# LET'S TALK MONEY®

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Meaglia Financial Consulting is a full-service comprehensive financial consulting and investment advisory business. For over 35 years, Tom has been helping clients with financial coaching, investing for retirement, and estate planning.


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## Savings for Stay-at-Home Spouses

It can be challenging for a spouse who doesn't have access to an employer's retirement plan to save for retirement. One potential solution: opening a spousal individual retirement account (IRA).

### How it works

A spousal IRA can be a good option for a stay-at-home spouse or a spouse who has little or no earned income. Although a couple may jointly contribute to the spousal IRA, it's a separate account held in the name of the spouse for whom the account is established. This allows that spouse to make any decisions that affect the account, such as choosing investments and designating a beneficiary.

Generally, for 2016, an individual can contribute up to $5,500 ($6,500 if over age 50) of earned income to an IRA. Under the spousal IRA rules, contributions may be made for one spouse based on the other spouse's earned income. Couples must file jointly to contribute to a spousal IRA, and IRA contributions for both spouses can't be more than their combined earned income.

### Traditional spousal IRA contributions

Contributions to a traditional IRA may be tax deductible. A full deduction is available if neither spouse actively participates in an employer's retirement plan. However, if one spouse actively participates in a retirement plan, the tax deduction for the nonparticipant spouse's contribution begins to phase out once combined 2016 modified adjusted gross income (AGI) exceeds $184,000. The deduction for the participant spouse's contribution to his or her own IRA begins to phase out when combined AGI exceeds $98,000.

Earnings in a traditional IRA are tax deferred. Withdrawals are generally taxable except to the extent of any nondeductible contributions made to the account.

### Roth spousal IRA contributions

A Roth spousal IRA is another possibility to consider. Roth IRA contributions are not tax deductible. However, there are still AGI limits on contributions. For couples filing jointly, eligibility to contribute to a Roth IRA for 2016 phases out with combined AGI between $184,000 and $194,000.

Earnings in a Roth IRA are tax deferred. Account withdrawals are income tax free after five tax years and attaining age 59½.


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# 'Tis the Season for Charitable Giving

During this festive time of the year, it can feel wonderful to give to charity as well as to family and friends. But no matter how much you enjoy being generous, you also want to make the most of your charitable gifts. Here are some ideas to consider before you donate.

### Choosing a charity

Even charitable organizations whose missions appear to be very similar may operate quite differently. You'll want to learn as much as possible about the accomplishments of any organization you are thinking of supporting. Also find out what percentage of donations actually goes to pay for programs. Your money may go farther if you choose a charity that uses donations primarily to pay for programs instead of administrative costs.

### Contributing through a donor-advised fund

For larger gifts, you might consider contributing to a donor-advised fund. With a donor-advised fund, you make an irrevocable contribution to a qualified sponsoring organization for future distribution to qualified charities. You can contribute cash, securities and, sometimes, real property to the fund. Typically, you can recommend which charities you want to receive the donations. The sponsoring organization will have the final say in how the money is disbursed.

### Giving life insurance

Another way to contribute to a charitable organization is by making a gift of life insurance. There are several potential approaches.

- You can take out a new insurance policy on your life and name the charity as the policy's beneficiary and owner (if state law allows). You can then give money to the charity to pay the policy premiums.
- You can donate an existing life insurance policy and, if you want, continue to fund any additional policy premiums.
- You can name a charity as the beneficiary of a new or existing policy but retain ownership of the policy. Then, you can access the policy's cash value and change the beneficiary if you want.

Your tax advisor can explain the potential tax impact of various charitable giving options. If you are considering a gift of life insurance, be sure to talk with your financial professional about it.

## By the numbers: How America Gives

Sources of contributions received by nonprofit organizations:

- **72%** Individuals
- **15%** Foundations
- **8%** Bequests
- **5%** Corporations

Source: *Giving USA 2015: The Annual Report on Philanthropy for the Year 2014*, Chicago: Giving USA Foundation, 2015

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# Leaving a Trail

In recent years, it's become convenient to conduct much of your financial life online. You can do your banking, pay bills and even manage your investments from your computer or mobile device. Many financial institutions and service providers encourage their customers to receive digital account statements as well.

But if you don't have paper records, will your loved ones be able to access the information they need to settle your estate when the time comes? Maybe not — unless you leave a trail that identifies your accounts, where they are located and how to access them.

