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Getting Ready To Retire? 7 Moves NOT To Make

If you're like most soon-to-be retirees, you're looking forward to leaving the rat race and moving into a comfortable lifestyle. But the golden years can lose their luster quickly if you don't consider all of the aspects of retirement. Here are seven things NOT to do when you retire:

1. DON'T live beyond your means. If you've been operating on a monthly budget while you've been working, there's no need to abandon this practice in retirement. You might need a budget now even more than you did before. After all, you won't have the same income from wages coming in. Rather, you're likely to be living on a fixed income that you draw from your investments, retirement plans, IRAs, and Social Security benefits. Splurging on things you really can't afford could do more damage than it would have before retirement.

2. DON'T cut things too closely. When you're fine-tuning your budget in retirement, give yourself some extra breathing room for unexpected expenses, such as repairs to your home or replacement of appliances. Try to save a little each month to build up a "rainy day" fund that you could use for emergencies. At the same time, just because you're retired doesn't mean you won't want to keep up with the latest technology or fashion trends. The trick is to create a budget that is generous enough to let you enjoy your retirement without putting your future at financial risk.

3. DON'T assume that you'll stay in good health. Even if you're in the pink of health now, there are no guarantees this will continue in retirement. To hedge your bets, make sure you have insurance that's able to provide plenty of protection. That includes health insurance, disability income insurance, and life insurance coverage that will cover your potential needs. Although Medicare can cover most regular health care costs, you'll also need supplemental coverage to avoid large out-of-pocket expenses. Factor the premiums for all of your coverage into your monthly budget.

4. DON'T become a couch potato. Once you no longer have to wake up and go to work every morning, it's easy to become sedentary, especially if you're not athletically inclined. But one of the keys to staying healthy is to remain active and vibrant. Find activities that interest you, and pursue your hobbies vigorously. And be sure to socialize with friends and family regularly. Spending your days watching TV and eating potato chips likely will shorten your life span.

5. DON'T leave investments on cruise-control. Maybe you've implemented an asset allocation strategy for the remainder of your

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Last Chance To File-And-Suspend Retiree Benefits

A new law is ending a popular Social Security retirement strategy, but some couples still have a little time left to pull off the maneuver.

Under the "file-and-suspend" strategy for retirees, the higher-earning spouse applies for Social Security retirement benefits at full retirement age (FRA) – age 66 for those born between 1943 and 1954 – and then suspends the benefits until a later date, typically age 70. This entitles the higher-earning spouse to greater monthly benefits in the future. In the meantime, the lower-earning spouse can claim spousal benefits, providing a greater amount than that spouse otherwise would have received.

But the Bipartisan Budget Act, signed on November 2, 2015, closed this loophole. Effective six months after the date of enactment, the file-and-suspend strategy is no longer available. If the higher-earning spouse suspends benefits, that also will suspend spousal benefits for the lower-earning spouse.

Despite the change in the law, retirees already using this strategy are grandfathered in and can continue to use it. And if you qualify, you can get in under the wire before May 1, 2016. For example, a higher-earning spouse who turns age 66 on April 1, 2016, could apply for benefits and then suspend them, generating greater benefits for the couple.

Retirement Plan Choices For The Self-Employed

If you are self-employed, have no employees, and have not yet started a retirement plan for yourself, you have several choices.

1. Traditional or Roth IRAs. You don't have to be self-employed to set up and contribute to these IRAs. For 2016, you can put up to $5,500 into a traditional or Roth IRA if you're under age 50. Contributions to a traditional IRA may be tax-deductible, depending on your income and whether you also contribute to a plan at work, and earnings in your account grow tax-deferred. A Roth is funded with after-tax dollars but withdrawals during retirement are normally tax-free. You can't contribute to a Roth if you're single and earn more than $117,000 in 2016 or are married and earn more than $184,000. But there are no income limits on converting a traditional IRA to a Roth; you just have to pay income tax on the amount you convert.

