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CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

MONEYLINE

Scams Are Heating Up

Courtesy of Craig Willeke, LUTCF, CLTC

The Federal Trade Commission has issued warnings about a series of scams. Take note of the following trends.

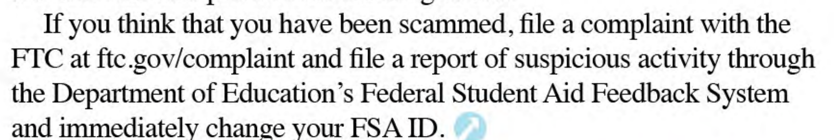
There has been a spike in reports of aggressive phone calls, emails, letters and/or texts offering education loan borrowers relief from their federal student loans or warning them that federal student loan programs would end soon.

The fraudsters promise debt forgiveness and lower payments and often demand upfront fees of thousands of dollars, which is illegal, for this so-called service.

Red flags to watch out for:

- A requirement to pay up-front or monthly fees for help.
- The promise of immediate and total loan forgiveness or cancellation.
- A claim that the offer is limited and that you need to act NOW!
- A request for Federal Student Aid Identification password.
- A third-party authorization form or a power of attorney.
- Communications with spelling and grammatical errors.

To ensure that any company is legit, borrowers should review the government's list of trusted companies that provide student loan services and also private collection agencies.



If you think that you have been scammed, file a complaint with the FTC at ftc.gov/complaint and file a report of suspicious activity through the Department of Education's Federal Student Aid Feedback System and immediately change your FSA ID.

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Some thieves peel the security chips off debit cards. They glue the stolen chips onto different cards to run up charges on victims' accounts…and either glue fake chips onto victims' cards or leave them chipless. Victims are slower to notice when a card has a missing chip. If your credit card's chip is missing or sloppily glued, call the card provider immediately to report the problem and get a replacement card.
Source: Scamicide.com 2019

Airlines now encourage the use of mileage rewards. They have realized that loyalty programs are a valuable resource for customer retention—but only if fliers actually get to use their miles or points. So many airlines are reducing the number of miles needed to book tickets, making more rewards seats available and increasing the buying power of miles. Seats still are more easily available on off-peak flights and at less busy times of year, but some carriers now simply regard a seat as being filled the same way whether it is obtained with dollars or miles.
Source: Bloomberg.com 2019

The price of basic household goods is rising. Higher costs of raw materials and transportation, plus foreign-currency swings affecting international household-goods companies, are resulting in increases for such everyday products as diapers, paper towels and toilet paper.
Source: The Wall Street Journal 2019

"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

Claiming Social Security Benefits

By Elliot Raphaelson, Tribune Content Agency

Q: ***I am a widow, age 58, unmarried. If I apply for widow's benefits at age 60, what percentage of my deceased husband's Social Security benefit will I be entitled to? I am still working. Will my benefits be impacted by my income?***

A: At age 60, you will be entitled to 71.5% of his benefits. If you wait until your full retirement age (67), you would be entitled to 100% of his benefit. Between ages 60 and 67, the benefit would be prorated.

If your earnings exceed specified yearly income (the amount is $17,640 in 2019), your survivor benefits are reduced $1 for each $2 above the limit until your full retirement age. In the year you reach your full retirement age, for every $3 you earn over $46,920, $1 will be withheld from your benefit. After you reach full retirement, there is no penalty.

Even if your income does exceed these limits, and your Social Security benefits are reduced as a result, after you reach full retirement age your benefits will be increased to make up for the prior penalties.

Q: ***I will reach age 70 1/2 this year. I am retired. I have both a 401(k) and a traditional IRA. I am confused as to when I must take my first two required minimum distributions, and which balances are used for the computation.***

A: Since you have two different types of retirement plans, you must make separate required minimum distributions (RMDs.) If you have separate IRAs with different custodians, you can combine the balances of the separate IRAs and make one RMD from one of the IRAs to satisfy IRS requirements. However, you must make a separate RMD for your 401(k).

If you have the option to roll over your 401(k) to an IRA, then you would be able to make one RMD. However, you should do that only if you believe the IRA alternative has more benefits than your current 401(k).

The first RMD must be taken by April 1 of the year following the year you turn 70 1/2. So, in your case, you must take your RMD by April 1, 2020. That distribution should be based on your year-end balance at the end of 2018. The custodians of your 401(k) and IRA should be able to tell you the amount of your RMD.

Although you can wait until April 1, 2020, you have the option of taking your first distribution by the end of 2019. Regardless of when you take your first distribution, your second distribution must be taken by the end of 2020. That distribution should be based on your year-end balances in your 401(k) and IRA at the end of 2019.

In other words, if you do postpone taking your first distribution until 2020, you will have to take two distributions in 2020. Taking two distributions in 2020 may push you into a higher marginal tax bracket for that year. In subsequent years, you will have one RMD required by the end of each year for each type of retirement account.

When A Roth Retirement Account Makes Sense

By Jill Schlesinger, Tribune Content Agency

Roth or traditional: Which one is preferable? As always, the answer depends on your situation.

