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CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

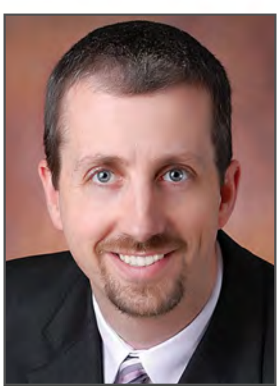
MONEYLINE

Remembering Lessons From The Great Bear Market

Courtesy of Craig Willeke, LUTCF, CLTC

Just because it's been seven years since the last protracted bear market doesn't mean we should move on from the lessons learned. Here are a few, lest we forget:

- The roller coaster at the amusement park lasts about two minutes. Unfortunately, the investor roller coaster spans a lifetime. If you plan to own securities to fund future obligations, you must accept that bear markets are part of the process. The good news is that not all bear markets are as awful as the last one, which was the most severe since the 1930s.
- Plunging markets are tough on the nerves, but if you are still saving for retirement or college, take solace in the fact that you are buying shares, which will eventually be seen as being on sale.
- Borrowing can be dangerous. Whether it's a house or a dot-com stock, just because some bank or brokerage company is willing to lend you a lot of money does not mean that you should take it. Too much leverage can be a scary thing. Borrowing money to purchase securities can magnify losses because you have to repay the full loan plus interest, no matter what happens to the security price.



Willeke Financial Group, LLC

1221 N. Street
Suite 800
Lincoln, NE 68508

(402) 483-6656
www.willekefinancialgroup.com

Complex e-mail scam hits home buyers. A thief hacks the e-mail account of someone involved in a real estate transaction...monitors communications...then poses as a lawyer or bank mortgage officer and e-mails the buyer saying to wire funds to an account provided in the e-mail. The buyer wires money, and the thief disappears with it. The scam depends on guessing the password to an e-mail account or learning personal information online to be able to answer security questions. To protect yourself create a strong password....and make up nonsense answers to security questions — for instance, you could say the name of your high school was "watermelon."
Source: Bankrate.com

Credit cards and debit cards promoted by colleges may not be good deals for students. Many schools help with or allow the promotion of debit or prepaid cards, which may have the college logo on them or be linked to student ID cards. And some colleges cosponsor credit cards with card issuers in return for a share of the revenue the cards generate. But many college-linked accounts have high fees, and the cards may be a worse deal for students than ones they could find by shopping around on their own.
Source: Bottom Line Personal magazine

"The safest way to double your money is to fold it over and put it in your pocket."
— Kin Hubbard

Retirement: Downsizing Costs Add Up

By Jane Bennett Clark, Kiplinger's Personal Finance

When I look at my retirement stash, I have to admit it's kind of small. When I look at my house, I realize it's kind of big. And when I consider the two together, I think that maybe I should downsize and use the equity in my house to buy a condo or add to my retirement savings and rent.

Downsizing isn't for everyone, but it's one of the few strategies available to near-retirees who find themselves short on retirement savings and don't have time to catch up, says Steven Sass, of the Center for Retirement Research at Boston College.

But before you sell your house and move, add up the costs that can chip away at the amount you free up. For starters, fixing up a house to sell often means spending thousands of dollars in repairs and upgrades (new roof, anyone?). Once the house does sell, you'll pay commissions to real estate agents on both sides of the transaction, usually to the tune of 6 percent of the home's value. Packing and transporting enough furniture to outfit a two-bedroom condo will run $1,500 if you move a few miles away and $5,000 or more if you move across the country, according to the calculator at www.moving.com. As for the furniture you don't keep, you could find yourself spending a few thousand dollars to ship the good stuff to your kid across the country and paying a hauler to cart away the rest.

Even after the move, you won't be home-free. Condo association fees run at least several hundred dollars a month, on top of insurance and property taxes, and if the building needs a major improvement, you'll get hit by a special assessment to help cover the cost. Renting is more predictable but leaves you vulnerable to annual rent hikes. And whether you rent or buy, you'll surely want to buy new furnishings that fit the smaller space.

Other expenses you might not have considered: If you can't squeeze Grandma's armoire into the second bedroom (or bear to part with it), you'll pay $100 a month to rent a storage unit. Moving far away from friends and family? Factor in the expense of traveling back to the old neighborhood a few times a year.

Of course, moving to a condo or apartment also allows you to cut your utility bills, and eliminate yardwork and snow shoveling. Still, be sure to add up the pluses and minuses before you put out the For Sale sign, not after.

Spending: What You Need To Know About Chip Cards

By Lisa Gerstner, Kiplinger's Personal Finance

The rollout has been slow, spotty and sometimes frustrating.

Deadline? What deadline?

