LET'S TALK MONEY®

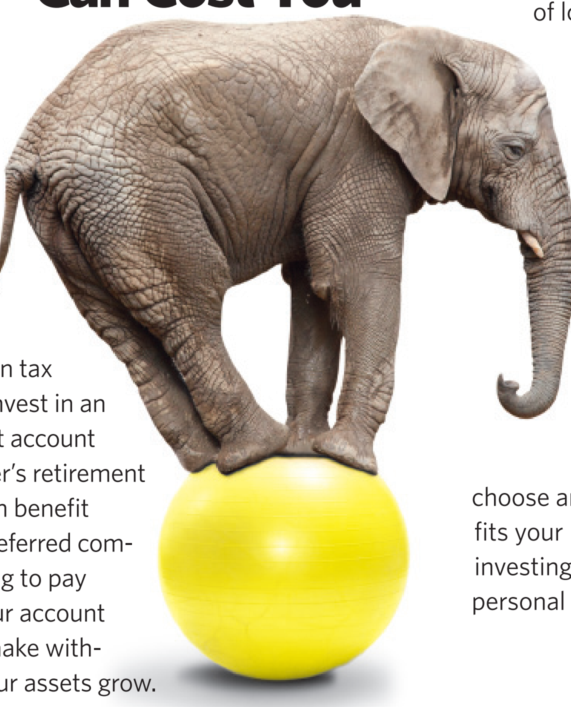
November/December 2014

Retirement Missteps Can Cost You

The path to retirement isn't always smooth. You're bound to encounter some bumps along the way. Avoiding the following common missteps will help keep you on the right track toward pursuing your retirement goals.

Starting off too slowly

The longer you wait to begin investing for retirement, the more difficult it may be to accumulate the money you'll need. Make it a priority to start investing now. And, whenever possible, increase the amount you're investing. Even small increases can make a big difference over time. Remember, you're always going to have expenses that seem more pressing. However, you're probably going to need a substantial amount of money to maintain a comfortable retirement lifestyle.



Bypassing tax breaks

If you're not investing for retirement in a tax-advantaged retirement account, you're missing out on tax breaks. When you invest in an individual retirement account (IRA) or an employer's retirement plan, your assets can benefit from potential tax-deferred compounding. Not having to pay income taxes on your account earnings until you make withdrawals can help your assets grow.

Your contributions to a traditional IRA might be tax deductible. And many workplace retirement plans let you make pretax contributions to your plan account. If available to you, either tax break would reduce the amount of income taxes you currently pay, making it that much easier to invest in the first place. No income taxes are due on deductible or pretax contributions until you make withdrawals from your retirement account.

Staying on a "safe" path

When you invest your retirement assets only in very conservative investments, you reduce the risk of loss. Although they're appealing in that sense, very conservative investments typically earn more modest long-term returns than investments that involve more risk. (Past performance is no guarantee of future results.) As a retirement investor, it's important to choose an investment mix that fits your risk tolerance, investing time horizon and personal goals.

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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.

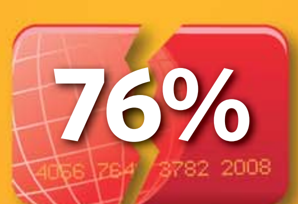
By the numbers:

TO SPEND OR NOT TO SPEND

35% of Americans say they are making good or excellent progress in meeting their long-term financial needs

68% are spending less than their income

Percentage that have an emergency fund to cover unexpected expenses (e.g., car repair or doctor's visit) **64%**



76% are reducing their consumer debt or are free of consumer debt

Source: America Saves and American Savings Education Council 2014 National Survey Assessing Household Saving

Don't Leave Health Care Dollars on the Table

Don't make the mistake of waiting until the end of December to review your finances. You might not have enough time to take full advantage of some money-saving strategies before the ball drops. Here are some healthy year-end moves you may be able to make.

Check your deductibles

Many health insurance plans have an annual deductible. If you've already met yours for the year, now's the time to schedule any elective procedures you've been considering. If it doesn't look like you're going to meet your deductible this year, then switch gears and push any non-urgent visits into next year. That might help you meet your deductible in 2015.

Max out your benefits

Be sure to take advantage of any benefits your health plan provides you free of charge. For example, it may cover an annual physical and various screenings.

If your employer sponsors a wellness program, don't wait until the end of the year to check your status. You may be eligible for additional rewards for doing something as simple as scheduling a screening.

Review your FSA

If you have a health flexible spending account (FSA) through your employer, check your balance. If you have more money in your account than you can spend by the end of the year, see if the plan offers a grace period so employees can spend down their funds. Or the plan may allow employees to carry over a certain amount to the next year. Find out if your employer offers one of these options.

Tax tips

If you usually itemize deductions on your tax return, you may want to brush up on the details about the medical expense deduction. You won't be able to qualify for it until your expenses are over 10% of your adjusted gross income (7.5% if you or your spouse is 65 or older). If you're close to reaching the threshold, it may influence the decisions you make about elective procedures. You can only deduct unreimbursed medical expenses that exceed the threshold.