The big difference between a traditional retirement option and a Roth (regardless of whether it is a 401(k), 403(b) or an Individual Retirement Account) is when you pay taxes. With a traditional option, you pay in the future and with a Roth, you pay today.

For example, if you earn $50,000 and you make a 10 percent contribution into a traditional 401(k), the $5,000 that goes into the account is removed from your taxable income. Then, the taxing authorities levy taxes on what remains - in this case, $45,000. You do not pay taxes on the money that is inside of the traditional plan while it remains in the account, but after you reach age 59 ½ and access the money, you will have to pay taxes based on your future tax bracket.

Additionally, after you reach age 70 ½, Uncle Sam forces you to withdraw a certain amount of money each year from your traditional account--this is known as a Required Minimum Distribution.

What many people don't realize is that RMDs can impact the taxation of Social Security benefits by potentially kicking you into a higher tax bracket. Additionally, they can increase Medicare costs, because individuals are subject to an Income Related Monthly Adjustment Amount for those with Modified Adjusted Gross Income over $85,000 (single filers) or $170,000 (joint).

OK, now onto the Roth retirement plans. Your contributions to a Roth are not tax-deductible, so they are made with after-tax dollars. In the example above, you would pay taxes on the full $50,000 you earned, and then your 10% contribution would go into the Roth and grow tax-free. After you reach age 59 ½ and access the money in a Roth account, there are no taxes due.

Additionally, Roth owners never have to withdraw money if they choose not to do so.

Should you use a Roth? If you are in a low tax bracket, the Roth allows you to pay taxes at your current rate and when you take your distributions, you avoid paying taxes at your future higher rate. But many tax experts are encouraging more people to use Roth options even if they are in high current tax brackets.

Two reasons: Tax rates may rise in the future and, even if they don't, it is nice to have some money in retirement that has already been taxed.

Additionally, for high-income earners, the only way to access a Roth may be through an employer-based plan. That's because Roth IRAs have contribution limits based on income. For 2019, you can contribute $6,000 ($7,000 if over age 50) into a Roth IRA if your Adjusted Gross Income is under $122,000 (single filers) or $193,000 (joint).

"Stocks rose sharply today on news that this sort of thing still happens once in a while"

Most Americans do not set savings goals. More than 60% say they don't, and 53% say they live paycheck to paycheck. About 74% say they put 10% of their monthly pay or less toward saving…23% say they save nothing…and 49% say they have only enough funds to cover living expenses for three months or less.

Source: First National Bank of Omaha 2019 survey

Consider freezing your child's credit to prevent identity thieves from gaining access to it and setting up phony accounts in your child's name. The major credit bureaus—Equifax, Experian and TransUnion—define a child as anyone age 15 or under. Freezing a child's credit is free. But you must use US mail to send the bureaus highly confidential information, including copies of some combination of your child's birth certificate and Social Security card and your own driver's license and Social Security card. The documents cannot be submitted electronically. Visit the websites of the three credit bureaus to get specific information on what each one requires.

Source: The New York Times 2019

Boost your chances of getting a raise by simply asking for one. Only 37% of employees ask for raises—but among those who do, 70% get one. And about 40% get the specific amount of the raise they ask for.

Source: The New York Times 2019

"Money is better than poverty, if only for financial reasons."

— Woody Allen

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Why Your Credit Score Can Differ Among Companies

By Lisa Gerstner, Kiplinger's Personal Finance

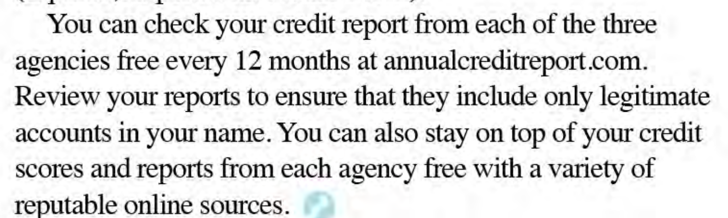
Q: ***My FICO credit score hovers between 825 and 830, but when I recently switched cellular companies, my new provider reported that my score was 703. Is this inaccurate, or will the phone company's report negatively affect my score going forward?***

A: A likely scenario is that the cellular company is using a specialized score designed for the telecommunications industry.

Telecom scores are entirely different from credit scores and "703 might be a really good score," says credit expert John Ulzheimer, formerly of FICO and credit agency Equifax. Telecom scores emphasize the customer's behavior on accounts from companies within the industry. "A telecom score would consider how you've managed telecom accounts more than how you've managed credit cards or auto loans. And a lack of any telecom experience is also relevant," Ulzheimer says.

Credit agency Experian offers a score to companies involved in telecommunications, energy and cable, and it operates on a scale of 400 to 900. A standard FICO credit score ranges from 300 to 850.

Keep in mind that credit scores come in many flavors too. Both FICO and VantageScore create a variety of scores, including separate ones derived from your credit reports with each of the three major credit agencies (Equifax, Experian and TransUnion).



You can check your credit report from each of the three agencies free every 12 months at annualcreditreport.com. Review your reports to ensure that they include only legitimate accounts in your name. You can also stay on top of your credit scores and reports from each agency free with a variety of reputable online sources.