LET'S TALK MONEY®

May/June 2015

Get Your Retirement Account in Shape

May is National Physical Fitness and Sports Month. The President's Council on Fitness, Sports and Nutrition encourages you to improve your physical fitness by becoming more active. And while you're pursuing a healthier you, why not get your retirement account into shape as well?

To help, here are three common mistakes to avoid.

Not using the right equipment

Many retirement investors, particularly new investors, shy away from stock investments. The stock market can be volatile, and you don't want to assume more investment risk than you feel reasonably comfortable with. However, if you don't include stock investments in your account, you'll miss out on the opportunity to potentially have a greater account balance at retirement. While past performance doesn't guarantee future results, historically, stock investments have outperformed bonds and other fixed income investments over the long term.

Overdoing it

One way to help manage investment risk is to diversify your account investments among the various choices your retirement plan offers.* That way, if one type of investment is performing poorly, other investments that are doing well may be able to offset investment losses. But look at your retirement plan's investment choices carefully. Some may hold the same investments as others. If you aren't careful, you could end up duplicating investments and fail to adequately diversify your portfolio.

Not consulting a trainer

Some retirement investors become overconfident and think they have all the information they need. Market statistics, news reports and information from your retirement plan all have their place. But they can't substitute for a one-on-one consultation with your financial professional. He or she has the big picture of your financial situation and can help you coordinate your retirement investments and risk management strategies with your other investment goals.

** Diversification does not ensure a profit or protect against loss in a declining market.*

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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:
TOTAL ANNUAL COLLEGE CHARGES

Source: The College Board, *Trends in College Pricing 2014* (tuition, fees, room and board and books)

29548

The Smart Way To Pay for College

While the cost of getting a college education continues to increase, families seem to be getting smarter about paying for it. For the 2014-2015 academic year — the third year in a row — parents and students overall borrowed less (as a percentage of college costs) and paid a greater portion of college bills from current income and assets than they did the previous year.* Here's why that's smart.

Avoid the high cost of borrowing

The least expensive way to pay for college is to avoid borrowing altogether. One way to do that is to build a college fund. Start tucking money away when your child is young and continue investing on a regular basis.

Certain college investing strategies offer tax advantages. Your financial professional will be happy to educate you about the various options.

Risky borrowing 101

As much as you'd like to be there for your kids, helping them pay for college could prevent you from putting money away for your retirement. But if you *must* borrow, be smart about it. Avoid high-interest-rate debt at all costs. It's one thing to charge a few textbooks on a credit card and pay it off right away. But charges for room, board and tuition could take years to pay off.

You'll typically be charged a lower interest rate if you set up a home equity loan or line of credit to pay for college. But those are also risky options since the debt is secured by your home. If you're unable to meet the repayment terms, you could lose your home.

Not an option

Don't even think about borrowing from your 401(k) account. Taking a retirement plan loan can jeopardize your retirement, especially if you find you have to cut back on contributions while you are repaying the loan. Also, if you lose your job or leave for another employer and have an outstanding loan balance, you may have to repay the loan at that time. Failure to do so could be costly from a tax perspective.

* The College Board, *Trends in College Pricing 2014*

SAVING

If you start investing $150 a month when your toddler is three and your investments earn 6% a year, you'll have **more than $43,500**** to put toward college by the time your high school senior graduates in 15 years.

VS.

If you have to **borrow $43,500,** you could be saddled with **monthly payments of more than $350 for 15 years,** assuming the same 6% interest rate.

BORROWING

This is a hypothetical example used for illustrative purposes only and does not represent any specific investment. Monthly compounding is assumed.

A Moving Experience

Is there a move in your future? Whether it's cross town or cross country, moving can be a major hassle — and a major expense. Here are some ideas for keeping both to a minimum.

Watch your timing

Your move is likely to cost more if it takes place when movers are in demand. So, if at all possible, avoid moving at the end of the month. And try not to move in the summer. You may also get a better price if you can be flexible with pickup and delivery dates.

Watch what you take

A move is a good excuse to downsize your stuff. If you don't use it, don't pay to move it. And be sure to plan ahead. If you're not sure whether a piece of furniture is going to fit, find out before moving day.