In addition to online financial accounts, consider other digital assets you may have. Examples include:

- Memberships and subscriptions
- Email accounts
- Social networking profiles
- Blogs
- Web pages
- Photos on photo-sharing sites

Find out what you need to do now to avoid estate problems later on. You may need different strategies for different types of digital assets and records. An estate planning attorney can assist you.

# It Could Happen to You!

You receive a letter and with it is a check for a large sum of money. Too good to be true? Not necessarily. Someday, you could receive an inheritance, insurance payout or another significant amount of money all at once. Then what? Here are some suggestions to help you make the most of your new, improved financial situation.

**Don't go on a spending free-for-all.** While it's tempting to treat yourself, family and friends, careless spending could seriously deplete your assets in short order.

**Think about your goals.** Now that you have the money, what do you *really* want to do with it? You probably have long-term financial goals you are investing for, such as funding your retirement, helping your kids pay college tuition or buying a vacation home. You also may want to donate to charity or give assets to children or grandchildren.

**Talk to your advisors.** Your financial professional, attorney and tax advisor can all help you figure out how to successfully manage your money so that you can pursue your goals *and* enjoy yourself.

# Don't Wait To Save

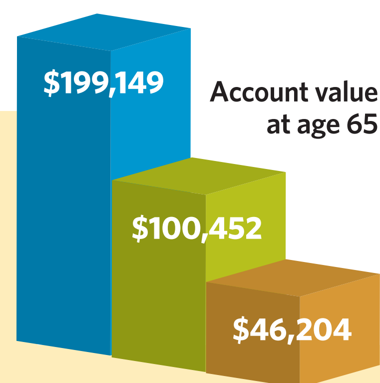
Life can get in the way of saving for your future. It's hard to set money aside for "someday" when you have expenses *right now*. Yet, the reality is that if you don't save for your retirement, you may not have enough money to live comfortably.

Retirement is a long-term goal that you should start saving for as soon as possible. You're probably going to need a lot of money to live on once you retire. Since many companies no longer provide pensions and you can't count on getting that much from Social Security, the bulk of your retirement income likely will come from you.

The sooner you start saving for retirement, the earlier your money can potentially benefit from compounding. Compounding occurs when investments generate earnings and those earnings are added to the account balance and reinvested. You can then earn a return on your investment *and* the earnings. The longer the compounding process repeats itself, the more money you can potentially accumulate.

## Time Is on Your Side

The earlier you start saving for a goal, the more you may potentially benefit from compounding.




| | | | |
|---|---|---|---|
| **Age you start saving:** | 25 | 35 | 45 |
| **Monthly contribution:** | $100 | $100 | $100 |
| **Average annual total return:** | 6% | 6% | 6% |
| **Years invested:** | 40 | 30 | 20 |

This is a hypothetical example used for illustrative purposes only. It is not representative of any investment vehicle. It assumes monthly compounding. Your investment results will be different. Source: DST

**Q. I started collecting Social Security benefits after I retired last year at age 62. If I take a part-time job, will my earnings affect my benefits?**

**A.** Possibly, depending on how much you earn. Social Security has a retirement earnings test that reduces the benefit payments of Social Security recipients who are younger than their full retirement age (in your case, age 66) and have earnings that exceed a specified amount. You can earn up to $15,720 (the retirement earnings test exempt amount) in 2016 without a reduction in benefits. Once you pass this exempt amount, your benefit payments would be reduced $1 for every $2 you earn over the threshold.

The year you reach your full retirement age, your benefits are reduced $1 for every $3 you earn above a different exempt amount, which is $41,880 in 2016. The only earnings that count toward the exempt amount limit are earnings before the month you reach your full retirement age. After that, you can earn as much as you want without losing benefits.

**Special earnings limit rule**

There is a special rule that typically applies in the first year of retirement. The rule allows people who retire midyear to receive a full Social Security check (as adjusted for age) for any whole month their earnings fall below a specified threshold.

For example, let's say you retired in 2016 at age 62 having already earned more than the $15,720 annual limit. Under the special rule, you'd receive your full Social Security check for any month that your earnings were $1,310 or less ($15,720 ÷ 12 = $1,310) and you did not "perform substantial services in self-employment." The number of hours you devote to the business determines if you performed substantial services in self-employment.

**No loss of benefits**

You do not lose the benefits withheld while you're working. Once you reach your full retirement age, your monthly benefits are recalculated to account for the months your benefits were reduced or withheld due to your excess earnings.

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