access INSIGHTS
PLAN FOR A LIFE WELL LIVED

Winter 2019

NEW YEAR – NEW LOOK – the SAME US!

Welcome to our newly redesigned newsletter, appropriately named *Access Insights*.

We have marked our 30th year in business with a branding refresh that better reflects who we are today than who we used to be in the big hair, neon-was-hot, mullets were cool and Duran Duran rocking 80s! We've received a welcome update to our name, logo, tagline and overall look.

We have retired our two semi-annual newsletters — *The Advisor* and *Financial Advice for the Baby Boomer.* In its place is *Access Insights*, which will publish quarterly and continue to cover topics that are relevant to your financial success.

We overhauled our entire website, adding pertinent content and improving navigation. We encourage you to browse the pages and put faces to the names of team members who you may not have met. Please share our new URL with your friends and family: www.access-wealth.com.

Another positive change we've made is the introduction of a blog at access-wealth.com/blog. Here, you can find new and past articles and newsletters, as well as firm news updates.

This process of evolution has reminded us how singularly lucky we are to be surrounded by so many great relationships among our clients, employees, business associates and vendors. Our resolute commitment to you is to provide strategically smart investment services and financial planning based on *your* individual needs, wants and dreams. Our thread of steel is and has always been, taking a holistic, long-tail view to ensure you are able to plan for *your* version of a life well lived.

Thank you for being part of our journey so far. Here's to the next thirty years!

Very Truly Yours,

The Access Wealth Family

Through comprehensive financial planning and investment management, Access Wealth helps clients plan for and achieve a life well lived.

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Teach Your Children Well

By Howard Hook, CFP®, CPA

Does your teenage or college age child work part-time? If so, one of the best things you can do as parents is to encourage them to start saving money. Saving money from a job — rather than spending it — teaches discipline, responsibility, and the value of hard work. But what type of an account should you have your child invest in?

One choice, which is probably not on the minds of most young people, is a retirement account such as a Traditional IRA or Roth IRA. Granted, retirement is a long way off for your child, but the sooner they start saving for retirement, the more they will have later in life — which could allow your child to retire earlier.

The benefit of a Traditional IRA contribution is that amounts contributed are tax deductible. Earnings grow tax-deferred. When withdrawals are taken from the account, the entire account balance is subject to income tax at their tax rate in the year the money is withdrawn.

A Roth IRA is different in that an upfront tax deduction is not taken for any contribution made to the account. The earnings grow tax-deferred. Withdrawals made by the child once he or she reaches age 59½ are tax-free. This can be a big advantage if the child, when needing to take withdrawals from the account, would otherwise be in a high tax bracket.

Usually the decision to do a Roth or a Traditional IRA comes down to a trade-off between paying income taxes now vs. paying them later.

However, for anyone whose taxable income is below a certain amount ($12,000 in 2018), the Roth IRA makes more sense. This is because if they qualify, their federal tax is zero. So making a Roth contribution won't result in them paying any additional tax.

Making a Traditional IRA contribution won't result in a tax deduction. However, it will result in the individual paying income tax on any amounts withdrawn in the future. This is not the case for withdrawing funds from a Roth IRA if done after age 59½. Therefore, not choosing the Roth could be quite costly when it comes to taxes.

Here is an example:

While Joe was in college, he earned $12,000 per year and was able to save $5,000 per year in a retirement account. He had no other taxable income. He did this for four years and then stopped. Assuming the money earns 7% per year, at age 60 Joe's account balance will have earned $270,000 and will be worth approximately $290,000. If Joe saved the money in a Traditional IRA account, then all the withdrawals from the account would be subject to income tax, even though no income tax benefit was derived from his contributions into the account. If Joe had made the contributions to a Roth IRA instead, all the withdrawals from the account would be tax-free. Plus, he never would have paid any income tax on the amounts contributed since his taxable income in those years was low enough so he was not subject to income tax.

The Roth IRA continues to make sense even if your child's taxable income exceeds $12,000. This is because the next $38,000 of earned income would be taxed at approximately 11.5%. So $5,000 contributed to a Roth IRA instead of a Traditional IRA still only costs approximately $600 of Federal tax.

Once your child starts to earn substantial income, he or she will need to make some decisions about how much they can contribute and whether they should contribute to a Roth or Traditional IRA.

