you will pay in a policy period (usually a year), not counting your premium. Once you reach this limit, your health plan pays 100% of the allowed amount. Some of the payments you make may not count toward your out-of-pocket limit.

Tax Breaks Can Trim Health Care Costs

If you have the opportunity to contribute to some type of health savings account, you can lower your health care costs by cashing in on some great tax breaks. The two types of accounts described below both allow you to pay qualified medical expenses for you and your family members on a tax-favored basis.

Flexible spending account (FSA)

Health FSAs are sponsored by employers. At the beginning of each plan year, you specify how much pretax money you want to contribute via payroll deduction.* It's important to come up with a realistic estimate of your expenses for the year and to check your plan to find out when you must use the money in your account.

Health savings account (HSA)

Other than the requirement that you have coverage under an HSA-eligible health plan,** HSAs are generally more flexible than FSAs. Contribution limits* are higher, you can invest the money and the funds in the account are not subject to any "use it or lose it" rules. Contributions to an employer-sponsored HSA are not taxable. If you contribute to an individual HSA, you generally may deduct your contributions from your gross income for tax purposes.

* Contribution limits are set by law and are adjusted annually for inflation.

** A high-deductible health plan that meets certain requirements

LET'S TALK RETIREMENT

Q. I'll be retiring later this year and wonder which investments I should tap for retirement income. Any thoughts?

A. The order you choose for making withdrawals from retirement and other investment accounts can affect the long-term growth of your assets and potentially how long your assets will last. Here are some general guidelines for making withdrawals:

- Investments that generate income taxed at ordinary income-tax rates first, followed by
- Taxable stock investments (long-term capital gains and qualified dividends are taxed at lower rates than ordinary income)
- Traditional individual retirement accounts (IRAs), 401(k), 403(b) and governmental 457 plan accounts (you generally must take minimum distributions annually once you reach age 70½)
- Roth IRAs

You'll want to talk with your financial professional and tax advisor to determine the withdrawal sequence that's best suited to your personal circumstances.

Q. I have three IRAs. Is it okay to combine them or is it better to keep them separate?

A. Combining IRAs can simplify investment management. It's generally easier to manage one larger account than several smaller ones. But before you do anything, you need to know that some IRAs can't be combined. You can't move Roth IRA assets to a traditional IRA. Nor can you combine an inherited IRA with your own IRA or combine IRAs inherited from different people. Surviving spouses have an exception. They may roll over the assets in a deceased spouse's IRA into their own IRA.

Also, if you've named a charity as beneficiary of one IRA and the others have individual beneficiaries, it may be a good idea to consider keeping the charitable IRA separate. If an IRA has both types of beneficiaries, the individual beneficiaries may have to take distributions more quickly than if there were no charitable beneficiary. Another reason for separate IRAs is to avoid future difficulties where multiple individual beneficiaries might disagree over the division of your IRA. Talk with your financial professional and tax advisor.

We Value Your Input...

Your feedback is very important to us.
If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

Recyclable
2014/05 RET
P-8633 om027172