CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

MONEYLINE

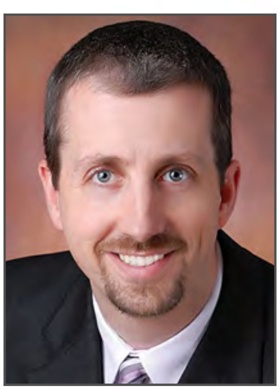
No COLA This Year

Courtesy of Craig Willeke, LUTCF, CLTC

There will be no raise for Social Security recipients for 2016. Because the government uses inflation data to calculate the cost-of-living adjustment (COLA) for Social Security and overall prices were essentially flat from a year ago, over 60 million Americans who currently receive Social Security retirement benefits will not get a bump in pay this year.

The average annual COLA increase has been 4.1 percent over the past 40 years, but 2016 marks only the third time in all of those years that the government has held Social Security benefits flat—and all three instances have occurred since 2010. You can blame the Great Recession for the trifecta of no COLA increases, because one consequence of an imploding credit and housing market is that it pushes down prices for a variety of most goods and services.

If the news for retirees is not so hot, things look a little brighter for current workers. Because inflation is muted, there is no change in the maximum amount of earnings subject to payroll (FICA) tax. Workers and employers must pay into the system up to $118,500 of wages, but for those who earn more than that threshold, no additional Social Security tax is due.



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Good news. Credit scores are the highest in a decade. The average FICO score is now 695, and nearly 20% of consumers have scores above 800—the highest possible score is 850. Negative information, such as accounts sent to collection, starts to drop off after seven years, so delinquencies from the last recession are disappearing from FICO scores.
Source: The New York Times

Make regular "contact" with your mutual funds to ensure that your account is not deemed abandoned and turned over to your state as unclaimed property. States and mutual fund companies have different rules about what constitutes account abandonment. States used to require that mail sent to the owner be returned as undeliverable and the financial institution be unable to find the owner. But many states are finding an easier way to seize assets—even if mail gets to the account owner—by saying that the owner has not been in contact, however the state defines that. *Self-defense:* Phone your mutual funds at least once a year; log onto a password-protected account; or stay in touch by e-mail or letter. *Caution:* Automated deposits and withdrawals are not considered contact in many states.
Source: Wall Street Journal.

"Wealth is the product of one's capacity to think."
— Ayn Rand

A Well-Planned Estate Is The Best Legacy You Can Leave

By Jill Schlesinger, Tribune Content Agency

If you have assets to pass on after your death—especially if you are a parent—you need to take care of estate planning now while you are healthy and able. You are not alone if you have a tough time tackling these emotional issues. According to a 2015 Caring.com survey of adult children, only slightly more than half (56 percent) of American parents have a will or living trust document.

To tackle the issue and to encourage family conversations, here are some of the documents that you will need prior to death.

Legal documents: a will; a letter of instruction; power of attorney; a health care proxy; and a "DNR" or "do not resuscitate" order (this may need to be completed upon each new admission to a hospital or nursing home). Trusts are not necessary, but many people find revocable (changeable) or irrevocable (not changeable) trusts useful, depending on family and tax situations.

Accounts: a list of all bank accounts, along with user names and passwords; a list of automatic pay accounts with name and contact information of each payee; a list of safe-deposit boxes; a list of 401(k), IRA and Roth IRA accounts; pension documents; annuity contracts; brokerage account information; a detailed list of savings bonds (copies of actual bonds); life insurance policies and long-term care insurance policies

Other documents: housing, land and cemetery deeds; mortgage accounts; proof of loans made; vehicle titles; partnership and corporate operating agreements; the previous three years tax returns; marriage license; divorce papers; military discharge information; and a list of contact information (contacts on accounts, names, current addresses and Social Security numbers of all people named in the legal documents, as well as the contact information for the estate attorney and CPA who will be handling the estate).

After completing all of this hard work, you need to inform your executor of where everything is stored.

If you're the executor of an estate, things get complicated once a loved one dies, because you have to shift between grieving and doing. You will need to get organized to keep track of the estate settlement progression and remember to request plenty of death certificates -- some institutions want originals, not copies, and it's easier to request them from the funeral home, not after the fact from the city or state.

You should keep track of all bills that are attributable to the estate, including funeral and memorial arrangements, death notices and other ancillary expenses. The estate can reimburse individuals for these costs. The next step is to contact the estate attorney. He or she will likely tell you to gather all of the documents above and to ascertain a date of death valuation for all accounts to which the deceased held title. If there is a surviving spouse, you should itemize what is in both the living and deceased spouse's names.

