MARK HOWARD'S FINANCIAL NEWS DIGEST

MONEYLINE

Considerations To Retire Well

Courtesy of Mark N. Howard, MS, MBA

For many Americans, the difference between a secure retirement and an uncertain one comes down to how well they plan. Here are some major factors that will affect your wellbeing in retirement.

How much you will spend. The first consideration of retirement planning is estimating what your expenses will be in retirement. Some expenses will be approximately the same as pre-retirement; others may be considerably different. If health care was provided, or subsidized, by your employer, that may be a big one.

Expected income. Your second step is to determine your expected income from all sources.

Asset allocation. When you enter retirement, you will likely change your asset allocation. You may have been investing for growth. In retirement, you might need to be oriented more toward income.

Annuity options. Many retirees are justifiably concerned that they may outlive their assets. One option to consider for some of your assets is a single-premium immediate annuity to create a guaranteed lifetime income.

Taxes. Consider a spend-down strategy which derives income from accessing assets outside your retirement plans during the first years of retirement, while keeping your 401(k) and/or traditional IRA in place until withdrawals are mandatory, at age 70½.

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Scammers offer to help you donate frequent-flier miles or hotel rewards points to charity. The scammer's e-mail or website asks for a fee and/ or asks you to cash in your miles or points for an airline ticket or hotel voucher in the name of someone the scammer pretends is associated with a real or phony charity. That person, who may have paid the scammer to do this, then uses it. *The right way to donate:* Most major airlines and some hotel chains partner directly with charities and provide donation options on their websites.
Source: airfarewatchdog.com

College-savings tool at some companies: Funding of 529 college-savings accounts with direct withdrawals from paychecks. About 11% of companies offered this benefit in 2016, according to the Society for Human Resource Management's annual survey. The contributions are made after federal taxes are withheld. Most states offer tax breaks to residents who choose a state-sponsored 529 plan, and a few offer deductions no matter which state's plan you pick. Investments in 529 plans grow tax-free are are not taxed at all if withdrawals are used for qualified higher-education expenses. Ask your financial adviser for details. *Caution:* If your employer does not provide matching contributions on your 529 account, make sure that the employer-sponsored plan is as good as one you could get on your own.
Source: Kiplinger's Personal Finance

"He that waits upon fortune, is never sure of a dinner."
— Benjamin Franklin

Help Your Kids Without Hurting Yourself

By Jill Schlesinger, Tribune Content Agency

Despite improving job prospects for college graduates, many are headed back to their parents' nests to save money. According to the Census Bureau, about one-third of 18- to 34-year-olds, or about 24 million, lived in their parents' home in 2015. And one in four, or about 2.2 million, neither attend school nor work.

How could these adults be doing nothing? More to the point, why are parents allowing the situation to persist? According to a recent Merrill Lynch retirement study, nearly half of Americans ages 50 and over say that they are "willing to overextend themselves financially to give their children a more comfortable life." The study also found that about half of retirees who gave money to family members felt they had an obligation to do so, and 80 percent of them said they felt that it was the right thing to do.

Perhaps if you are flush in retirement and can afford to help out your kids, you might consider doing so. However, I am concerned that many parents are putting their own financial futures at risk because of this sense of obligation. Some of these near-retirees have written to ask about the best way to assist their adult children. Here are few examples:

Is it OK to reduce my retirement plan contribution to help pay for the additional expense of having my son live with us?

Answer: No. Have him at least contribute to the groceries or rent.

Which is a better way to free up cash for a down payment for my daughter's purchase of a new home, a 401K or a home equity loan?

Answer: Neither. If you have cash available to assist, fine, but it is too dangerous to assume new debt obligations, unless there's an emergency.

Can I count on working a few extra years to help out my kids today?

Answer: No, because you don't know whether your employer will want to keep you or whether you will be able to physically do your job.

Here's the potential problem with all of these decisions: Each one could derail your future plans and, more importantly, might hurt those you are trying to help. Considering that in the Merrill Lynch survey, 60 percent of respondents said that one of their greatest worries is becoming a burden (physically, financially and emotionally) on their families, this is no small matter.

Before you start doling out dough, the first step is to understand where you stand with your retirement planning. Presuming that you can afford to help out, there should be an explicit conversation between the generations. Discuss exactly how you plan to help (monthly stipend, reduced rent for living at home, help with paying off student loans), how long you can provide the financial assistance and (here's the kicker) what you expect in return.

Parents need to strike a reasonable balance between being there for their kids and keeping themselves out of financial danger.

Can I Pay Taxes Where I Own A Second Home?

