TIM COLLINS' FINANCIAL NEWS DIGEST

MONEYLINE

Follow Your Strategy, Not The Market

Courtesy of Timothy J. Collins, CLU®, ChFC®

Concerned about the stock market?

Don't be.

It's hard not to be a little nervous when you get a statement showing that your retirement holdings have shrunk by 10 percent.

My advice is simple. Keep contributing, assuming it is still feasible for you to continue with your program despite the short-term volatility. If you have to, don't open those statements for a month or two.

There's only one caveat: If you are five years or less away from retirement and for some reason have a 401(k) that's 95 percent invested in the stock market, you are not sufficiently protected from volatility. Please consider shifting a larger percentage of your portfolio into the bond market, cash equivalents, and other stable investments right away.

Remember the rule of thumb: Consider maintaining a percentage of assets equal to your age in fixed assets not subject to stock market volatility. So a 30-year-old might have 30 percent fixed and 70 percent in the stock market. A 65-year-old might want just 35 percent in the market.

Otherwise, with more than five years for your money to grow, you are officially a long-term investor. And as a long-term investor there is no need to be focused on short-term fluctuations and even large corrections. Over time these things tend to smooth out. And time is on your side.

Timothy J. Collins
Financial Services Professional

2428 Foothill Blvd.
Suite H
La Crescenta, CA 91214

(818) 235-0707
www.timothyjcollins.com
tcollins4@ft.newyorklife.com

Heirs will start inheriting more in several states because those states have increased the amounts not subject to state estate tax. Maine raised its exemption this year to match the federal estate tax exemption, currently $5.45 million, just as Delaware and Hawaii did. Maryland and New York are slowly increasing exemptions until they match the federal level in 2019. Minnesota's will increase each year until it reaches $2 million in 2018. Rhode Island's has been raised to $1.5 million and will inch up annually with inflation.
Source: Bottom Line Personal Magazine

To get the best airline seats without paying heavily for an upgrade, compare planes and seats online at websites such as *SeatGuru.com, SeatExpert.com* and *SeatPlans.com.* Join an airline's frequent-flier program. Book early to have the widest selection of seats. Use a travel agent — he/she sometimes has access to better seats and may charge only $20 to $30 for simple bookings. If you must book a middle seat, sign up with a notification site such as *ExpertFlyer.com* to be notified immediately if a better seat opens up — you may be able to change seats without cost.
Source: MoneyTalksNews.com

"I'd like to live as a poor man with lots of money."
— Pablo Picasso

Ramp Up Your Retirement Plan

By Jane Bennett Clark, Kiplinger's Personal Finance

Two ways to make sure you have enough money when you retire are to create a retirement budget and plot your Social Security strategy.

For the budget, start with your current expenses, separating the essentials — including food, housing and clothing — from nonessentials, such as travel, entertainment and dining out. Some expenses, such as payroll taxes, retirement saving and commuting costs, will disappear in retirement; others — say, for travel, health care and hobbies — may go up. Don't forget to include nonrecurring expenses, such as replacing a furnace or buying a new car. Also factor in inflation: Figure on an annual rate of 2 percent to 3 percent.

Then identify retirement income, including Social Security benefits (for an estimate of your benefits, start by going to ssa.gov and clicking on "my Social Security"), payouts from pensions and annuities, and distributions from retirement accounts. One rule of thumb is to withdraw 4 percent of your total nest egg in the first year of retirement and to adjust it each subsequent year based on inflation. That strategy can work well when the markets are healthy, but you may want to tweak withdrawals in a down market.

Compare income with spending, and figure out how you'll cover essentials and what you'll have left for luxuries. If spending exceeds income, "you want to identify that now so you have time to come up with a new plan, either for retirement or for spending," says Elizabeth Buffardi, a certified financial planner in Oak Brook, Ill.

Deciding when to file for Social Security is a biggie. You can claim benefits as early as age 62, but for each month you wait, your benefit grows. Claiming at full retirement age (currently 66) gets you 33 percent more than at age 62. Wait until age 70 and you'll get 76 percent more than at 62, plus all the cost-of-living increases in between. Unless you need the income now or don't expect to reach the average life expectancy (84 for a 65-year-old man and 87 for a 65-year-old woman), plan to hold off as long as you can.

The choices are more complicated if you're married. Congress tightened the rules for couples, but you can still use the "file and suspend" strategy if one of you is at least 66 by April 30, 2016. In that case, the 66-year-old can file for a benefit and then suspend it, allowing the other spouse (who must be at least 62) to get a spousal benefit based on the filing spouse's earnings record. The spouse who suspends will see his or her own benefit grow by 8 percent a year until claiming it at age 70.

