Loose Change®

a penny saved is a penny earned

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When Safe May Be Risky

Managing one's retirement savings is like tending a garden; you nurture it so it grows. Then, in the fall, you may want to preserve that bounty to protect it from the elements. Likewise, you may want to preserve your retirement savings through investments* that are typically considered less risky, such as bond and money market mutual funds.** Investment risk, however, may not be the only risk your retirement accounts face. The following two major financial issues affect everyone, especially in retirement.

Inflation

Even as the U.S. has been in a long period of low inflation, it was easy to notice how certain items—health care, for instance—rose in price more quickly than other items. Even if total inflation increased moderately at 3.5% annually, it would take less than 18 years for $100 of today's dollars to lose half its value. If you consume services with higher inflation, your real dollars could shrink even more.

That's why safe investing doesn't ensure you won't lose ground. While it's true that banks offer FDIC insurance on interest-bearing accounts that covers up to $250,000 per depositor, per insured bank, insurance won't cover the amount of purchasing power inflation consumes. So investing for some growth may make sense.

Taxes

Another silent fact of life—taxes—can also shrink your retirement income. Depending on the amount of your retirement income, you may be taxed on all or part of it. More affluent taxpayers may also owe a surcharge on capital gains and pay higher premiums for Medicare Part B. You can account for some potential challenges, but it is more difficult to predict how taxes will change—except that they will change.

One way to reduce your retirement tax liability (and increase your net income) is through a Roth IRA. If you meet income requirements, you can contribute up to $5,500 in tax year 2018—you can do this until your tax filing deadline this year—and another $1,000 if you are at least age 50.

** Past performance won't guarantee future results.*

*** You should consider the fund's investment objectives, charges, expenses and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.*

Are You Adequately Insured?

Health Insurance

Despite its increasing cost, health insurance typically covers expenses that far outweigh the cost of premiums. One way you might reduce your health care expenses is through a Health Savings Account (HSA). If you have a high deductible health plan, you qualify to make contributions to an HSA. Contributions are tax-deferred, potential growth is also tax-deferred and qualified distributions are tax-free.

Life Insurance

Life insurance can help provide a financially secure future for your family. Consider taking advantage of any group life insurance your employer offers. If you change jobs, though, the coverage could end. That's why buying an individual life insurance policy outside of the workplace may make sense, especially given the price and design alternatives from which you can choose. Term life insurance provides basic protection at a cost that starts out low, but typically rises with age. Whole life insurance is permanent and its premium payments never go up as long as you pay them on time.

Financial Fitness: Challenge Yourself

This New Year, legions of people will pledge to overhaul their lives by eating right, exercising regularly, learning new job skills and more. What you don't hear a lot about are people who make the ultimate New Year's resolution—to organize every aspect of their financial lives.

We've organized the steps required to help get your financial life in peak condition. It's not so hard when you take it one step at a time. We are here to help coach you through each monthly challenge.

1

January

ASSESS

You might work with a nutritionist to eat better, a trainer to get in shape and a mentor to learn new job skills. Why not work with a financial professional to assess your current financial situation and the work ahead of you?

2

February

PLAN

Write down your short-term goals. Marriage or a first home? And then intermediate goals – maybe a bigger home or a child's college costs. Next, ask yourself what you want to achieve 25 or 30 years from now. A comfortable retirement? Leaving loved ones a financial legacy?

3

March

BUDGET

Now figure out a financial path to help achieve your goals. Start with a budget. Add your debts and income sources separately. Subtract your debt from income to get disposable income. Then make a budget and stick to it.

4

April

REDUCE

As spring arrives, spring into action by preparing to better your current finances. Cut your debt where possible, particularly high-interest revolving credit. Add to your income, especially if you have a skill that lends itself to part-time work.

5

May

SAVE

Put the money you save from reducing debt and earn from side jobs, raises and bonuses into accounts designated for each goal. Saving for retirement should be a priority.

6

June

PROTECT

You don't think twice about protecting the value of your home and car with insurance. Why not do the same for your income? Buy life insurance to protect your loved ones financially and disability income insurance to protect your income in the event a long-term disability prevents you from working.

7

July

INVEST

Put your money where it can help you best meet particular goals. Understand what you invest in and take advantage of investment options that offer tax benefits.

8

August

RETIRE

The steps you take now will influence your financial readiness in retirement. Don't put off saving for this important goal because using time to your advantage may help your money grow. And don't forget to contribute at least whatever your employer matches to your 401(k) plan.

9

September

GRADUATE

This will probably come before retirement, but remember that while you can always borrow for a child's college expenses, you can't for your retirement. Use the tax advantages of 529 plans and Coverdell Education Savings Accounts to save specifically for school costs.

10

October

ENROLL

This is the time of year to review and select the benefits your employer offers during open enrollment.

11

November

GIVE

Contribute to charitable organizations. It feels good and you may get tax advantages for it. Also, you can benefit loved ones with an annual gifting strategy during your lifetime.

12

December

REVIEW

Life happens. For example, your priorities might change and insurance needs generally change with age. Make sure to review your financial strategy regularly with your financial and tax professionals.

