



FINANCIAL TID-BITTS

Information to chew on...



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Hi Everyone,

Well, that went fast! It seems like I was watching fireworks yesterday and now football season is here. We've all heard the old adage that time goes faster as you get older, but that's just Fake News, right? It reminds me that putting off decisions can push them beyond the time they need to be made, quickly.

Since school has just started, I have included some information on education planning and statistics on how times have changed in the last 40 years. Please read through the articles and pass them along to anyone you know that they may apply to. If you have questions or I can help in any way, please don't hesitate to call. Thank you.

Steve

September 2017

Life Is for the Living, and So Is Life Insurance

Kickstart Your College Fund with a 529 Plan

Chart: Young Adult Milestones, 1975 vs. 2016

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Working in Retirement: What You Need to Know



years. Here are some points to consider.

Why work during retirement?

Obviously, if you work during retirement, you'll be earning money and relying less on your retirement savings, leaving more to grow for the future. You may also have access to affordable health care, as more and more employers offer this important benefit to part-time employees. But there are also non-economic reasons for working during retirement. Many retirees work for personal fulfillment, to stay mentally and physically active, to enjoy the social benefits of working, and to try their hand at something new.

What about my Social Security benefit?

Working may enable you to postpone claiming Social Security until a later date. In general, the later you begin receiving benefit payments, the greater your benefit will be. Whether delaying the start of Social Security benefits is the right decision for you depends on your personal circumstances.

One factor to consider is whether you want to continue working after you start receiving Social Security retirement benefits, because your earnings may affect the amount of your benefit payment.

If you've reached full retirement age (66 to 67, depending on when you were born), you don't need to worry about this — you can earn as much as you want without affecting your Social Security benefit. But if you haven't yet reached full retirement age, \$1 in benefits will be withheld for every \$2 you earn over the annual earnings limit (\$16,920 in 2017). A higher earnings limit applies in the year you reach full retirement age. If you earn more than this higher limit (\$44,880 in 2017), \$1 in benefits will be withheld for every \$3 you earn over that amount, until the month you reach full retirement age — then you'll get your full benefit

no matter how much you earn. Yet another special rule applies in your first year of Social Security retirement — you'll get your full benefit for any month you earn less than one-twelfth of the annual earnings limit (\$1,410 in 2017) and you don't perform substantial services in self-employment.

Not all income reduces your Social Security benefit. In general, Social Security only takes into account wages you've earned as an employee, net earnings from self-employment, and other types of work-related income such as bonuses, commissions, and fees. Pensions, annuities, IRA payments, and investment income won't reduce your benefit.

Even if some of your benefits are withheld prior to your full retirement age, you'll generally receive a higher monthly benefit starting at your full retirement age, because the Social Security Administration (SSA) will recalculate your benefit and give you credit for amounts that were withheld. If you continue to work, any new earnings may also increase your monthly benefit. The SSA reviews your earnings record every year to see if you had additional earnings that would increase your benefit.

One last important point to consider. In general, your Social Security benefit won't be subject to federal income tax if that's the only income you receive during the year. But if you work during retirement (or you receive any other taxable income or tax-exempt interest), a portion of your benefit may become taxable. IRS Publication 915 has a worksheet that can help you determine whether any part of your Social Security benefit is subject to income tax.

How will working affect my pension?

Some employers have adopted "phased retirement" programs that allow you to ease into retirement by working fewer hours, while also allowing you to receive all or part of your pension benefit. However, other employers require that you fully retire before you can receive your pension. And some plans even require that your pension benefit be suspended if you retire and then return to work for the same employer, even part-time. Check with your plan administrator.

Life Is for the Living, and So Is Life Insurance



The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Life insurance guarantees are based on the claims-paying ability and financial strength of the life insurance company issuing the policy.

Life can be busy. The requirements of work and family often leave little time to step back and think about where you've been and where you're heading. But as your responsibilities grow, so does the need to evaluate what would happen if life for you stopped. September is Life Insurance Awareness Month and a good time to reflect on how life insurance can help those you leave behind — the living.

Your spouse or life partner

A successful marriage is often predicated on sharing and providing for one another, and that includes each other's financial obligations. If you were suddenly no longer in the picture, would there be enough money to pay for your final expenses, cover debt, and buy some time to allow your significant other to adjust to a new way of life? Life insurance can provide funds to cover immediate expenses and income to help support your surviving loved one.