By Sandra Block, Kiplinger's Personal Finance

Q: *I live in New York. If I buy a second home in Florida, can I count Florida as my residence for state tax purposes?*

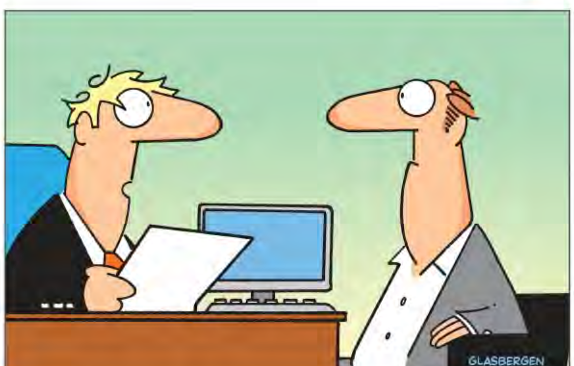
A: Maybe. State laws vary, but in general, you need to be able to prove that you intend to make the lower-tax state (Florida has no state income tax) your permanent home, says Rocky Mengle, a senior analyst for CCH, a division of Wolters Kluwer. The easiest way to do that is to sell your place up north and move down south. You may, however, want to keep the northern home in your family or return there during the summer months. If that's your plan, be prepared to keep meticulous records that will demonstrate your devotion to your new state.

First, you'll need to show that you spend more than half the year — 183 days — in the state you claim as your domicile (that is, the place you consider your permanent home). Keep a diary or log showing the number of days you spend in each state during the year, says Tim Steffen, director of financial planning for Robert W. Baird. In the past, snowbirds could use plane tickets to show they were gone more than six months, but that may no longer suffice, says Terry LaBant, senior wealth strategist for Calamos Wealth Management in Naperville, Ill. State tax auditors may claim that such tickets only show where you were the day you left New York for Florida and the day you returned, but not all of the days in between, he says.

Next, take steps to show that you're committed to your new state. Register to vote and, if you receive a jury summons, perform your civic duty. Apply for a library card, and change your driver's license and car registration. You'll strengthen your case if you hook up with health care providers in your new location.

Open an account at a local bank, and keep receipts of ATM withdrawals, LaBant says. Shopping locally is also a good idea: State tax auditors sometimes review credit card records to determine where you were during the year. In some cases, your adopted state will help you prove residency. You can show your intent to live in Florida, for example, by filing a Declaration of Domicile with your local county court.

As you take steps to establish residency in a new state, avoid taking advantage of benefits that are limited to state residents. For example, if you claim a homestead exemption for property taxes on your first home, state tax officials could use that to show that you're still a resident and thus owe state taxes.



"If you start drinking, smoking and eating fatty food, you'll have enough retirement money to last the rest of your life."

Be sure you get promised credit card bonuses from a new credit card: *Cards often require a minimum amount* to be spent within 90 days — be sure that you will reach the minimum within the required time. *Check the deadline* — the 90 days usually start when your application is approved, which can be a week or more before you get the card. *Do not overspend to get the bonus* — use the card only for purchases you already planned to make. If you return an item during the qualifying period, remember that its value will no longer count toward the bonus. *Read exclusions in the card agreement carefully* — some issuers exclude new bonuses for applicants who received a bonus within the past 24 months. *Understand bonus-redemption policies* — regarding travel, for example, some cards allow transfers to travel partner programs, but others may give only statement credits or may require travel purchases to be made through their exclusive portals.

Source: WiseBread.com

"Plans are only good intentions unless they immediately degenerate into hard work."
— Peter Drucker

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How Do We Document Withdrawals From A 529 Plan?

By Kimberly Lankford, Kiplinger's Personal Finance

Q: ***We'll withdraw money from my son's 529 plan for the first time. Do we need to provide the plan with evidence of eligible expenses before we can access the money? Also, is there anything special we need to do at tax time?***

A: You don't need to provide the 529 plan with evidence that you will be using the money for eligible expenses, but you do need to keep the receipts, canceled checks and other paperwork with your tax records in case the IRS later asks for evidence that the money was used for qualified expenses. You can withdraw money tax-free for tuition, required books and fees, and even a computer and related software. You can also take tax-free withdrawals for room and board, as long as your son is a student at least half-time.

You can pay the bills and then reimburse yourself from the 529. The plan may send you a check or deposit the money directly into your bank account. Or the plan may send a check directly to the school. "We can send a check to the account owner, the student or the school. We are not able to send funds to a third party, such as an apartment complex or landlord," says Char Gross, principal and head of Vanguard's Education Savings Group. But don't wait too long to withdraw the money, she says. "Account owners must reimburse themselves in the same calendar year the expenses were incurred."

Ask your plan whether your state requires any special documentation. Some states may have unique reporting requirements if they offer state tax deductions or credits.

The 529 plan administrator will send you Form 1099-Q by the end of January to document any withdrawals taken in the previous calendar year. If withdrawals listed on the 1099-Q were used for qualified education expenses, simply file the form with your tax records.