Have You Planned To Take Care Of Your Parents?

By Anya Kamenetz, Tribune Content Agency

The economic impact of eldercare can be similar to the impact of having children. Except very few people plan for these costs, and to some extent they're not easy to forecast.

There's nothing I can write in this column that will make it any easier for you, or your parents, to deal with the fact that they are going to get older. But here are some actions to consider.

Leverage your networks. Now is the time to talk to your siblings, stepsiblings and other relatives about who will do what when Mom and/or Dad can't take care of themselves anymore. The financial and mental burden will be lessened if it is shared.

Price out, and try out, care options. The main reason most people miss work to care for elderly relatives is that they don't feel they can hire anyone to replace them.

It may make sense to test the waters by helping your parents find, say, a housekeeper now. In the best-case scenario it would be a person they can get to know and trust and who could take on more responsibilities over time, or at least who could get them used to the idea and routine of having someone come by the house regularly.

Look at your parents' payment options. The long-term care industry forecasts that more and more people will be buying "linked-benefit" products — that is, life insurance policies that also provide some long-term or critical illness payout.

Balance housing and geographic factors. Families are often scattered these days, and traveling takes time and money. For some families, buying a home with an "in-law unit" is a good investment. If that's not going to work, take a slightly longer visit home when you have time and get to know your parents' local support network. Have the phone number of your parent's friendly neighbor or handyman saved on your cell phone. Visit with the local pastor or spiritual leader. Familiarize yourself with the local volunteer groups and resources for seniors. All of this groundwork will go a long way toward your peace of mind and may prevent some last-minute trips.

Optimize career benefits and strategies.

If you end up leaving a job altogether in your late 40s or early 50s to care for an elderly relative, restarting your career will be tough. Now is the time to check out your company's policies on workarounds like telecommuting, leaves of absence, sabbaticals and part-time schedules. You might also be able to look into freelancing, consulting and other contingencies that can keep you connected to the working world, and accruing retirement savings and benefits, even if your caregiving duties increase.

"I strongly advise you to diversify your portfolio. That way it will take longer to figure out how much you've lost."

File for financial aid even if your student doesn't need it. Families that can afford college without financial aid often don't file FAFSA, the Free Application for Federal Student Aid. But filing FAFSA can improve admission chances. Colleges build freshman classes that include students who do not need aid as well as ones who do — so a FAFSA showing that no aid is needed may increase the chance of admission. Also, many schools will not consider merit aid — which is not based on need — unless a FAFSA has been filed. *And:* Filing a FAFSA is required for students to qualify for low-interest federal student loans — some parents may want children to take out loans so that they are partly responsible for college costs...a job loss or other occurrence might change family finances, so having a FAFSA on file could be helpful. The last day to file a FAFSA is June 30 or the final day of the academic year, whichever comes first.

Source: Bottom Line Personal Magazine

"Today, there are three kinds of people: the haves, the have-nots, and the have-not-paid-for-what-they-haves."

— Earl Wilson

TIM COLLINS'
FINANCIAL NEWS
DIGEST

2428 Foothill Blvd. Suite H
La Crescenta, CA 91214

The New World Of Cellphone Plans

By Lisa Gerstner, Kiplinger's Personal Finance

If your cellphone carrier hasn't already nudged you into a no-contract service plan, expect a not-so-subtle push the next time you go to the store. The two-year contract has been moving toward extinction since 2013, when T-Mobile dropped the option from its offerings. Then, last summer, Verizon Wireless eliminated the two-year contract as an option for new customers. "That was the nail in the coffin," says Logan Abbott, president of phone-plan comparison site Wirefly.com. Now the remaining two major wireless carriers, AT&T and Sprint, have stopped providing two-year contracts to new customers, too.

The newer, no-contract plans sever the price relationship between your phone and the service plan. You pay the full retail price of the phone, unless you participate in a lease or early-upgrade program. But because the carrier is no longer picking up part of your phone's cost, the price of monthly service is lower. Plus, you can often bring a phone that you already own to the plan rather than purchasing one from the carrier.

Overall, the no-contract arrangement means more transparency and flexibility for customers. "It's better in the sense that you know what you're paying for, and it gives you the opportunity to shop around," says Maggie Reardon, author of the CNET.com column "Ask Maggie."

Will you pay less with a no-contract plan? Over the course of a couple of years, the total price for a no-contract phone and plan is often about equal to the total you'd pay with a contract, says Abbott. But crunch the numbers to be sure you're getting the best deal. If you're permitted to renew a two-year contract, tally up how much you'd pay for the phone plus monthly service fees (which may include separate prices for the phone's line access and the data plan) during the contract. Compare that with the total two-year price of a plan and full-price phone without a contract.