CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

MONEYLINE

So, What's a *myRA*?

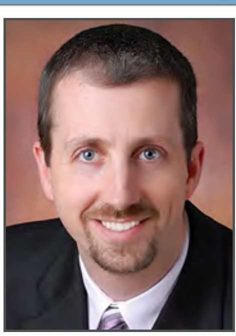
Courtesy of Craig Willeke, LUTCF, CLTC

The myRA (My Retirement Account) was introduced recently by President Obama with the pilot rollout scheduled for later this year. It is supposed to be a "starter" retirement account for workers who do not have an employer-based plan available, yet it will be available to all workers with AGIs up to $129,000 ($191,000 for married couples), subject to employer participation. It will not be available to the self-employed.

Like the Roth IRA, contributions are made with after-tax dollars, grow tax-deferred, and can be withdrawn tax-free without penalty, subject to the same restrictions as the Roth. MyRA contributions will count against your Roth contributions and the same annual limits will apply: $5,500 per year, $6,500 if you are over age 50.

The myRA has four differentiating features from the Roth: it requires a low minimum investment ($25 to start and $5 per month), contributions will be made through payroll deductions, there are no investment costs, and the maximum account value is $15,000, after which you can rollover to a Roth IRA.

Many analysts believe the myRA will have little impact on most peoples' retirement savings planning. I just thought you should know what it is in case you caught wind of this new retirement plan.



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You can negotiate some mortgage fees. ***Biggest areas of leverage:*** Application or processing fee, which some brokers will waive. You also can save by calling several attorneys to get their costs for a closing (rates vary, and some lawyers charge a flat fee while others bill by the hour). Shop around, but do not try to negotiate third-party fees such as appraisal costs and the charge for running a credit report—those are not negotiable.
Source: Bottom Line Personal magazine

Some Obamacare "silver" plans have lower premiums than some "bronze" plans, reports health insurance analyst Kev Coleman. And some insurers are charging less for "gold" plans than others are charging for "silver" plans. That means it is important to view plans at various tiers if you shop on an Obamacare exchange. And even a bronze plan that does charge the lowest premiums might not be your lowest-cost option. Bronze plans often impose steep co-payments and deductibles—the average individual bronze plan has a $5,081 deductible. The average individual silver plan has a $2,907 deductible (savings: $2,174).
Source: HealthPocket.com

Note: Neither New York Life Insurance Company, its affiliates nor its agents offer mortgage products or advice.

"It is better to be a failure at something you love than to be a success at something you hate."
— George Burns

The New Mortgage Rules

By Jill Schlesinger, Tribune Content Agency

Big changes are sweeping through the mortgage market in 2014. The new rules, created by the Consumer Financial Protection Bureau (CFPB) as mandated under the Dodd-Frank Act, ban some of the lending practices that contributed to the housing boom and bust.

There is a new class of mortgages called "Qualified Mortgages" or "QMs". Borrowers who qualify for these loans are presumed to be able to repay the loan for many years, not just during the first few months when an initial "teaser" rate can keep monthly payments low. Additionally, many previously popular loans are banned. Those include interest-only loans; negatively amortizing loans, which can allow your loan principal to increase over time, even though you're making payments; and balloon loans, which have larger-than-usual payments at the end of the term. The new rules also prohibit loans that are longer than 30 years and limit excess upfront points and fees, depending on the size of your loan. For example, a loan over $100,000 can't be a QM if it has points and fees that are more than 3 percent of the loan amount.

Any lender who wants to underwrite a Qualified Mortgage will have to determine a borrower's ability to repay a loan by considering factors like the borrower's income, assets, debts, and credit history. Another feature of a QM is a limit on how much of income can go towards the mortgage — the debt can't exceed 43 percent of monthly income. Additionally, to be considered a Qualified Mortgage, the loan must qualify for purchase or guarantee by Fannie Mae, Freddie Mac or by a federal housing agency; or the lender must keep the loan in its portfolio for a period of time.

Mike Raimi, President of PMAC Lending Services, says that QM should benefit consumers in some respects, though it may make it more difficult to secure financing for others, especially jumbo borrowers (those who borrow more than $417,000 in most markets and up to $625,500 in higher priced markets). Although the new rules may become the norm, Raimi reminds consumers that "Fannie Mae and Freddie Mac will still accept non-QM loans, which are often approved for borrowers with up to 55 percent debt-to-income ratio."

What do you need to know about attaining a mortgage now? According to Raimi, "The process has improved, but it is still labor intensive." Mortgages for new home purchases can take about three weeks to close, while refinancing can take longer — "anywhere from 30 to 60 days."

If you are looking for a 30-year conventional mortgage with 20 percent down, the best rates are available for those with credit scores above 740. For every 20-point drop in score, the mortgage rate jumps by approximately a quarter of a percent. If your credit score is below 620, it's tough to get a loan closed, unless you qualify for the government's HARP plan or are working with FHA. (Credit scores do not have nearly as much impact on loans of 15 years and shorter.)