As for now, the choice is clear. The Roth IRA wins.

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Mistakes to Avoid in Retirement

By Darren Zagarola, CFP®, CPA, PFS

You're heading to the finish line — retirement is approaching, or maybe you've already retired.

You'll want to steer clear of mistakes that can derail your plans to live comfortably in retirement.

Here are the most common pitfalls to avoid:

1. Not having a financial plan

The biggest mistake is not having a formal plan at retirement. You should meet with a comprehensive financial planner to ensure you are making informed decisions. This plan should address your cash needs in retirement based on current or expected spending. It should address social security and pension collection strategies. This includes how you will fund any cash shortfall during the year or replace income at retirement, and how to do so in a tax-efficient manner. The plan will make sure you are considering all options, even those you might not be aware of.

Since social security benefits comprise a major revenue source for most retirees, deciding when to collect is a critical part of the overall plan. You are eligible to collect social security retirement benefits at your full retirement age, which is 66 for those born in 1954 and prior. You have the ability to collect a reduced benefit prior to this — equivalent to 6.25% per year — starting at age 62. You can also delay the collection of benefits until age 70, with the benefit increasing 8% per year from age 67 through age 70. Whether to collect early or not is not a simple decision. You need to consider your health, longevity and financial need. The break-even period is age 76 for determining whether to collect early (at age 62), and age 80 for determining whether to delay collection until age 70. An ill-informed decision at age 62 could have a significant negative long-term impact on your financial plan.

2. Underestimating expenses and the impact of inflation

Another common mistake is assuming that expenses decrease in retirement. Typically, expenses increase early in retirement as individuals enjoy their "freedom." They travel more, as they need to entertain themselves during the time they used to spend at work. Medical expenses tend to increase more as we age. Out-of-pocket costs average $5,000 per year at age 65 and increase to approximately $23,000 by age 85. This excludes the cost of long-term care and does not reflect above average prescription costs. We recommend talking to retired friends who live a similar lifestyle to see what types of additional expenses they incurred.

Inflation impact on a retiree's expenses can also be significant, as certain expenses for older persons have a higher than normal inflation rate. This includes health care and housing maintenance costs, which increase at a greater rate as you age. The average inflation rate for health care costs is 6%, which is more than double the current Consumer Price Index.

3. No long-term care plan

This does not necessarily refer to insurance, although it too can be a big part of your long-term care plan. The cost of long-term care can be one of the biggest threats to your financial independence. The estimate is that more than 70% of people over age 65 will need some sort of long-term care in the future. To see costs in your area, look at the Genworth 2018 Cost of Care Survey online. You should have a plan that states how you want to be cared for should the need arise. Remember, long-term care is custodial care — not medical care. You should address the following questions:

- Where do I want to be cared for (i.e., at home or in a facility)?
- What type of facility will it be?
- How will I pay for care?
- Who will be in-charge of my care?

A long-term care policy helps to address some of the concern about how you will pay for care, but it does not address the other questions.

4. No estate plan

An estate plan ensures your wishes are met at your incapacity or death. The plan consists of three documents:

- A *Will* states how you would like your assets to pass at your death and who will act on behalf of your estate (executor role). Remember to ensure the beneficiary designations on all life insurance policies and retirement accounts match the disposition wishes as stated in your Will.
- A *Power of Attorney* declares who can act on your behalf on financial matters if you become incapacitated. This can be as simple as writing your monthly checks, or as strategic as meeting with financial advisors.