Think Outside the Gift Box

Looking for something different for a special young adult on your list this year? Think about a gift that keeps on giving and may become more valuable over time. Think about life insurance.

Children or grandchildren who are just beginning their careers — or starting families — may be juggling so many other financial responsibilities that they can't afford adequate life insurance protection. Your gift can provide that protection. Whether you pay for the policy on a long-term basis or transfer the premiums after a few years, life insurance is a special gift for several reasons:

- Buying life insurance when someone is young can guarantee coverage for life, depending on the policy.
- Premiums for a healthy young person are generally low, and some policies will guarantee the low rate for life.
- In addition to the insurance component, some types of life insurance have a "cash value" component that can potentially accumulate in the policy. Your loved one may be able to use that cash value in the future to help finance his or her retirement or a child's college education.*

* Withdrawals and loans will reduce policy cash values and the death benefit and may have tax consequences. You may wish to consult your tax advisor for guidance regarding your particular situation. Guarantees are based on the claims-paying ability of the issuing company.

You Can't Be Too Careful

What happens on the Internet stays on the Internet, right? Maybe not. There are countless companies, hackers and even some websites that want to collect data about you and what you do when you're online. Even if you try to protect your privacy, you may be at risk. Here are some ways to strengthen your efforts:

Lock up your hardware

Strong passwords help provide effective protection. Set all your devices — PCs, laptops, tablets and mobile phones — to require passwords. Also, install anti-malware apps and software on all your hardware.

Don't be too social

Social media sites ask lots of questions. However, the more information you provide, the more your privacy may be at risk. So be stingy. Also, be sure you fully understand the privacy settings on all social media sites you frequent.

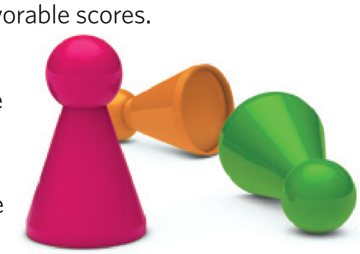
Keep it private

Checking e-mail or logging in to a financial or other sensitive account over a public wireless network is a big security mistake. Using a virtual private network (VPN) is much safer. It isn't free, but it can greatly improve your privacy.

High (Credit) Score Wins!

A high credit score is more than just nice to have. It can give your finances a boost by:

- Giving you easier access to credit when you need it.
- Enabling you to qualify for an interest rate on your loan or credit card that's lower than the rates offered to consumers who have less favorable scores.



The less you have to pay in interest, the more money you'll have for other things, such as putting money away for a rainy day or your retirement. A high credit score is also a financial vote of confidence. It can give you a "thumbs up" when a prospective employer or landlord is deciding whether to offer you a job or rent to you.

LET'S TALK RETIREMENT

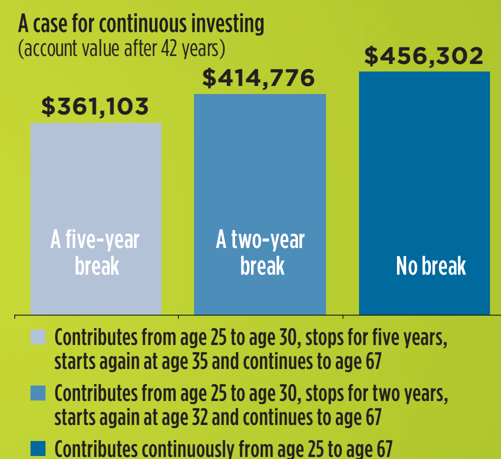
Q. I'm turning 50 in December, and a coworker says I can make additional catch-up contributions to my individual retirement account (IRA) for 2014. Can I make catch-up contributions even though I wasn't 50 at the beginning of the year?

A. You can make catch-up contributions starting any time during the year you turn age 50. To qualify to make a catch-up contribution, you have to first contribute the maximum annual amount allowed to the IRA. For 2014, that's $5,500. Then, you can contribute up to an additional $1,000 to your IRA for a total contribution of $6,500. You also may be able to make a catch-up contribution of up to $5,500 to your 401(k) plan account once you've made the maximum allowed $17,500 contribution. Check the plan for details.

Q. With a new baby in the house, money is tight. How much of a difference would it make in the long run if I stop investing for retirement for a few years?

A. You might be surprised. Take a look at the graph.

Stopping contributions for even a few years could affect the value of the assets you'll have available at retirement. The graph assumes the person starts contributing $200 a month to a retirement plan account at age 25 and retires at age 67 (Social Security's full retirement age for that person).



This hypothetical example assumes a 6% return compounded monthly. It does not represent any investment you may hold in your retirement account. Your investment results may be different. Source: DST, 2014

We Value Your Input...

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