



The Truth About How Your Money Really Works

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Dear Gary,

August 2017

Social Security

On August 14, 1935, Franklin D. Roosevelt signed into law the Social Security Act. In 1940 222,488 people were collecting. This represented less than 1% of the population. The average life expectancy at that time was 61 years old. Today's average life expectancy is almost 80 years old. An increase of over 30%!

In 2011 56 million people were collecting benefits. This represented about 18% of the population at that time. Today about 8,000 - 10,000 baby boomers per day are retiring and seeking their Social Security benefits.

The government reports 74% of retiring Social Security recipients receive less income than they are entitled to receive. If you are between the ages of 61 and 66 and are preparing to collect Social Security retirement benefits, make sure you explore all of your options. You may be surprised to learn that you will permanently reduce your income by collecting early, and permanently increase your income by postponing.

The Social Security office cannot give you advice as to when you should take Social Security. Knowing the right questions to ask is important so you can receive the correct and accurate information. Get with a competent Social Security advisor who understands the ins and outs of the law and can give you competent advice.

Out of the Box Thinking on a Very Popular Subject - Money

1. Fixed Annuities - Do you know the four differences in contracts? a. How many premiums you pay. The money you use

What Keeps You Up at Night?

- Money for Retirement
- Paying for College
- Family Security
- Losing your Income
- Life Events
- Leaving a Legacy
- Business Succession
- Retaining Key Employees

Let us help you with the answers.

to purchase a contract is call the "premium," and annuities can accept a single premium or a series of ongoing premiums.

b. When the company makes payments to you. Payments can start immediately or be deferred to some future date you choose.

c. How the money in the annuity earns additional interest. By declaring a interest rate in advance or by crediting interest to your policy based on the positive performance of a market-based index such as the Standard & Poor's 500 index or the Dow Jones Industrial Average.

d. Penalties associated with early withdrawals. Although you can earn interest in an annuity it is not a savings account. If you buy an annuity it should be to reach long-term financial goals. All annuities have surrender charges (also known as withdrawal charges). These charges are meant to discourage you from ending the contract early and taking out more money (withdrawals) than the contract allows.

2. Contributions limits to Health Savings Accounts are increasing for 2018.

The maximum allowable contribution for a single person is \$3,450 and a family is \$6,900. There is a catch-up provision of \$1,000 for people 55 years and older. Keep in mind, Health Savings Accounts are the only financial instrument that contain all three tax benefits. You receive a tax deduction when you deposit into the account. The money accumulates tax free while it grows, and it comes out of the account tax free for any eligible medical expense.



3. Do you own life insurance? How long will it last? Many Americans with families own no life insurance. Of those who do own it, many underestimate the amount of life insurance a family would require if one of the major earners were to pass away. Let's look at a young couple in their early 30's that recently had their second child. Dad has a good job that is paying \$80,000 per year, and Mom is a school teacher making about \$50,000. They have about \$25,000 in savings and have a comfortable life style. Dad has an unexpected accident and is tragically killed. He has a \$500,000 life insurance policy but his paycheck stops. Those proceeds will last his widow about 7 years assuming she continues to work, and there is no change in their life style. Is that enough life insurance?

4. Are you on Medicare? You will be receiving a new Medicare number and card. CMS is removing Social Security Numbers from Medicare cards to help fight identity theft and safeguard taxpayer dollars. The new card with a randomly generated number will be issued sometime in 2018. Stay tuned!

5. Inflation, Healthcare and the Affordable Care Act. The U.S. Department of Health and Human Services (HHS) says the cost for individual Health Insurance has doubled since 2013. Health care premiums in 2013 were estimated at \$2,784 per year in 2013. The rates skyrocketed to \$5,712 in 2017. Three states - Alaska, Alabama and Oklahoma - saw premiums triple during that same time period.

6. The Scammers are at it again - It is important to know the signs of a tax related scam. It appears as though scammers are getting better at their craft and have developed some in-depth tricks

designed to cheat people out of money. Don't let this happen to you. First, learn the signs of a tax-related scam then react appropriately.

Tax Scam Red Flags

- Caller demands immediate payment via a prepaid debit card or wire transfer.
- Caller says that the local authorities will be contacted (and you may be arrested) if the payment is not made.
- Caller doesn't give you the chance to question or appeal the debt owed.
- Caller asks for a credit card or debit card number over the phone.

The IRS Will Never...

- Initiate contact with you by email, text or social media channels.
- Threaten you with lawsuits, imprisonment or enforcement action.
- Call to demand immediate payment using a specific payment method.
- Demand that you pay taxes without giving you the opportunity to dispute the amount.
- Ask for credit or debit card numbers over the phone.

Source Rea & Associates - CPA Firm

7. What does your financial future look like? Are you planning your financial future by design or default? If you are not proactive, then you are designing by default. Both are plans and one, most likely, will have a far greater impact on your family's life and future income. Remember the wisdom of Warren Buffett: "Someone is sitting in the shade today because someone planted a tree a long time ago." There will come a time in your life when you will start living on what you have accumulated through planning. Planning is critical today because we are simply living longer.

8. A few words of wisdom from Warren Buffett on Investing and money.

- For some reason people take their cues from price rather than from value. Price is what you pay. Value is what you get.
- The smartest side to take in a bidding war is the losing side.
- What we learn from history is that people don't learn from history.
- Look at stock market fluctuations as your friend rather your enemy-profit from folly rather than participate in it.
- Uncertainty actually is the friend of the buyer of long-term values.
- If past history was all there was to the game, the richest people would be librarians.
- The investor of today does not profit from yesterday's growth.



9. Are mortgage rates the buy of the decade? A 30 year fixed rate remains at or below 4%. These rates are near historical lows! Remember, when you purchase a fixed rate mortgage the monthly payment is fixed for the duration of the loan regardless of economic conditions and inflation. The real loan rate of a 4% mortgage loan, if you qualify for a mortgage interest deduction and you are in the 25% federal income bracket, is just 3%. Don't overlook the value of having equity outside the house especially if an unexpected event occurs.

10. Do you know the 5 most important questions to ask before you decide to stop working and make the transition from accumulating money to living on it?

- Will my money last as long as I do?
- What are the major threats to my money and what can I do to eliminate or minimize these threats?
- What can I do to improve the efficiency of my money without incurring additional risk?
- When should I take Social Security benefits?
- What do I need to know about Medicare?

Source: First Benefits Group 2017

Sincerely,

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