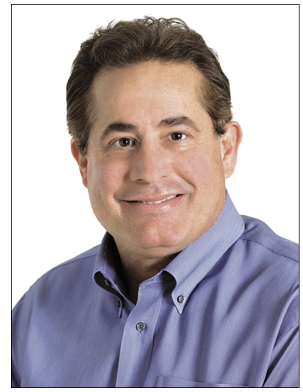
LET'S TALK MONEY®

May/June 2018



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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.

Are you saving enough for retirement? It's easy to underestimate your retirement expenses, since you can't know everything the future will bring. But there are ways to more accurately gauge your financial needs, especially if you're just a few years from retirement.

Healthcare is Big

Healthcare expenses may consume the largest portion of your retirement income, so begin by checking out current costs for Medicare and Medigap health insurance policies, plus Part D prescription drug coverage. Then consider how premiums will likely increase modestly every year. Don't forget to include deductibles, co-payments and coinsurance in your calculations.

Location, Location

Housing is often another large expense in retirement, depending on whether you have a mortgage or rent, pay real estate taxes and face higher utility expenses compared to other regions. Don't assume you can painlessly leave everything and move to a less expensive locale, especially if you're moving away from family. Try a new location out for a few weeks at a time in the years before you plan to retire before committing.

Do a Test Run

Another way to gauge your retirement readiness is to try living on your monthly retirement income now. If your retirement income projects to 70-80% of what you earn now, the transition may not be difficult, while a tryout may convince you that living on less than 70% doesn't work for you.

Surprises Happen

Even when you make educated estimates, less predictable expenses could throw your retirement calculations out of whack. A change in health is a possibility as you age. Long-term care, if needed, is costly. Perhaps you plan to work part-time, but poor health could alter this plan. Or maybe you have an adult child who needs to move back in with you. Ensuring a financial cushion can help offset these and other financial surprises.

Keep On Keeping On

The good news is you still may have time before retirement. Need more cushion? Maybe you can delay retirement by a year or two. Perhaps you can delay taking retirement plan distributions, allowing them to continue to potentially grow. Talk to a licensed financial professional to learn how to best prepare for your retirement.

Retirement Expectations vs. Reality

According to the financial services industry organization LIMRA, retirees were more likely to say that basic living expenses were higher than anticipated than they were to say that these expenses were lower than anticipated.

This is Real

The LIMRA Secure Retirement Institute found in an early 2017 survey that six in 10 retirees who said their basic living expenses were significantly higher than expected weren't confident they could enjoy the lifestyles they'd planned. But retirees found creating a formal retirement document helped them better gauge their retirement expenses. In the same survey, about seven in 10 with a formal written plan say discretionary expenses are about the same as expected, while half of retirees without any plan said the same.

Four Retirement Saving Truths

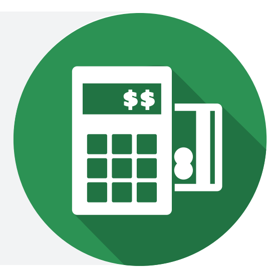
With so much information floating around about retirement, it can be hard to separate fact from fiction. No matter where you are on your journey toward what you hope is a financially stable retirement, consider these four truths:

Social Security payments won't make you rich. Just because this government benefit comprises a major portion of retirees' income doesn't mean it's a lot. In 2017, the average monthly benefit for retired workers was only $1,369.

Saving early is best. Time and compounding potentially make a significant impact on Americans' retirement income. Simply put, the earlier you begin and maintain a savings plan, the more you'll potentially accumulate for retirement.

Living expenses may still be high. When you stop working, related expenses will disappear. But other expenses, including vacations — because you have more time to take them — and medical expenses, may cost more than during your working years.

Uncertainty is certain. Will taxes rise? How about the cost of Medicare and related medical expenses? Will you outlive your retirement income? These and other challenges can put a crimp in your retirement plans.



Prepare Now

What do you do? For starters, save early and save regularly. If you have access to a company 401(k) plan, contribute as much as the plan allows. If you can't save the maximum, save anything, especially if your employer matches your contributions. If you don't have a company plan or you want to contribute additional funds toward retirement, check out a traditional or Roth IRA.

As you near retirement, work to pay off as much debt as possible, especially high-interest credit cards. And work with a financial professional to prepare as best you can.

Prepare for Almost Anything

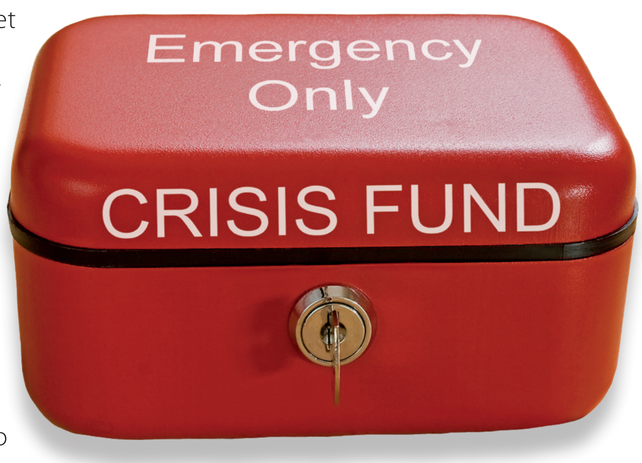
Even the most prepared people can't predict when an expensive surprise will come their way or how much it will cost. You can, however, prepare financially for the unexpected by creating an emergency fund to help meet surprise expenses.

Financial Emergencies

We have all experienced the shock of a big expense. For example:

- The car won't start and you learn it needs $800 worth of work.
- The furnace breaks down and you have to choose between a $5,000 replacement or a cold winter.
- Your company is struggling financially, and you find yourself in the unemployment line.

