



The Truth About How Your Money Really Works

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A Lesson from Loggerhead Turtles

During the summer nights Loggerhead Turtles come ashore, lay their eggs in the sand and then return to the water. This is no small feat. The adult Loggerheads weigh about 250 pounds, and navigating the sand is cumbersome. Many of the turtles travel a long distance on the sand before laying the eggs. The turtles lay about 100 eggs, and the gestation period takes about 60 days.

The Loggerhead Turtle has been on the endangered species list since 1978. The survival rate of the new eggs is not high. It has been reported that only about one egg in the nest will survive to maturity. If they survive to adulthood they are known to live in excess of fifty years.

Humans account for many of the reasons why the turtle is on the endangered list. However, steps are being taken to help with the survival of this species. Strategies and safeguards are in place on the beach. There are regular volunteer patrols that mark the sites and monitor the safety of these nests. All lounge chairs and other beach items must be cleared from the beach nightly. Outside condominium lights facing the beach must be turned off. Criminal charges can be enforced for anyone not complying with the rules and regulations.

How are we similar to the Loggerhead Turtles?

1. Every individual is unique, and every nest is important. Some may be closer to the "water" increasing their chances of surviving and thriving in retirement. Others may be farther away and need additional guidance. However, with proper education and coaching they will also make it in retirement.

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

2. It is important to make it to the water. By quantifying the perils and unexpected events that might happen, the risk of financial erosion is lessened.

3. Once in the water you must make it through retirement. Longevity is our biggest risk in retirement. It is important to develop strategies to fulfill obligations and seize opportunities when they arise.

Below are some ideas to guide you from nesting through retirement longevity with your money.

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

1. What is the most important money consideration in retirement?

You are correct if you answered Cash Flow. Many planners focus on accumulation of assets and living off income from those assets. A better approach is to initially focus on income. The first question that needs answering is "how much after tax income will I



need to support my retirement lifestyle?" After that you can plan for enhancing your lifestyle and leaving a legacy. Your planning will be easier and more successful if you follow this simple path.

2. Uncommon Income and Taxes. Most Americans don't give much thought to where they stack-up with their income and the taxes they pay compared with the rest of society. Listed are a few little known facts.

- The top 50% of wage earners pay 97% of the federal income taxes.
- You must have an Adjusted Gross Income of \$36,841 to be in the top 50% of wage earners
- You are in the top 10% of wage earnings if your income is \$127,695, and the top 5% if your income is \$179,760.
- The top 1% bracket pays 37.8% of all income taxes collected, and their income must be at least \$428,713

Source : Internal Revenue Service - Summary of Federal Income Tax Data, 2015 Update

3. There is a difference between a tax deduction and a tax postponement. A tax deduction, such as the mortgage interest deduction on your house and payments into a Health Savings Account, reduces your income and consequently the tax on that income. The tax deduction is realized in the year you file for it. A tax postponement, such as an IRA or 401K contribution, also reduces your income and your tax on that income the year you make the contribution. However, unlike a tax deduction, you still owe the tax. The postponement creates uncertainty because you won't know the tax consequences until you start taking

distributions. You could be in a higher tax bracket at distribution negating the tax benefit of postponement.

4. Six "truisms" about your house:

- Your house is not an investment, it is a lifestyle decision.
- The market determines the value of your house, and the market is always right.
- Your house will appreciate or depreciate regardless of whether it is financed 100%, or is owned free and clear.
- The equity in your house earns 0.0% interest.
- The best time to place a mortgage or equity line of credit on the house is when you don't need the money. If you do need the money the lending institution probably will not loan it to you.
- The equity in your house is not guaranteed.

5. Don't get trapped by Medicare Rules. When you turn 65 you can forgo Medicare without consequence if you are still working and covered under your employer's plan. But, once you leave the job you must enroll in Part B within 8 months after you retire. If you don't you could possibly face late entrance penalties and a gap in coverage.

6. Cobra coverage after age 65 is not a viable option for someone planning to enroll in Medicare. Cobra is not considered "creditable coverage" in retirement, and is not a valid waiver to the Medicare rule. If you are concerned about the rules check with an Advisor skilled in this area. They should be able to assist you to insure you make the right decisions.

7. Social Security - Making the most of a Survivor Benefit. A widow or widower is entitled to a survivor benefit that is equal to 100% of the deceased spouse's benefit, as long as the survivor waits until Full Retirement age to collect it. You can collect survivor benefits as early as age 60, but you will receive a reduced amount. One option is to collect a survivor benefit early and wait until Full Retirement age or longer to collect your own benefit. This may increase the amount the survivor would receive during their lifetime.

8. Why is a reverse mortgage something one should consider at retirement time?

For many it is the biggest source of potential cash flow in their golden years. Remember, equity is not money. You can't access it until you sell the house or place a mortgage on it. Reverse Mortgages provide cash flow without the burden of making monthly mortgage payments. Settlement is not required until the last borrower sells, permanently moves out, or passes away. There is no personal obligation on the loan.



9. The scammers keep on dialing for dollars! It is important to

know the IRS procedures for contacting you. Someone who says they are calling from the IRS is a scammer. Listed are the IRS methods of contact:

- They will never contact you by phone or e-mail.
- They will notify you by mail if they have an issue.
- They will never ask for financial information over the phone.
- If you are unsure whether you are talking to an IRS agent, you should get their full name and identification number, then call the IRS at 800-829-1040 and verify that the person and badge number exists.

10. Do you have an Evacuation Kit for Your Financial Records? "Do more than cross your fingers" is a motto on the American Cross Website (redcross.org). The site has a lot of information from an online tutorial to an application. You will find checklists for all sorts of unexpected events. The site shares valuable information on the financial records you should have at your fingertips.

Source: First Benefits Group 2016

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