What You Need To Know About Spending Cold, Hard Cash

By Janet Bodnar, Kiplinger's Personal Finance

Currency still has its place, despite the pervasive use of plastic.

A cashless society? Not so fast. Advances in payment technology may make it look as if pocket change is headed for the history books. But according to a 2012 Federal Reserve study, 40 percent of an average consumer's transactions were in cash. The number of notes in circulation has grown by about 5 percent per year since then, says Doug Conover, an author of the study.

Currency comes in handy. Merchants are legally permitted to refuse plastic for transactions of less than $10, and they may provide a discount to customers who pay with cash. For most people, $50 or so is an adequate amount of cash to keep on hand, says Matt Schulz, senior industry analyst for CreditCards.com.

Hamiltons can't get hacked. With data breaches of major retailers becoming common, some consumers have turned to cash payments to prevent hackers from obtaining their credit card information. But plastic carries one big benefit that cash doesn't: If a thief racks up charges on your credit card, you're protected by the card networks' zero-liability policies. And banks will most often reimburse you for fraudulent debit card charges.

A cash fix can cost you. Use an ATM outside your bank's network and you'll pay more than $4, on average, in combined fees to the bank and the ATM's owner, according to a MoneyRates.com survey. Check your bank's app or website to locate in-network ATMs. Or use a checking account that reimburses ATM surcharges (Ally Bank pays back up to $10 a month).

It's a great budgeting tool. With cash, you can spend only what you have, so you may treat your money more carefully if you see real dollars leaving your hands. Divide the cash into envelopes labeled for each category of your monthly budget—or at least for discretionary purchases such as eating out and shopping. Unfortunately, doing that means you won't be able to use online tools that automatically track each dollar you spend. But with mobile apps such as GoodBudget and Mvelopes (both are available for Apple and Android devices), you can create virtual envelopes and connect to your bank account to see where the money goes.

But cash won't help build your credit history. Consider using a credit card now and then for routine purchases, such as gas, that won't tempt you to overspend. A history of responsible card usage on your credit record can help you get the best terms on a mortgage or other loan. It may even improve your prospects for getting a job or an apartment rental.

"Stocks plummeted today on forecasts that the sun will rise again and tomorrow will be another day."

New savings accounts for disabled people are being rolled out at different times in different states. *Examples:* Virginia is expected to have the accounts available in the first quarter of 2016, and Florida has said it will offer them by July 2016. As of mid-August, 40 states and Washington, DC, had passed laws or had proposals pending for the 529A accounts (also called ABLE accounts), which are modeled on 529 college savings plans. The accounts allow contributed funds to be withdrawn tax-free for eligible expenses and let people with special needs save for care and education without being disqualified from receiving government benefits. Current 529A proposals say accounts may be used for education, health care, housing, transportation, and legal and financial needs. The new accounts are federally authorized but administered by states. Proposed rules governing the accounts will be discussed by the US Treasury Department in October.

Source: The New York Times

"Never spend your money before you have it."
— Thomas Jefferson

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Building On Old Skills In Retirement

By Patricia Mertz Esswein, Kiplinger's Personal Finance

Ephraim King, 65, retired from his job as a senior manager at the Environmental Protection Agency four years ago. His neighbor, Stephen Brown, 63, had already retired from his job. Having spent his early career in construction, he was a natural to volunteer for Habitat for Humanity; he enlisted King, who had spent years rehabbing his own home, to do the same.

When those projects ended, they decided to go into the home-rehab business on their own. "Both of us really enjoy the variety a large house project offers," says King. King and Brown took on the project partly as a pastime, but they treated the business side seriously, hiring a business lawyer and forming a limited liability corporation to protect their assets. Both men were mindful that they were tapping family resources. "The money we're using isn't coming out of nowhere," says King. "We're fortunate that we have spouses who understand what we're doing and are supportive."

Playing the role of owner, general contractor and worker requires setting priorities, says Brown. "You learn a lot of lessons about sequence. The guy can't wire the walls if you haven't put them up." The pair have also had to get up to speed on new standards for safety and energy efficiency. Despite their best efforts, says Brown, they've had to redo some work. Then there's their own, uh, aging infrastructure. "It's easy to say 'I can do this and this and this,' but I'm in my sixties. I can't do as much as when I was younger," says Brown.

The best part? Working alongside the subcontractors. "It's fun. You meet great people. They're good at what they do," says King. As for the dollar payoff, their expectations are modest, at least for this go-round. "Our purpose is to work through the learning curve and to break even," says King.