How And Why To Rollover Your 401(k)

By Anya Kamenetz, Tribune Content Agency

In 2013 and 2014, both my husband and I left our jobs with large companies and are now faced with the question of what to do with our old 401(k)s. There are basically three options: Cashing the account out, leaving it where it is, and rolling it over. We chose rollovers for a reason I'll describe in a minute. First, let's talk about the other two options.

Cashing out your 401(k) may sound tempting, especially if you have lost your job unexpectedly and are facing expenses and debts, but it should be a last resort. You're essentially forfeiting all the time you've put in on your retirement and starting over from square one. You have to pay taxes on the withdrawal, plus a hefty 10 percent fee if you are under age 59 ½.

The second alternative, just leaving the account where it is, is tempting for another reason: sheer inertia. I did it for the past 11 months.

But in this case, I think inertia works against us. When I left my job, I stopped making automatic contributions to my 401(k), and of course there's no more employer match. The money just sits there. The more retirement accounts you have, the harder it is to keep track of your overall asset allocation. And unless you actively take the step to roll over, chances are that you are creating a gap in saving for retirement, which can really be dangerous during prime earning years.

Plus, a 401(k) in many cases may actually be more expensive than having the same investments in an IRA. Brokerages charge employers' fees for operating 401(k) plans over and above what they charge the retail investor.

So let's talk about option No. 3: Rollover. Rolling over a 401(k) is not a straightforward process, but the people who work at your investment firm will be more than happy to walk you through it.

Even if you already have an IRA, you need to open a special separate account called a Rollover IRA to receive the money from the 401(k). Typically this will be a traditional IRA. This part can be done instantly.

It's a good idea to research investment options before you start the rollover process because you will be talking with the financial services professionals or investment advisors who may have their own ideas. For me, the rollover was a good opportunity to shift my portfolio to a higher percentage of bonds.

Finally, now that you have a new IRA, why not set up an automatic contribution in the form of a monthly transfer from your checking account? The annual limit for IRA contributions is $5,500 ($6,500 if you are 50 or older), or your annual income — whichever is smaller.

When considering rolling over the proceeds of your retirement plan to another qualified option, such as an IRA, SEP, SIMPLE IRA, Roth IRA or other type of qualified account, please note that you have the option, among others, of leaving the funds in your existing plan or transferring them into a new employer's plan. Consult with your H.R. department to learn about the options available to you under your plan and any applicable fees and expenses.

"My idea of planning for the future is programming the DVR."

Prepare a damage-control plan for stolen passwords, advises protection expert Adam Levin. Recently, Adobe Systems (maker of Adobe Acrobat software) reported that user names and passwords of 38 million users had been stolen. *If you receive a security-breach warning from any company:* Change the password on your main e-mail account first because confirmation of all other password changes will be sent there… Change the passwords on your financial accounts…Change the answers to the security questions used to authenticate those passwords.

Source: huffingtonpost.com

Several colleges are dropping tuition drastically to avoid scaring off potential students. Converse College (South Carolina) is cutting tuition to $16,500 from $29,124 (savings: $12,624). Significant cuts also have been announced by Ashland University (Ohio), Belmont Abby College (North Carolina), Concordia University (Minnesota) and Alaska Pacific University. The trend mostly affects small private colleges and responds to student concerns about applying to schools that charge high prices.

Source: CollegeCost.ed.gov

"Money frees you from doing things you dislike. Since I dislike doing nearly everything, money is handy."
— Groucho Marx

CRAIG WILLEKE'S FINANCIAL NEWS

DIGEST

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9 Personal Planning Tips

By Kent Kennyson

Track your expenses. Personal planning starts with this most dreaded task. The good news is that there are plenty of consumer software programs and apps to help you out.

Get a handle on your risk tolerance. Take a risk assessment questionnaire with your financial professional. The results should help you create a diversified portfolio that is consistent with your time horizon and ability to weather market volatility.

Stop beating yourself. According to businessinsider.com, the average investor made just 2.1 percent from 1992-2011. What's the reason for the underperformance? Investors act on their emotions, buying after the market has already gone up and selling when it is down in the dumps.

Rebalance your retirement account annually. This will help ensure that you stick to your game plan.

Calculate your retirement number. Stop freaking out about retirement and run the numbers.

Review life, disability and long-term care insurance coverage. This is the part of your financial life where an error can cause damage to your family.

Manage your credit and protect your identity. An easy step is to review your credit report at annualcreditreport.com and be sure to check your credit card bills and flag any unusual names.

Review your Social Security options. Before you file for Social Security benefits, take time to review your options. AARP has a free calculator, and there are a several other calculators available from other sources.

Create/review/update estate documents: Hire a lawyer to prepare a will, power of attorney, health care proxy/living will documents and trust, if necessary. As part of the process, create a list of documents, which includes information about investment accounts, insurance policies, auto titles, and income tax returns. Estate records and final instructions also should be stored in a safe place — don't forget to provide copies to your executor or trustee.