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Wealth Management eNews

Roth IRA Vs. Traditional IRA: Which Should You Use?

When it comes to retirement saving, which is better for you: a Roth IRA or traditional IRA? According to Business Investor's Daily, the best one for you is the one that leaves you more money after you've paid taxes, once you've retired and started to take withdrawals. That bottom line depends on your situation — everything from your age to your salary, your pay raises over the years and your tax rate, now and in the future.

For more information, go to https://www.investors.com/etfs-and-funds/retirement/roth-vstraditional-ira-401k/

Top seven mistakes when claiming Social Security benefits

Below are the top seven mistakes people make when claiming Social Security benefits and ways to help prevent them:

1. Relying on general information

Most people learn what they know about Social Security from the periodicals they read, friends and family, and the Social Security Administration. This generic information could mislead clients into making decisions that would not be most favorable for their unique situation.

2. Omitting critical considerations

Life expectancy, physical health, income needs, spousal and survivor benefits, and plans for how long one will work should all be considered in deciding when to apply for benefits. Overlooking one of these factors can lead to the wrong strategy. For example, even when someone retires early, it can be advantageous to delay claiming Social Security if the client's family history and current health indicate she will likely live well into her 90s.

3. Misunderstanding key calculations

Understanding the way benefits are calculated is important in helping to maximize them. The benefit calculation is based on an average of how annual earnings, up to $128,700 (the inflated-adjusted Social Security wage base for 2018), for the 35 highest earning years.

4. Failing to coordinate benefits While looking at Social Security in isolation may yield one recommendation, a completely different recommendation may emerge as most advantageous when considered through the lens of a financial plan. Coordinating Social Security benefits with pensions; personal assets; cash flow (including required minimum distributions, or RMDs); and earned income is critical because actions in one area often have a direct effect on another.

5. Misinterpreting early application vs. delaying benefits

Everyone is assigned an FRA (full retirement age), between age 66 and 67 for most current workers, based on the year they were born. Whether a person begins claiming benefits at FRA, earlier, or later is personal. A number of factors should be weighed in helping make the decision (i.e., life expectancy, health, income needs, spousal and survivor benefits, work plans).

6. Forgetting about spousal and survivor benefits

There are many cases and times in life where multiple people may be calculating benefits from one record. Consider the following:

Spouses should elect to receive payments that are either based on their own work record or up to 50% of their spouse's benefit, whichever is higher.

Those married at least 10 years can also claim Social Security benefits based on their ex-spouse's work record (or their own).

When a spouse dies, the surviving spouse can inherit the deceased spouse's benefit payment, if it is greater than his or her own. This makes it especially advantageous for the higher earner in a couple to delay claiming benefits so that the survivor can receive a maximized benefit.

7. Misframing Social Security planning

As noted previously, the greatest retirement concern for most clients is that they will run out of money. While it is advisable to look at how to maximize benefits, it is important to view this through the lens of a long life expectancy such as age 100.

McMillan, Paula, "Top seven mistakes when claiming Social Security benefits." Accessed January 11, 2019.

https://www.thetaxadviser.com/issues/2018/dec/seven-mistakes-claiming-social securitybenefits. html?

utm_source=mnl:adv&utm_medium=email&utm_campaign=03Dec2018

Special Feature

Estate Planning after the Tax Cuts and Jobs Act

Many articles have been written about how the changes made by the Tax Cuts and Jobs Act of 2017 (TCJA) will affect estate planning. Below are responses to some of the most frequent arguments against updating an estate plan in the wake of the TCJA.

My Estate Is Too Small for Tax Planning to Matter
This will be true for many individuals, but estate taxes never should have been the only, or even the most important, factor in anyone's planning. Regardless of the size of the estate, everyone needs planning. Estate planning should address an array of nontax issues. Aging individuals should address later life planning to protect themselves from elder financial abuse and other potential problems. This might include consolidating assets with a single wealth advisor, funding a revocable trust naming a trust protector for a check and balance on the trustee, and much more. Asset protection is a critical step for many individuals, not just the rich.

I Already Updated My Planning a Few Years Ago
One of the most common ways individuals deflect a conversation about the need to update their estate planning is to suggest that they updated their plan and documents only a few years ago. The most common excuse for not addressing planning is "nothing has changed," but with the TCJA, much has changed. If individuals have wills (or revocable trusts) that use formula clauses, those formulas could be disastrous under the new law if not updated.

The Law Changes All the Time; Why Bother?
There have indeed been many years over the last decade when clients have received newsletters, emails, or even calls from their advisors encouraging them to update documents and planning for changes in the law. For such individuals, the frustration is understandable, but the solution is obvious as well. Modern trust and estate planning can utilize several provisions to incorporate flexibility into the planning and documents, far more so than what conventional planning afforded only a few years ago.

Estate Planning Has Nothing to Do with My Investments or Financial Advisor
Financial planning, investment location decisions, and insurance planning have all been affected by the TCJA. No estate plan can be addressed optimally without addressing these matters as well.

Call
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for additional guidance