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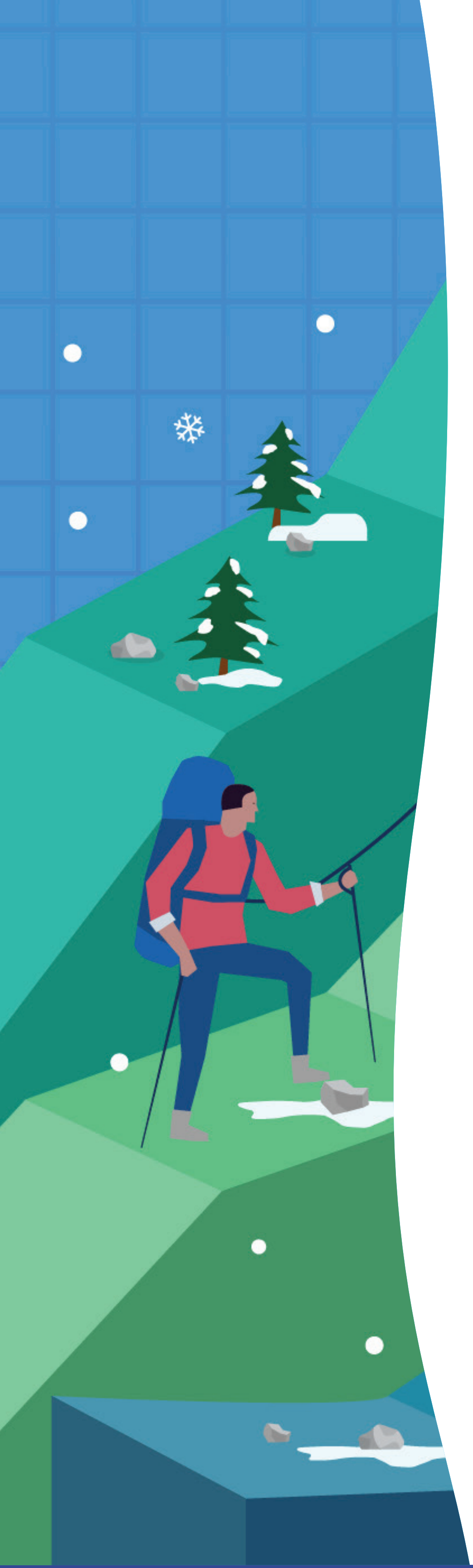

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- Your *living will* (or *Advance Medical Directive*) names the person who can speak to your medical professionals if you are unable to act on your own volition. It also states how you want to be treated in life-ending situations. Not having these documents in place can be costly to you, as well as your estate and heirs.

5. Underestimating your life expectancy

If you underestimate how long your assets will need to last, you may outlive your money. A person currently age 65 has a 25% chance of living past age 90. A couple who are age 65 have an over 50% chance of one of the spouses living past age 90. If you retire in your early 60s, you may live in retirement as many years as you were working. If you make a spending assumption in retirement that you will live to age 85, you may not have sufficient funds to meet your ongoing needs after age 85. If you underestimate your life expectancy, you might make a hasty social security decision or have an investment portfolio that is too conservative to meet your long-term needs.

6. Forgetting to take Required Minimum Distributions from qualified retirement plans

If you own an IRA, 401(k) or 403(b) you are required to start taking distributions from the account in the year you turn age 70 ½. If you forget to take the distribution, the penalty is 50% of the amount you were supposed to withdraw.

7. Single stock exposure

Overexposure to one stock — whether it was an inheritance or stock accumulated through hard work at a company — can add significant risk to your investment portfolio. Consider the latter. If you have retiree medical benefits or a company pension, you are already relying heavily on that company during your retirement years. If your investment portfolio also relies on the company's success, and something negative happens, your entire retirement plan could be impacted significantly. Also, if you are relying on your portfolio to provide for your lifetime needs, having the added risk of a concentration of any one stock could impact your retirement plan's success. To reduce volatility, it is best to have a well-diversified portfolio invested in different asset classes, consisting of both equity and fixed-income investments.

8. Not adjusting your investment approach or being too conservative (or too aggressive)

You should always update your investment portfolio to reflect where you are in life. Unfortunately, not everyone adjusts their investment approach or asset allocation as they near retirement. Since this phase of life can last 20 years or more, we do not recommend getting too conservative if you anticipate a long retirement. Despite a common emotional reaction to want to be conservative, you'll need to be invested in the equity markets to keep pace with inflation. It is also important not to react emotionally to market fluctuations. We recommend you do the following: Determine an asset allocation that you are comfortable with, provide for your cash needs for three years, and rebalance investments back to the original allocation goal on an annual basis (at least). You may want to consider a bond ladder which will provide you with cash flow for a set number of years, reducing the stress of market volatility.

9. Not updating your financial plan

Your financial plan should be viewed as a living document. It should not be written and forgotten. Life changes and so should your plan.

Avoiding these mistakes can greatly improve your chances for having a long and successful retirement.

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