Your children

You've worked hard to provide for your kids, to give them the chance to realize their hopes and dreams. Your children are likely your greatest responsibility — a responsibility that doesn't end with your passing. Whether your children are in diapers or about to enter college, if something happened to you or your spouse, or both of you, would there be enough income to continue to provide financially for your children? Life insurance can help provide the resources for their continued growth and maturation.

Your home

Buying a home may be the largest single expenditure of your life. While being a homeowner is exciting, mortgage payments, often lasting 30 years, along with maintenance, utility costs, homeowners insurance, and real estate taxes can add up to a long-term financial commitment. Adequate life insurance protection can provide funds that could be used to cover these expenses, allowing your family to remain in their home.

Your business

Do you own your own business? Life insurance can fit into your business plan in many ways. It can be part of an employee benefit program, with coverage under a group plan. Life insurance purchased on the lives of certain key employees can protect your company from the loss of talented and valuable workers. And life insurance can be used to fund a buy-sell agreement.

Caring for an aging parent or loved one

Are you caring for an aging parent or loved one? Would the people who depend on you be

able to afford quality health care and a comfortable place to live without your financial support? Life insurance can become extremely important in these situations, helping to provide for these individuals in the event of your death.

Planning for retirement

Preparing for retirement probably means you're saving as much as you can in your 401(k), IRA, or other savings vehicle. If you die before you get to enjoy your retirement, will your retirement plan die for your surviving loved ones as well? Not only will your salary be unavailable to help pay for current living expenses, but your income won't be there to build the nest egg for the retirement of your spouse or life partner. Life insurance can help provide funds that can be used for your spouse's or life partner's retirement.

Your health has changed

If your health declines, how will it affect your life insurance? A common worry is that your insurer could cancel your coverage should your health change. However, changes to your health will not affect your current insurance coverage, provided you continue to pay your premiums on time. In fact, you should take a closer look at your life insurance policy to find out if it offers any accelerated (living) benefits that you can access in the event of a serious or long-term illness.

Leaving a legacy

Life insurance can be used to increase the size of an estate for your heirs. The death benefit could provide your beneficiaries with a larger legacy than might otherwise be possible. The cost of life insurance may be significantly less than the proceeds of the policy paid to your beneficiaries when you die.

Charitable giving

Donating a life insurance policy to a charity may enable you to make a larger gift than you otherwise could afford. Further, the government encourages charitable giving by providing tax advantages for certain charitable donations (the charity must be a qualified charity). This means that both you and the charity could benefit from your donation (though some charities may not accept a gift of life insurance for various reasons).

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Assets hit \$266 billion mark

As of March 2017, assets in 529 college savings plans reached \$266 billion, spread over 12.2 million accounts.

Source: Strategic Insight, 1Q 2017 529 Data Highlights

Before investing in a 529 plan, you should consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses — which contain this and other information about the investment options, underlying investments, and investment company — can be obtained by contacting your financial professional. Also consider whether your state offers a 529 plan that provides residents with favorable state tax benefits. As with other investments, there are generally fees and expenses associated with a 529 plan.

Kickstart Your College Fund with a 529 Plan

If you're looking to save money for college, one option to consider is a 529 college savings plan. Created over 20 years ago and named after the section of the tax code that governs them, 529 plans offer a unique combination of features that have made them the 401(k)s of the college savings world.

How do 529 plans work?

529 college savings plans are individual investment-type accounts specifically made for college savings. People at all income levels are eligible. Plans are offered by individual states (you can join any state's plan) but managed by financial institutions designated by each state.

To open an account, you select a plan and fill out an application, where you will name an account owner and beneficiary (there can be only one of each), choose your investment options, and set up any automatic contributions. You are then ready to go. It's common to open an account with your own state's 529 plan, but there may be reasons to consider another state's plan; for example, the reputation of the financial institution managing the plan, the plan's investment options, historical investment performance, fees, customer service, website usability, and so on.

A plan's investment options typically consist of portfolios of various mutual funds that vary from conservative to aggressive in their level of risk. Depending on the market performance of the options you've chosen, your account will either gain or lose money, and there is the risk that the investments will not perform well enough to cover college costs as anticipated.

Benefits

So why bother going to the trouble of opening a 529 account when you could choose your own mutual funds (or other investments) in a non-529 account?