7 Ways to Find More Money to Budget

Ever wish you could find extra money to put toward your child's college expenses or your own retirement? Maybe you would like to take a bucket list vacation or buy a larger home. Whatever your financial goals, finding the money to help pursue them can be challenging, but not impossible. Here are some ways to find more money:

1. Eliminate one designer cup of coffee per week. At $3 per cup, you'll save over $150 for the year.
2. Skip one monthly $70 restaurant outing and save more than $800 annually.
3. Clean out your basement or garage and sell unwanted items online, through an app or in a yard sale.
4. Keep your car or SUV an extra year or two. When your car loan payments end, why not save thousands and spend a year or two driving your vehicle without having a car payment.
5. Go through your television and smartphone bills and eliminate paid services and features you don't use. For that matter, you might stream rather than watch TV through more traditional outlets. Save a bunch.
6. Find ways to exercise at home and cancel your gym membership. Save hundreds.
7. Find money in these and countless other ways and establish an emergency fund to ensure surprise expenses don't get in the way of your plans.

Major 2018 Tax Changes

As the New Year begins, tax filing time beckons. This year brings new federal tax regulations, so you'll want to know what deductions and credits are available to you. Consider these tax features:

Lower Rates—Tax rates are lower and brackets expanded for most taxpayers. Check with your tax professional to learn how this affects you.

Bigger Standard Deduction—This deduction almost doubled for most taxpayers. If you're married and filing jointly, you will see the standard deduction rise to $24,000. Single taxpayers have a $12,000 standard deduction.

Personal Exemptions Gone—If you have many dependents, you might miss the personal exemption, which is now history.

Fewer and Lower Deductions—Taxpayers in high-tax states won't like the state and local tax (SALT) cap of $10,000 on combined local income and property tax deductions. Mortgage interest and the child tax credit are two other areas of change.

Retirement Account Breaks Live On—It's good news that the deduction for qualified retirement plan contributions and tax-deferral of growth of most retirement accounts continue. IRAs and 401(k) plans are two good ways to find current and future tax advantages.

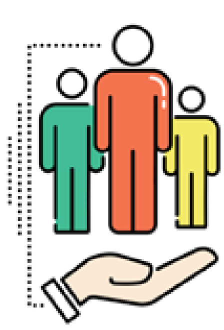
Seeing Past Frightening Headlines

If you read or hear dire predictions about how underfunded Medicare and Social Security are, you would think retirees will soon be in desperate financial shape. The truth is these programs have served retirees for years, and will likely continue to do so in the future. But the reality is that these programs cannot fully fund your retirement so it's up to you to help ensure your own retirement security by taking common sense steps today to prepare for tomorrow.

For Your Future

While Social Security and Medicare are the safety nets of retirement, your actions will determine how financially secure your retirement will be. Before then, contribute regularly toward your retirement. Contribute at least the amount your employer matches in your 401(k) plan.

When you receive raises, promotions and bonuses, put the newfound money into your retirement accounts—you won't miss the extra money because you never had it. If you want to save more, investigate traditional and Roth IRAs. And if it's available through your workplace, consider contributing to a triple tax-free Health Savings Account (HSA). By using untaxed dollars in an HSA to pay for qualified medical expenses such as deductibles, copayments, coinsurance and other bills insurance does not cover, you can lower your overall health care costs, even into retirement.



As you near retirement, compare Medicare insurance policies—they can differ in price. Make sure to avoid penalties and surcharges by purchasing Medicare policies within the allowable timeframe. Talk to your financial professional to learn more.

Cut Funeral Expenses

Planning funeral services is the last thing anyone wants to do when grieving. That's why you may want to spare loved ones this task by planning ahead, saving potentially thousands of dollars in the process. Start by discussing with your family the type of services you want.

Know your Rights

The Federal Trade Commission (FTC) has a funeral rule that gives consumers rights, including the right to learn of casket prices before seeing them, to refuse embalming, and to receive price information by phone and an itemized price list in person. You also have a right, for example, to buy an urn or a casket elsewhere, including at warehouse shopping clubs, where these items are often less expensive.

Further, the FTC recommends that you compare the costs of at least two funeral homes and get an itemized price list from each. Know that you have a right to refuse items or services you don't want.

You can find this and other valuable information at www.consumer.ftc.gov. Also check out the Funeral Consumers Alliance at www.funerals.org and click on local FCA, where you can find contact information for an FCA in your area. The FCA offers tips and, in some locations, price surveys you can download.

Revisiting Your Business Plan

If you're an experienced business owner, you may think a business plan is something you need only when starting out. The truth is that an updated plan can help business grow and your employees thrive. Here's how to handle an updated business plan.

Start from Scratch

If you began your business years ago, it may look entirely different now than when you started out. Reestablish in writing and with the help of partners and key executives what your business does, its desired and actual customer base, your company's hierarchy and other key facets of your company.

Revisit your marketing strategy—of course you have one—and compare your market saturation, sales and costs to your competitors'. If you don't have a current financial picture, work with a professional to develop one. You may find, for instance, that operating costs are unnecessarily depressing your net income or that you aren't spending enough to meet demand. You'll also want to make sure your employee compensation packages are competitive.

Look Ahead

With the past and present accounted for, look to the future by writing a new plan covering the next five or more years. With hard numbers to compare your business versus competitors and an understanding of your market's potential, list realistic goals. How much can you realistically increase profits? Are there areas in which you should cut back and others needing further development? You could find it easier than when you first started out to secure financing for expansion, if that is what's needed and you can make the business case for it.

Plan for the Future

This is when it could be a good idea to work with a financial professional to learn how you might build a better workforce by offering a retirement plan, health insurance and other desired employee benefits.

You might also consult an attorney, who can work with you on a succession plan, if that's what you want, and a buy-sell agreement, to help ensure you extract financial value from your firm upon leaving. A financial professional can also help you with funding ideas, such as using life insurance.

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Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 2, 2018

Reference: **FR2018-0919-0041/E**

Org Id: 8408

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The communication submitted appears consistent with applicable standards.

Reviewed by,

David Y. Kim
Senior Analyst

aec

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