New rules went into effect last October that make merchants liable for fraudulent transactions if they haven't updated their terminals to accept chip-card, or EMV, payments. But only 50 percent of locations were expected to have functioning readers by the end of 2016, according to Visa. Card issuers aren't doing much better. There are more than 400 million chip cards now in circulation, says Randy Vanderhoof, director of the EMV Migration Forum — but that's still only one-third of the estimated 1.2 billion total cards on the market.

They've got your number. The microchip in an EMV card drastically reduces fraudsters' ability to create counterfeit cards. But it doesn't prevent crooks from using a stolen card number to pay online or over the phone. Canada saw a 133 percent spike in fraud involving such "card not present" transactions from 2008 through 2013, as the country made the switch to chip cards, according to Aite Group.

Signature versus PIN. Chip-card users in the U.S. typically seal the deal with a signature, rather than by entering a PIN. That's not much of an obstacle for a thief who gets hold of your card. "Chip-and-signature is a half-measure," says Debra Berlyn, director of the advocacy campaign Protect-MyData.

Speed bumps at the register. Glitches abound as merchants work through the learning curve. For example, some restaurants that have enabled EMV payments have improperly configured tipping options, says Vanderhoof. Some stores haven't activated the chip capability on their payment terminals because they are still making sure the equipment is ready for prime time and their employees are properly trained. Chip transactions typically take a few seconds longer to process than those with a magnetic stripe, although many merchants are shortening the delay as they optimize their systems.

Swipe with care. Operators of ATMs and automated gasoline pumps were given a liability reprieve. MasterCard extended the deadline to October 2016 for ATMs to support updated card readers, and Visa's ATM deadline is October 2017. Owners of gas terminals that aren't EMV-compliant also won't face liability until October 2017. In the meantime, be on the lookout for "skimmers" that crooks place on card readers to steal data from your card's magnetic stripe.

You're still covered. The move to EMV affects the liability of merchants and card issuers. But most credit card users still enjoy zero liability for unauthorized purchases, and banks will usually cover funds stolen with a debit card as long as you report the problem promptly.

"Many people like to start a new hobby when they retire. Hunting and gathering might be a good choice for you."

Average apartment rent has risen to $1,179/month, up 4.6% from $1,125, in the past year — the biggest gain since before the recession that ended in 2009. Home ownership as of the third quarter of 2015 (latest data available) was 63.7%, which is near a 30-year low. The percentage of first-time buyers among all home buyers also is at its lowest level in three decades. More than 188,000 apartment units were completed in 2015, the most since 1999 — and there are some signs of oversupply that could hold down future rent increases, especially in high-end buildings in downtown areas.

Source: The Wall Street Journal

Companies are helping employees save more for retirement by automatically diverting a larger percentage of employees' paychecks into 401(k)s. Some are setting aside as much as 10% of workers' money or automatically increasing the amount by one percentage point a year unless employees opt out. So far, there have been few employee objections or decisions to opt out. The number of retirement plans with contribution rates above the 3% default rate that many companies use reached 40% in 2013 (latest data available) compared with 23% in 2006.

Source: EconomicTimes.com

"Hard work never killed anybody, but why take a chance?"
— Edgar Bergen

CRAIG WILLEKE'S
FINANCIAL NEWS
DIGEST
1221 N Street, Suite 800
Lincoln, NE 68508

Retirement Plan Mistakes To Avoid

By Jill Schlesinger, Tribune Content Agency

Have you taken your eye off the ball? Here are some common mistakes to avoid.

Withdrawing instead of rolling over. Cash-outs are most prevalent among younger workers, the ones who would benefit most from keeping the money in a tax-deferred retirement account. Regardless of the age, the retirement saver who withdraws plan assets no longer gets the compounded growth the savings would have occurred in the account.

Failing to rebalance. The old "set it and forget it" mentality can ensnare you in one of the classic retirement plan mistakes: Not rebalancing on a periodic basis. It has gotten easier to complete this task because a lot of plans now have an auto-rebalance option. A side benefit of using this feature is that it can help take emotions out of the investment process, essentially forcing you to buy low and sell high.

Not diversifying. It's far more important to diversify among asset classes than in the total number of funds. Additionally, if your company stock is an option in your plan, limit your exposure to five percent of your total investment holdings. Sure, the stock may be awesome now, but do you really need to risk your retirement on the company's performance? Since many companies match in their stock, it is incumbent on you to keep an eye on your allocation.

Tapping retirement funds to pay down a debt. Workers sometimes dip into retirement funds to whittle away their outstanding credit card balances and other bills. While the IRS does allow for hardship withdrawals in certain instances, pulling money from retirement accounts should be a last resort due to the aforementioned fees and taxes. Additionally, many workers who are over 59 1/2 are tempted to use retirement assets to pay down a mortgage as they approach retirement. The biggest risk in doing this is that you may deplete your liquid assets to eliminate a debt on a non-liquid one.