Federal tax benefits: Contributions to a 529 plan accumulate tax deferred, which means no income tax is due on any capital gains or dividends earned along the way. Later, earnings are completely tax-free when a withdrawal is used to pay the beneficiary's college expenses — a benefit that could be significant depending on how your investment options perform. States generally follow this federal tax treatment and may offer an income tax deduction for contributions. That's why it's important to know what 529 tax benefits your state offers and whether those benefits are contingent on joining the in-state 529 plan.

Contributions: You can contribute a lot to a 529 plan — lifetime contribution limits are typically \$300,000 and up. Compare this to the small

\$2,000 annual limit allowed by Coverdell Education Savings Accounts. In addition, 529 plans offer a unique lump-sum gifting feature that some may find particularly compelling: Individuals can contribute a lump-sum amount of up to five years' worth of the \$14,000 annual gift tax exclusion — a total of \$70,000 in 2017 — and avoid gift tax if they make a special election on their tax return and avoid making any other gifts to that beneficiary during the five-year period. Married couples, such as grandparents who want to contribute to their grandchild's college fund, can make a joint lump-sum gift up to \$140,000 that is tax-free.

College account on autopilot: For college savers who are too busy or inexperienced to choose their own investments or change their asset allocation over time, a 529 college savings plan offers professional money management. And by having a designated account for college savings, you segregate those funds and possibly lessen the temptation to dip into them for a non-college purpose — a scenario that may be more likely if you are using a general savings account to save for college. Finally, by setting up automatic monthly contributions to your 529 account, you can put your savings effort on autopilot.

Tradeoffs

Non-college use of funds: The federal tax benefits of 529 plans can be great if you use the funds for college. If you don't, then the earnings portion of any withdrawal is subject to federal income tax at your rate *and* a 10% federal penalty.

Changing investment options: With a 529 plan, you're limited to the investment options offered by the plan. Plans generally offer a range of static and age-based portfolios with different levels of risk, fees, and investment goals. (Age-based portfolios generally have a "glide path" where the underlying investments automatically become more conservative as the beneficiary approaches college age.) If you're unhappy with the performance of the options you've chosen, under federal law you can change the investment options for your *future* contributions at any time, but you can change the options for your *existing* contributions only twice per calendar year. This rule can make it difficult to respond to changing market conditions. However, also under federal law, once every 12 months you can roll over your existing 529 plan account to a new 529 plan without having to change the beneficiary, which gives you another option if you're unhappy with your current plan's investment options or returns.

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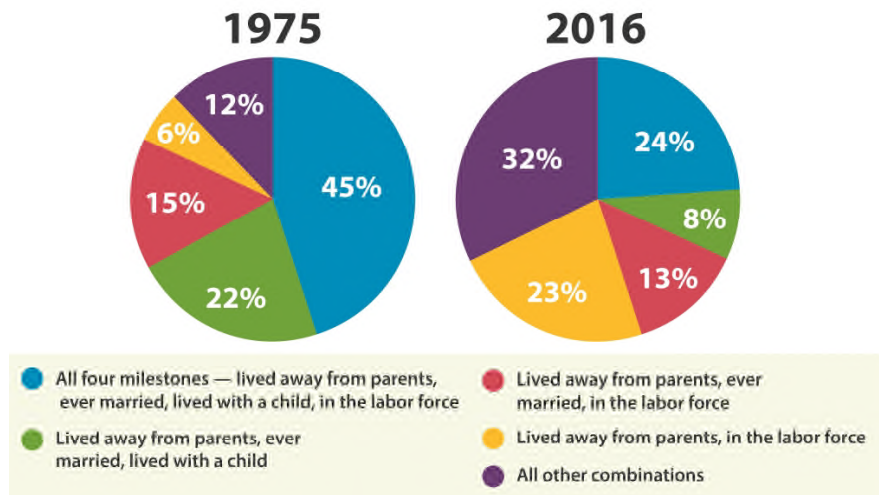
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Chart: Young Adult Milestones, 1975 vs. 2016

The following pie charts compare four common milestones of adulthood — getting married, having children, working, and living independently — achieved by young adults ages 25 to 34 in 1975 and 2016. The data indicates that the experiences of young people today are more diverse, with fewer accomplishing all four milestones in young adulthood. Instead, many young adults are delaying or forgoing some experiences (marrying and having children) in favor of others (living independently and gaining work experience).



Source: U.S. Census Bureau, "The Changing Economics and Demographics of Young Adulthood: 1975-2016," April 2017