Unanticipated surprises like these can affect your budget in varying ways. An emergency fund may help you get through the rough spots.



Funding the Fund

There are two basic ways to accumulate an emergency fund. First, deposit any financial windfall into the fund. If you receive a bonus from your employer, an unexpected commission or a tax refund, sock it away in the emergency fund. You won't miss what you didn't have before.

In lieu of a windfall, find a little bit of money to save regularly and put it away. Aim for three to six months of expenses as a target. This discipline can help you build your emergency fund sooner than you might think.

Too Good to be True

As college debt soars, so do the number of scams trying to separate you from your money. The Federal Trade Commission, several states and the District of Columbia are cracking down* on deceptive student loan debt relief scams. If you have student loans, it pays to beware.

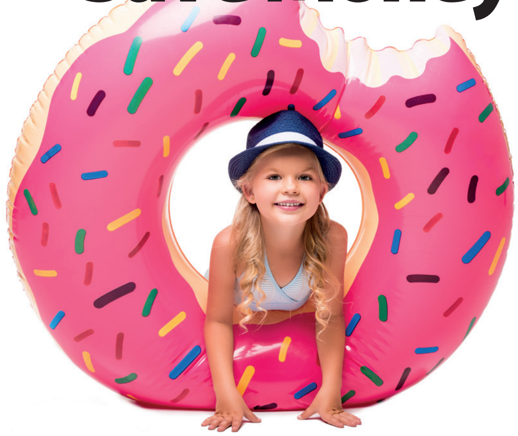
Know their Tricks

Scammers can duplicate government seals, making their emails look official. Among their false promises is their claim of fast loan forgiveness if you pay an upfront fee. First, no legitimate student loan lender will ask for that fee for debt relief. It's illegal. Second, no one can offer immediate loan forgiveness.

Check for the authenticity of anyone claiming to be from the Department of Education. Delete the emails and hang up on phone calls from pretenders. The department and legitimate private lenders offer ways to make paying back student debt easier.

** Federal Trade Commission "Game of Loans: The stark truth about student loan `debt relief' claims" by Lesley Fair, October 13, 2017*

Have Travel, Save Money



Summer is traditionally when we find time to kick back, take a vacation and enjoy the weather. This season can also take a bite out of your budget. Here are a few tips to help you not break the bank this summer.

Ways to Save

- If you plan to travel by air, consider off-peak hours and flexible travel dates. Both could save you a sizable sum.
- If you're staying home this summer, suspend your gym membership for a couple of months and bike, hike and exercise outdoors instead.
- Buy a grill and outdoor furniture at the end of summer, when clearance prices are likely to dominate.
- Keep your blinds and curtains closed during the sunniest part of the day. This will lessen the load on your air conditioning.
- Raise your AC thermostat a degree or three. This simple step will add up in savings over time.

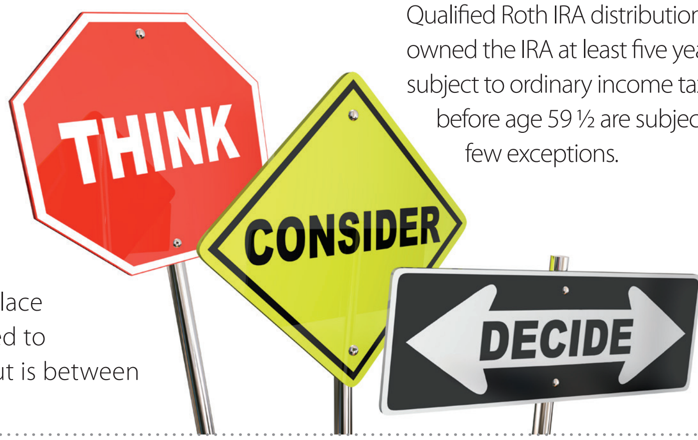
Weigh Your IRA Options

Choosing the type of IRA you want can be a daunting task. While both have tax advantages of one type or another, traditional and Roth IRAs are generally polar opposites. Here's a look at both types of IRAs and what they can do for your retirement savings efforts in 2018.

Eligibility

Anyone can contribute to a traditional IRA, but contributions are not tax-deferred if you exceed income limits. For single taxpayers covered by a workplace retirement plan, the phase-out range is $63,000 to $73,000 in 2018.

Married couples filing jointly have a phase-out range from $101,000 to $121,000 when the spouse making the traditional IRA contribution is covered by a workplace retirement plan. If you're not covered by a workplace retirement plan and are married to someone who is, the phase-out is between $189,000 and $199,000.



High-income taxpayers are not eligible to contribute to a Roth IRA. Eligibility to make contributions in 2018 is phased out if annual income is from $120,000 to $135,000 for singles and heads of household. The income phase-out range for couples filing jointly is $189,000 to $199,000.

Contributions

If you contribute to a 401(k) plan or a traditional IRA, you are probably familiar with tax-deferred contributions. They are deducted from your gross pay before taxes are calculated, so your taxable income is reduced. Contributions to a Roth IRA are not deductible.

Tax-Deferral

Here's one area where Roth and traditional IRAs are the same. Both IRAs feature potential earnings growth that are tax-deferred.

Distributions

Qualified Roth IRA distributions are tax-free after age 59 ½ if you have owned the IRA at least five years. Distributions from traditional IRAs are subject to ordinary income taxes. Also be aware that distributions taken before age 59 ½ are subject to an additional 10% tax penalty, with few exceptions.

Contribution Limits

The annual contribution limit for both types of IRAs is $5,500 in 2018, plus another $1,000 if you're at least age 50. The limit is for either IRA, or for combined contributions to both.

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

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