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CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

MONEYLINE

Avoid Your Own Retirement Crisis

Courtesy of Craig Willeke, LUTCF, CLTC

Many people will have a hard time retiring at the traditional age while maintaining their standard of living.

Here are some ideas for individual initiative:

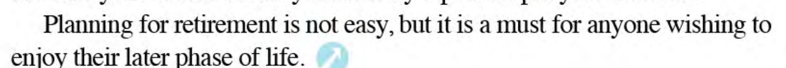
Work longer. Not everyone has this option, but those who do reap significant advantages. Working longer not only produces current income—it also results in a large increase in Social Security benefits; allows you to contribute more to your retirement planning; and shortens the length of retirement, reducing the lump sum required to maintain your standard of living.

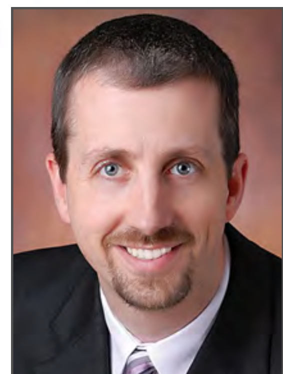
Save more. This is easier said than done. Many people have not even tried to figure out how much they might need. Making saving "easy and automatic" is the way to go in order to save more, prioritizing your retirement objectives over other expense alternatives.

Invest wisely. Don't stop investing in the stock market because of a short-term fall in prices. Rebalance your portfolio regularly.

Delay Social Security payments up to age 70. By doing so, you increase your Social Security income by 8 percent per year deferred.

Planning for retirement is not easy, but it is a must for anyone wishing to enjoy their later phase of life.





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Did you know that phone scams cost consumers nearly $8.6 million last year?
The average loss was $488.80. *To protect yourself:* Don't return calls from unknown numbers...use a search engine to research suspicious numbers before returning calls...and check phone bills monthly for fraudulent charges.
Source: Bottom Line Personal Magazine

Some states are easing the estate tax burden to attract retirees or keep them from moving to lower-tax states.
The Tennessee estate tax exemption rises to $5 million from $2 million in 2015 and will disappear in 2016. Maryland's increases to $1.5 million from $1 million. Minnesota's rises to $1.4 million from $1.2 million. And New York's goes up to $3.125 million from $2.062 million. Maryland and New York will continue to increase thresholds every year until they match the federal exemption in 2019 (which is $5.34 million in 2014 and $5.43 million for 2015 and is adjusted for inflation annually). Minnesota's exemption rises $200,000 a year until it reaches $2 million in 2018.
Source: Kiplinger.com Adviser

"Things do not change; we change."
— Henry David Thoreau

How To Talk To Parents About Money

By Jill Schlesinger, Tribune Content Agency

I hear your groans and you are not alone in your struggle to have these difficult financial conversations. According to a recent survey by Fidelity Investments (goo.gl/a7HviD), while three-quarters of adult children and their parents agreed that it is important to have frank conversations about money, nearly two-thirds disagree about the right timing for these conversations to occur. Parents would prefer to wait until after retirement, while their adult children want these conversations to happen well before their parents retire or experience health issues.

These timing issues seem to mask the larger problem: the "Money Talk" often invokes feelings of control (or lack thereof), privacy and dignity for the older generation. And for the adult child, it is hard to balance being responsible, while not seeming like you are prying. All of these factors mean that it makes sense to have the money conversation when it is timely. This could be an opportunity for you to ask your parents about their CD rates or portfolio performance. You may want to offer reviewing their situation with an impartial financial professional.

Early conversations do not have to be a forensic accounting of every last nickel of your parents' finances, but you need to explain that an open dialogue will help them feel more in control and allow you to be prepared in case of an emergency. Once that conversation gets rolling, you can move into other important areas like cash flow and bill paying, retirement income and the big elephant in the room: estate planning.

The good news is that Fidelity's survey found that 93 percent of parents who have had discussions with their children about estate planning say it brought them greater peace of mind and 73 percent said it would help their children's emotional state of mind when the time came. How can you start? Experts suggest that you frame the issue in a way that talks about your worries, rather than indicting your parents for being disorganized messes. "I just want to make sure that I carry out your wishes."

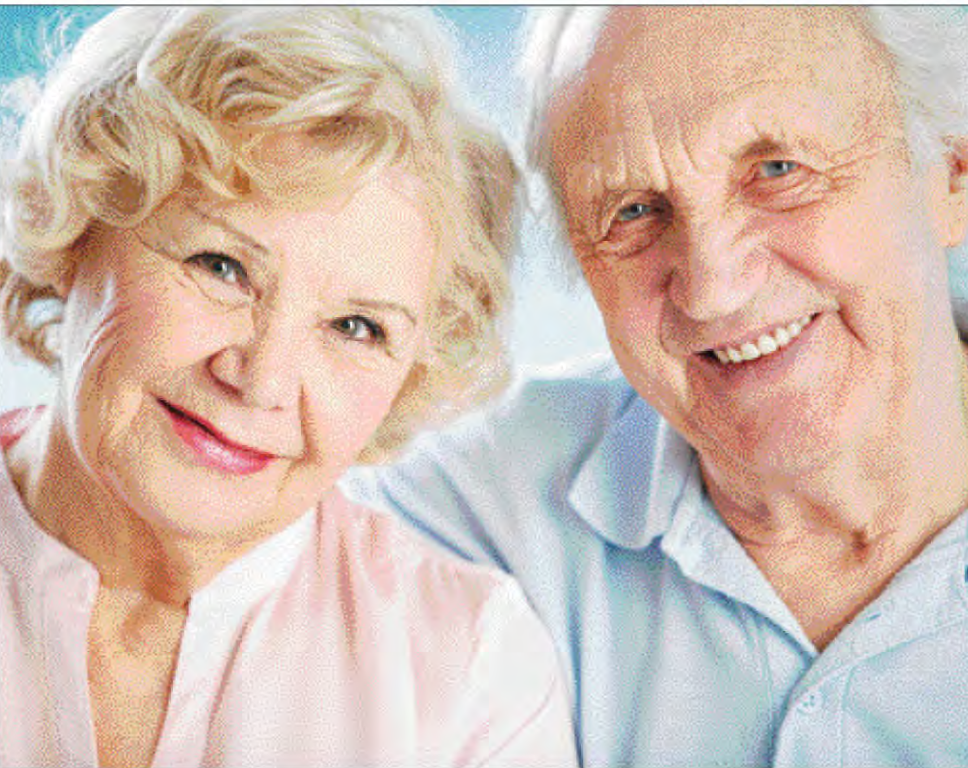
During this conversation, you are trying to discover whether your parents have created or updated their wills, powers of attorney and health care proxies. If not, encourage them to schedule an appointment with an estate attorney. You can offer to attend the meeting, but only if they want you there. Emphasize that this is an opportunity for them to make their own decisions and to make their wishes known. One important note: Your parents may choose to do something that you don't like. Unless it is dangerous to their well-being, try not to argue for a different outcome. Keep notes of these conversations, especially if you have siblings. There are far too many stories about relatives who become estranged as a result of end-of-life financial decisions.

