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CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

MONEYLINE

Good Times Can Make Us Complacent

Courtesy of Craig Willeke, LUTCF, CLTC

Sometimes I feel like rooting for a recession. Just a little one. Just a wake-up call.

I don't want people to suffer, but the longer both the expansion and bull market continue, the more we tend to forget that they do actually end, leading some to make poor financial decisions.

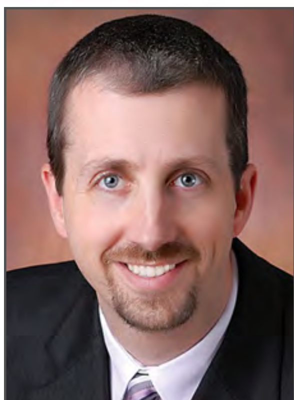
While these relatively good times feel good, they can also breed complacency and that's the main reason why I sometimes feel like rooting against them. To fight that natural tendency to forget that bad times do occur, here's a reminder from financial writer Jill Schlesinger of what you can do right now:

Revisit or create your financial strategy. As flight attendants remind us, "items may have shifted during flight." So too with your financial strategy — hopefully for the better, but regardless, this is a good time to see if you need to update the game plan.

Maintain a healthy emergency reserve fund. For those still working, maintain six to 12 months of expenses (12 to 24 months for retirees) in a safe, liquid account.

Pay down that debt! There's nothing like a recession and bear market to expose the dangers of carrying too much debt.

Maintain a diversified portfolio and don't forget to rebalance.



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Reductions in Social Security benefits that you receive while continuing to work are repaid to you after you reach your so-called full retirement age. Until the calendar year before your full retirement age, you can earn up to $17,040 and still receive your full Social Security benefits—but for every $2 you earn above that, Social Security deducts $1 from your benefits payment. In the calendar year in which you reach your full retirement age (through the month before the one in which you reach full retirement age), Social Security will deduct $1 for every $3 you earn above $45,360. Starting in the month in which you reach full retirement age, you will get 100% of your benefits. After you reach full retirement age, the Social Security Administration will recalculate your benefits to make up for any months in which your benefits were withheld.
Source: MoneyTalksNews.com 2018

Unexpected automatic-payment enrollments can cost you money every month, says credit specialist Matt Schulz. More than one-third of Americans—35%—say that they have signed up for a subscription or membership and been enrolled in automatic payment without realizing it. Sometimes the initial periods are free. Always read the fine print when starting any service.
Source: CreditCards.com 2018

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

New Tax Break For Retirement Income

By Kevin McCormally, Kiplinger's Personal Finance

Need an extra incentive to ease into retirement with a part-time gig? Or to earn some extra cash to supplement your Social Security and IRA payouts? Would the chance to treat 20 percent of your freshly-found income as tax-free do the trick?

If so, say thank you to the U.S. Congress.

The new tax law creates a special 20 percent deduction for "pass-through entities," a category that includes most businesses in the U.S., whether they are organized as a Subchapter S corporation, a limited liability company or a sole proprietorship — that is, simply working for yourself. Basically, you're a pass-through if you're not a regular corporation.

That, in fact, was the driving force behind this deduction. The new law slashes the corporate tax rate from 35 percent to 21 percent, but it only slices the top personal rate from 39.6 percent to 37 percent. Because pass-through income is hit by personal rates, the 20 percent deduction is an attempt to share the wealth by cutting small-business taxes, too.

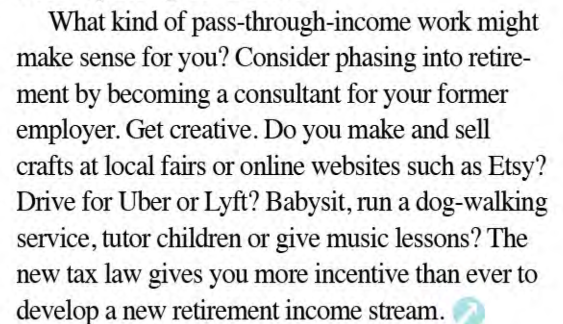
So, how big a deal is this? It could be huge.

Cotty Lowry, a real estate agent in Minneapolis, reports that his accountant thinks he'll be a "big winner" under the new tax bill. The 20 percent write-off can apply both to Lowry's net income from his real estate business and to the rental income thrown off by several buildings he owns.

The deduction applies to "qualified business income." It's probably easiest to cite what does not qualify: earnings by an employee, earnings by a regular corporation and earnings from "specified service" businesses that provide service in fields such as health, law, accounting, performing arts and athletics.

You might wonder what's left, but don't worry. There's a gigantic exception. The specified-services poison pill only applies to high-income individuals. If your income is less than $157,500 on an individual return or under $315,000 on a joint return, you can deduct 20 percent of your qualified business income even if it comes from a specified-service business. The write-off is gradually phased out as income rises above those levels.

