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Hi Everyone,

Summer is going fast, as it always does. It seems like July 4th is so far away when summer starts, the all of a sudden it's over and we are on the downhill side. There is still plenty of sunshine left, so hopefully you will get to spend time with family and friends.

Please pass along this month's articles to anyone you feel may have an interest in them. If you have questions or I can help in any way, please don't hesitate to call. Thank you.

Steve

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Information to chew on...

Quiz: Financial Facts That Might Surprise You

If you have a penchant for financial trivia, put your knowledge to the test by taking this short quiz. Perhaps some of the answers to these questions will surprise you.

Questions

1. The first organized stock market in New York was founded on Wall Street under what kind of tree?

a. Maple

b. Linden

c. Buttonwood

d. Elm

2. Who invented the 401(k)?

a. Congress

b. Ted Benna

c. The IRS

d. Juanita Kreps

3. Which three U.S. bills together account for 81% of the paper currency in circulation?

a. $1, $20, $100

b. $1, $5, $20

c. $1, $10, $20

d. $1, $10, $100

4. Small businesses comprise what percentage of U.S. businesses?

a. More than 39%

b. More than 59%

c. More than 79%

d. More than 99%

5. Which U.S. president signed Medicare into law?

a. President John F. Kennedy

b. President Lyndon B. Johnson

c. President Richard M. Nixon

d. President George W. Bush

Answers

1. c. Buttonwood. On May 17, 1792, 24 New York City stockbrokers and merchants met under a buttonwood tree outside of what is now 68 Wall Street. Their two-sentence brokers' agreement is known as the Buttonwood Agreement.[1]

2. b. Ted Benna. A 401(k) is a tax-deferred, employer-sponsored retirement savings plan. Although the name comes from Section 401(k) of the Internal Revenue Code, this type of retirement savings plan was created by Ted Benna in 1979. At the time, he was a co-owner of The Johnson Companies, a small benefits consulting firm.[2]

3. a. $1, $20, $100. The $1 bill represents about 29% of the total paper currency in circulation. The $20 bill represents about 22%, and the $100 bill represents about 30%.[3]

4. d. More than 99%. Despite their size, small businesses are a big part of the U.S. economy. According to the U.S. Small Business Administration, small businesses (independent businesses with fewer than 500 employees) comprise 99.9% of all firms and account for 62% of net new jobs.[4]

5. b. President Lyndon B. Johnson. President Kennedy recommended creating a national health insurance program in 1961, but it was President Johnson who signed the Medicare bill into law on July 30, 1965. President Nixon extended Medicare eligibility to certain people under age 65 in 1972, and President Bush expanded Medicare to include prescription drug benefits in 2003.[5]

[1] NYSEData.com

[2] 401kbenna.com

[3] Federal Reserve, Currency in Circulation: Volume, December 2017

[4] U.S. Small Business Administration, August 2017

[5] Centers for Medicare & Medicaid Services

Open communication and teamwork are especially important when it comes to saving and investing for retirement.

Marriage and Money: Taking a Team Approach to Retirement

Now that it's fairly common for families to have two wage earners, many husbands and wives are accumulating assets in separate employer-sponsored retirement accounts. In 2018, the maximum employee contribution to a 401(k) or 403(b) plan is $18,500 ($24,500 for those age 50 and older), and employers often match contributions up to a set percentage of salary.

But even when most of a married couple's retirement assets reside in different accounts, it's still possible to craft a unified retirement strategy. To make it work, open communication and teamwork are especially important when it comes to saving and investing for retirement.

Retirement for two

Tax-deferred retirement accounts such as 401(k)s, 403(b)s, and IRAs can only be held in one person's name, although a spouse is typically listed as the beneficiary who would automatically inherit the account upon the original owner's death. Taxable investment accounts, on the other hand, may be held jointly.

Owning and managing separate portfolios allows each spouse to choose investments based on his or her individual risk tolerance. Some couples may prefer to maintain a high level of independence for this reason, especially if one spouse is more comfortable with market volatility than the other.

However, sharing plan information and coordinating investments might help some families build more wealth over time. For example, one spouse's workplace plan may offer a broader selection of investment options, or the offerings in one plan might be somewhat limited. With a joint strategy, both spouses agree on an appropriate asset allocation for their combined savings, and their contributions are invested in a way that takes advantage of each plan's strengths while avoiding any weaknesses.

Asset allocation is a method to help manage investment risk; it does not guarantee a profit or protect against loss.

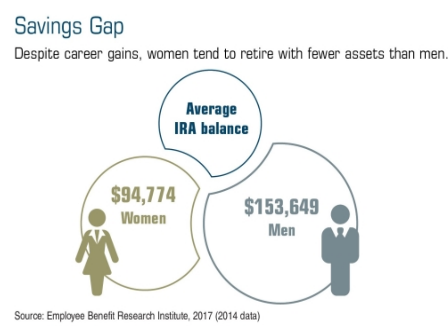
Spousal IRA opportunity

It can be difficult for a stay-at-home parent who is taking time out of the workforce, or anyone who isn't an active participant in an employer-sponsored plan, to keep his or her retirement savings on track. Fortunately, a working spouse can contribute up to $5,500 to his or her own IRA and up to $5,500 more to a spouse's IRA (in 2018), as long as the couple's combined income exceeds both contributions and they file a joint tax return. An additional $1,000 catch-up contribution can be made for each spouse who is age 50 or older. All other IRA eligibility rules must be met.

Contributing to the IRA of a nonworking spouse offers married couples a chance to double up on retirement savings and might also provide a larger tax deduction than contributing to a single IRA. For married couples filing jointly, the ability to deduct contributions to the IRA of an active participant in an employer-sponsored plan is phased out if their modified adjusted gross income (MAGI) is between $101,000 and $121,000 (in 2018). There are higher phaseout limits when the contribution is being made to the IRA of a nonparticipating spouse: MAGI between $189,000 and $199,000 (in 2018).