Finally, you can only do what you can do. If your parents simply shut down or refuse to talk to you about their money, don't fight it. They may not want to talk today, but at least they know that the door is open.

Retirement: Plan For A Long Life

By Jane Bennett Clark, Kiplinger's Personal Finance

If we knew we would die tomorrow, we'd be rich today. I don't mean rich in appreciation for life, although that's probably true, too. I mean literally rich. With only one day to live, a nest egg of $100,000 would be enough to take a trip around the world (at



lightning speed), buy a Tesla or live in the lap of luxury —for that one day.

But barring a crystal ball, we can't know how much time we have left on this planet. Meanwhile, the major retirement decisions hinge on how many years you can reasonably expect to be around.

Online calculators can help you estimate your life expectancy based on how you answer questions ranging from how much you weigh and how long your grandmother lived to how often you chow down at Mickey D's. But they're not just a health lesson in disguise. Most people underestimate their life expectancy, assuming they will die at the same age as their longest-living parent or oldest relative, even if their own circumstances are vastly different, says Carol Bogosian, of the Society of Actuaries' Committee on Post Retirement Needs and Risks. Lowballing life expectancy can also mean lowballing the amount you'll need for a comfortable retirement.

If the calculators put you at 95, that's reason to work longer and delay taking Social Security. (For each year you delay between age 62 and 70, you get about an 8-percent bump in benefits.) It also means you'll probably come out ahead financially by taking the annuity from a defined-benefit pension plan rather than a lump sum if you are given the choice.

Another strategy is to buy a commercial annuity, which delivers a guaranteed payment until you die. Of the choices, a fixed immediate annuity is the most straightforward. But at today's interest rates, the payout is modest.

For a bigger payout, consider a deferred-income annuity (also known as longevity insurance). You pay for it up front and delay taking any payments for, say, 20 years. (With some policies, you can add a rider that pays a benefit to your heirs if you die before you hit the magic number.) A deferred-income annuity can involve complicated decisions, including how much of your savings to use and how much of the remainder you'll draw down before your payouts begin. Get professional advice before you buy one.

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

Thieves are stealing rewards points. Some criminals have found ways to empty rewards-points accounts and redeem the points for travel, hotel stays, even gift cards that are as good as cash. Hilton HHonors and other programs have recently been hit. Thieves can get to some accounts quite easily. *Example:* Some loyalty programs let you sign in with a member number and four digit PIN, both of which thieves can discover through so-called brute-force software that runs through millions of possible combinations. Thieves get into accounts and change e-mail addresses so that redemption notices do not go to legitimate account holders. *Self-defense:* Keep an eye on the point totals for your loyalty programs, and ask issuers how to protect rewards and what to do if an account is compromised—policies vary widely.

Source: KrebsOnSecurity.com

"A bone to the dog is not charity. Charity is the bone shared with the dog, when you are just as hungry as the dog."
— Jack London

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Ask Kim: Starting A Roth IRA For A Grandchild

By Kimberly Lankford, Kiplinger's Personal Finance

Q: ***Can I open a Roth IRA for my 16-year-old grandson as a gift?***

A: As long as your grandson earns income from a job, he may contribute to a Roth IRA. His contributions may not exceed the amount of money he earned for the year, up to a maximum of $5,500. You may be able to open the account for him and contribute the money yourself, or you may have to give the money to his parents to make the contribution, depending on the rules of the firm that acts as the account administrator.

Either way, contributing to a child's Roth IRA can give him or her a huge head start. Your grandson may withdraw the contributions tax- and penalty-free at any time, which could be a great source of money to help make, say, a down payment on a house. And after age 59½, he can withdraw both the contributions and earnings tax- and penalty-free. The contributions you make now, when your grandson is a teenager, could have a significant impact by the time he retires. Just a $2,000 contribution when he's 16 could grow to more than $60,000 by the time he's 67, if the investments earn 7 percent per year.

The logistics of opening an account for a grandchild can be a bit tricky. The account must be in the minor's name and the custodian's name. The rules for who can be the custodian vary by firm and sometimes by state.

The custodian will need the child's name, address, date of birth and Social Security number to open the account. It's also important to know how much money the child earned so you don't put in more than the allowed amount.