Watch your valuables

You can keep costs down by doing the packing yourself. However, you might want to let the professionals take care of expensive and/or delicate items. What about important documents and small valuables, such as jewelry? You'll want to transport those yourself.

Lost and Found

It can happen. Following the death of a loved one, if no life insurance policy is found, questions arise. Could a policy exist? If so, where might it be? Here are some strategies legal representatives can use to find some answers.

- Discover the name of the insurer by searching the person's bank records for premium payments and income-tax returns for any taxable withdrawals.
- Check with the person's professional advisors (financial professional, lawyer, accountant, etc.).
- Contact the person's employers (past and present, if applicable); life insurance policies often originate in the workplace.
- Reach out to insurance departments in the states where the deceased resided.
- Search the appropriate states' unclaimed property databases.

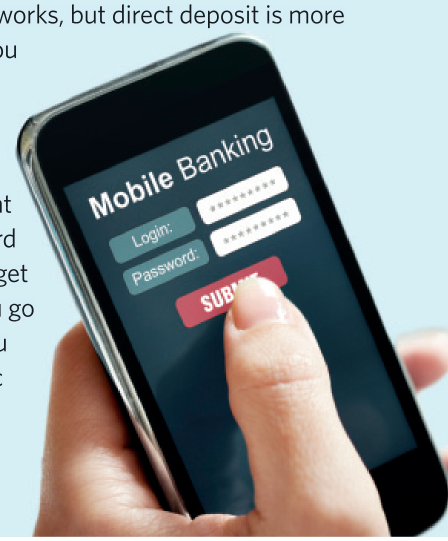
Thoroughly Modern Money

When you need directions, do you reach for a map? Or do you reach for the closest mobile device? Paper maps are nice, but they can't tell you if traffic's backed up or a road is closed. Technology is expanding our options for doing lots of things — including managing our finances.

Budgeting: There are various online tools that allow you to sync all your financial accounts (including credit card, retirement, etc.). The result is a real-time snapshot of your finances, which can help you anticipate and avoid potential money meltdowns.

Depositing checks: Live payroll checks are like maps. The old-fashioned way still works, but direct deposit is more convenient and gives you immediate access to deposited funds.

Paying bills: Even if you're careful, you might miss a loan or credit card payment due date and get hit with a late fee. If you go the electronic route, you can schedule automatic payments or set up e-mail reminders to help you pay on time.



LET'S TALK RETIREMENT

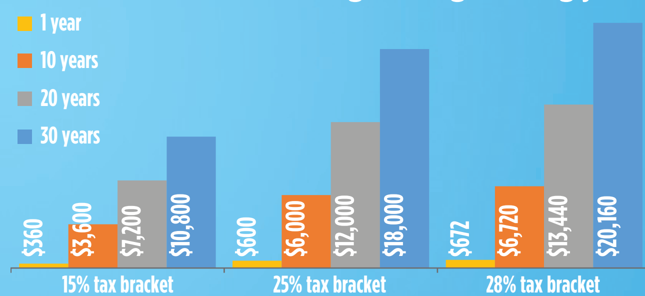
Q. All the information I get from my employer's retirement plan talks about how contributing to the retirement plan can reduce my income taxes. How much less tax will I pay?

A. The amount by which your retirement plan contributions will reduce your income taxes basically depends on the amount you contribute and your income-tax rate.

As the accompanying graph shows, hypothetically, if you're in a 15% federal income-tax bracket and contribute $200 a month for 30 years, you could end up paying $10,800 less in federal income tax over that period. If you're in a higher tax bracket, you'll see greater reductions. Increasing your contribution amount over time could further cut your taxes. In addition, the earnings on your contributions potentially grow tax deferred. This may reduce your income taxes even more (compared to investing outside the plan) and can potentially increase your account balance at retirement. For information more specific to your individual situation, talk with your financial professional and tax advisor.

Of course, you'll have to pay income tax when you take withdrawals of pretax contributions and the related earnings from your retirement plan account. But people often find they're in a lower tax bracket during retirement. Therefore, you may have to pay less tax on retirement withdrawals than the additional income tax you would have owed if you hadn't contributed to the retirement plan during your working years.

Potential income-tax savings during working years



These are hypothetical examples using a constant $200 a month retirement plan contribution over the periods shown. Your personal tax situation and tax reduction may be different.

Source: DST

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
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