Thus, some participants in workplace plans who earn too much to deduct an IRA contribution for themselves may be able to make a deductible IRA contribution to the account of a nonparticipating spouse. You can make IRA contributions for the 2018 tax year up until April 15, 2019.

Withdrawals from tax-deferred retirement plans are taxed as ordinary income and may be subject to a 10% federal income tax penalty if withdrawn prior to age 59½, with certain exceptions as outlined by the IRS.



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Managing Money When You Marry: Financial Tips for Newlyweds

According to a survey by the American Psychological Association, 62% of Americans are stressed about money.[1]

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

Getting married is an exciting time for a couple. However, along with this excitement come many challenges. One such challenge is how to manage your finances together. The key to success is to communicate with your partner and come up with a financial plan that you both agree on, since the financial decisions you make now can have a lasting impact on your finances in the future.

Map out your financial future together

Your first step should be to discuss your common financial goals. Where do you see yourself next year? What about five years from now? Together, make a list of your short- and long-term financial goals. Short-term goals are ones that can be achieved in less than five years (e.g., saving for a down payment on a home or new car). Long-term goals usually take more than five years to achieve (e.g., paying off college loans, saving for retirement). Next, determine which financial goals are most important to both of you so together you can focus your energy on them.

Prepare a budget

A budget is an important part of managing your finances. Knowing exactly how you are spending your money each month can set you on a more clear path to pursue your financial goals. Start by listing your current monthly income. In addition to your regular salary and wages, be sure to include other types of income, such as dividends and interest. Next, add up all of your expenses. It helps to divide expenses into two categories: fixed (e.g., housing, food, transportation, student loan payments) and discretionary (e.g., entertainment, vacations). Ideally, you should be spending less than you earn. If not, you need to review your expenses and look for ways to cut down on your spending.

Consider combining bank accounts

You'll also need to decide whether you and your spouse should combine bank accounts or keep them separate. While maintaining a joint account does have its advantages (e.g., easier record keeping and lower maintenance fees), it is sometimes difficult to keep track of the flow of money when two individuals have access to a single account. Fortunately, online banking makes it easier to know exactly what is in your account at all times. If you choose to keep separate accounts, you might consider opening a joint checking account to pay for common household expenses.

Resolve outstanding credit/debt issues

Having good credit is an important part of any sound financial plan, so this would be a good time to identify any potential credit or debt problems you or your spouse may have and try to resolve them now rather than later. Order copies of your credit reports and review them together. You are entitled to a free copy of your credit report from each of the three major credit reporting agencies once every 12 months (visit annualcreditreport.com for more information). For the most part, you are not responsible for your spouse's past credit problems, but they can prevent you from getting credit together as a married couple. Even if you've always had good credit, you may be turned down for credit cards or loans that you apply for together if your spouse has a bad credit history. As a result, if one of you had credit issues, you might consider keeping your credit separate until your credit situation improves.

Evaluate your employee and retirement benefits

If you and your spouse have separate health insurance coverage through an employer, you'll want to do a cost-benefit analysis of each plan to determine whether you should keep your health coverage separate. Compare each plan's deductible, copayment, and benefits as well as the premium for one family plan against the cost of two single plans. In addition, if you and your spouse participate in an employer-sponsored retirement plan, you should be aware of each plan's investment options, matching contributions, and loan provisions. Review each plan carefully and determine which one provides the better benefits. If you can afford to, contribute the maximum amount possible to your respective plans.

Assess your life and disability insurance needs

While the need for life and disability insurance may not have seemed necessary when you were both single, as a married couple you may find that you are financially dependent on each other. Having life and disability plans in place will help ensure that your financial needs will be taken care of if either of you dies or becomes disabled. If you already have insurance, you should reevaluate the adequacy of your coverage and update your beneficiary designations.

[1] "Stress in America," American Psychological Association, 2017

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I received a large refund on my tax return this year. Should I adjust my withholding?

You must have been pleasantly surprised to find out you'd be getting a refund from the IRS — especially if it was a large sum. And while you may have considered this type of windfall a stroke of good fortune, is it really?

The IRS issued over 112 million federal income tax refunds, averaging $2,895, for tax year 2016.[1] You probably wouldn't pay someone $240 each month in order to receive $2,900 back, without interest, at the end of a year. But that's essentially what a tax refund is — a short-term loan to the government.

Because you received a large refund on your tax return this year, you may want to reevaluate your federal income tax withholding. That way you could end up taking home more of your pay and putting it to good use.

When determining the correct withholding amount, your objective is to have just enough withheld to prevent you from having to owe a large amount of money or scramble for cash at tax time next year, or from owing a penalty for having too little withheld.

It's generally a good idea to check your withholding periodically. This is particularly important when something changes in your life; for example, if you get married, divorced, or have a child; you or your spouse change jobs; or your financial situation changes significantly.

Furthermore, the implementation of the new tax law at the beginning of 2018 means your withholding could be off more than it might be in a typical year. Employers withhold taxes from paychecks based on W-4 information and IRS withholding tables. The IRS released 2018 calculation tables reflecting the new rates and rules earlier this year. Even so, the old W-4 and worksheet you previously gave to your employer reflect deductions and credits that have changed or been eliminated under the new tax law.

The IRS has revised a useful online withholding calculator that can help you determine the appropriate amount of withholding. You still need to complete and submit a new W-4 to your employer to make any adjustments. Visit irs.gov for more information.

1 Internal Revenue Service, 2018