The IRS is still figuring this all out, but it's likely the new deduction will be figured on a special form and then entered on the Form 1040 as a subtraction from adjusted gross income.



What kind of pass-through-income work might make sense for you? Consider phasing into retirement by becoming a consultant for your former employer. Get creative. Do you make and sell crafts at local fairs or online websites such as Etsy? Drive for Uber or Lyft? Babysit, run a dog-walking service, tutor children or give music lessons? The new tax law gives you more incentive than ever to develop a new retirement income stream.

Knowing When It's Time To Retire

By Janet Bodnar, Kiplinger's Personal Finance

I recently asked readers how they made the decision to retire and what advice they would give to others. Here are their responses:

As you would expect, finances were a major factor — but far from the only factor. As reader Del Richter put it, "One piece of advice I've always remembered is that you will know when to retire when you have enough — and when

you have had enough." Many of you echoed that sentiment. "I knew it was time to retire when my clients started retiring," wrote Victoria Warden, who added: "It's better to leave too early and be missed than to stay too late and be pitied." Carl Scarbrough summed it up: "It just wasn't as much fun any longer."

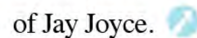
Sometimes the decision was made for you, possibly as the result of a downsizing or other changes in the workplace. "It's time to retire when a problem boss drives you to it," wrote Mary Mullowney.

And sometimes it's a spouse, rather than a boss, who is the catalyst. "My wife had been wanting me to retire for three or four years, and I was 77 when I quit," said Earl Wood. At 76, Cynthia Shulman couldn't see herself retiring as a pathologist. "Then my husband said, 'Why don't you stay at home with me?' and it suddenly looked like a pleasing horizon."

Many of you took years to plan your exit, often with the help of a financial adviser. Before he left his job, William Carn even established a daily schedule that "set the pattern for what is now 12 years of a happy and fulfilling retirement." On the other hand, Joan and Don Ressa got their finances in order and made their decision "on a Friday night over a good bottle of wine. We've never looked back."

For some of you, the decision was a more sobering experience. Health issues forced Lynne Derry into retirement at age 61. "I am coming to grips with being retired in a smaller way, with hope for bigger things to come," she wrote. Michael Hagedorn "lost a dear work friend to a heart attack at the tender age of 57, and that event crystalized everything for me."

Many of you retired in your early 60s or even younger. Often a traditional defined-benefit pension or an employer buyout helped pave the way. Nevertheless, you are unanimous in your advice to "save — and then save more," in the words of Jay Joyce.



"Look at the bright side. Earth could be destroyed by an asteroid before you retire!"

How to make escrow go smoothly when selling your home: Escrow is a period, usually 30 to 40 days, when a third party holds the buyer's funds until both you and the buyer meet contractual requirements. When you receive an offer, add the clause "Exact legal description to follow in escrow" to the offer. This gives you time to address any issues found during the escrow process—such as a clerical error that affects the deed of your property. Limit closing adjustments by striking out the phrase any other acceptable to buyer in the contract, which can lead to you being charged costs that are not your responsibility. Also delete that phrase if it appears in the list of exceptions—any exceptions, such as easements, should be clearly spelled out. Ask your agent what time is reasonable for the buyer to review your seller disclosure, which discloses problems such as a large stain on the carpet or termite damage. Remove any buyer language asking for copies of all instruction manuals for appliances, original blueprints and other documents, which you may not have.
Source: CreditCards.com 2018

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

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Rules For Beneficiaries Of Inherited IRAs

By Elliot Raphaelson, Tribune Content Agency

There are different rules for beneficiaries who inherit through a will or an estate. And IRS regulations differ for spouses and non-spouses.

Spouse beneficiaries

If you inherited a traditional IRA from your spouse, you have two options. You may roll over the inherited IRA into your own IRA, or you can establish the IRA as an "inherited IRA."

If you are younger than 59 1/2 and require distributions, there is an advantage in establishing the IRA as an inherited IRA. The advantage is that you avoid the 10 percent early-withdrawal penalty. You would have to pay ordinary income taxes on any withdrawals. When you reach age 59 1/2, you can then roll over the inherited IRA into your own IRA.

Non-spouse beneficiaries

Non-spouse beneficiaries don't have the option of rolling over the IRA to their own IRA. The non-spouse beneficiary is mandated to start taking RMDs by Dec. 31 of the year following the owner's death. The beneficiary should use the Single Life Expectancy Table. If the beneficiary is younger than the IRA owner, she should use her age in the table and for subsequent years reduce life expectancy by one. If the beneficiary was older than the owner at the time of death and the owner died after he was required to start taking RMDs, the beneficiary can use the deceased owner's age in order to stretch the payments out longer.

If the owner had not reached 70 1/2, the beneficiary has an additional option. She may elect to refuse the RMD and withdraw the total amount over a five-year period following the owner's death. This option is available but is not the most desirable since you would lose the stretch option.

For more information on IRA strategies, I highly recommend the books of IRA expert Ed Slott.