2. Simplified Employee Pension (SEP) IRA. If you can put more than $5,500 into a retirement plan for 2016, this may be the vehicle for you. You can put up to 25% of your self-employment income, up to a maximum of $53,000 in 2016, into a SEP. Contributions are tax-deductible and earnings grow tax-deferred.

3. SOLO 401(k). With this kind of plan, you may be able to contribute more than you can put into a SEP IRA. As an employee, you're able to contribute 100% of your earnings up to a maximum of $18,000, or $24,000 if you're 50 or older. Then, as your own employer, you can add up to 25% of your earned income—your net earnings from self-employment minus one-half of your self-employment tax and the amount you already contributed to the retirement plan—up to a maximum of $53,000 for 2016.

We can help with any of these plans. ●

Show More Life With A Living Trust

In some financial circles, a revocable living trust has been touted as a staple of estate planning that can even be used to replace a legally valid will. Normally, however, a living trust is viewed as a supplement to a will, not an outright replacement. Here's how this estate-planning technique may serve you best—in life and death:

It's important to understand the basic differences between a will and a living trust. Your "last will and testament" is a legal document determining how, when, and to whom your possessions will be distributed upon your death. It doesn't have any effect until you die. However, a will normally must go through probate before distributions are made. (Property passing through joint rights of survivorship may be one exception to that rule.)

In addition, a will alone may not achieve all of your estate-planning objectives. For instance, you can't impose any conditions on gifts made through a will.

A revocable living trust also is a legally valid document, and you may be able to transfer securities, real estate, or other property to the trust, and you can give the trustee power to manage it on behalf of the designated beneficiaries. Typically, you might name yourself as both the trustee and the initial beneficiary of the trust. At the same time, you can designate other family members—say, your spouse, your children, or both—as secondary beneficiaries entitled to receive remaining assets in the trust when it terminates.

With a living trust, you'll retain a high level of control while you're alive. For instance, you may be able to sell trust assets and keep the cash, amend the terms of the trust (for example, by changing secondary beneficiaries), or revoke it entirely. Unlike a will, a living trust allows you to place restrictions on gifts to

Balancing The Three Big Saving Priorities

Going back to ancient times, elders preached about the wisdom of saving money. In the modern era, three primary saving objectives have emerged for most people: (1) saving for retirement; (2) saving for your children's college educations; and (3) saving for emergencies. This "big three" hasn't changed much over the past century.

But plenty of things have shifted. Few companies still provide the sort of pension plan that can ensure a comfortable retirement without eroding your current salary. The cost of higher education continues to skyrocket. And with numerous other competing interests, not to mention other rising costs, it's getting harder and harder to set aside money for a rainy day.

Nevertheless, it's important to plan ahead. That usually means setting priorities for your various saving goals and remaining committed to your plan. It also requires finding the proper balance without focusing on one objective to the exclusion of the others. Keeping that in mind, here are some practical suggestions for addressing the "big three":

1. Retirement planning: This is generally the top priority because it encompasses the most people – including those with or without children – and it is critical for virtually everyone. Just think that you're likely to live about one-quarter to one-third of your life in retirement on a fixed income. With the latest medical advances, early retirees might even live close to half of their lives in retirement!

Typically, savings will come from a variety of sources, including tax-qualified retirement plans, taxable investments, and Social Security benefits. When possible, take advantage of employer-provided plans, like a 401(k) plan or pension plan, and IRAs. For 2015, you can defer up to $18,000 of salary to a 401(k) or $24,000 if you're age 50 or over and you may benefit from matching contributions from your employer. The limit for IRA contributions in 2015 is $5,500 or $6,500 if you're age 50 or over. With a Roth IRA, future payouts are generally tax-free.

Finally, the Social Security Administration (SSA) can project your future Social Security benefits based on your earnings history. But those benefits alone probably won't be enough to support you in retirement.

2. College planning: While retirement planning is essential, saving for college might appear even more crucial if your children are approaching the age at which they'll head off to school. Yet despite the timing – your kids' college years usually precede your retirement – don't forget that it's much easier to save while you're still in your prime earning years. Furthermore, there are a number of ways to boost your college savings funds.

One key vehicle is the Section 529 plan. Under these state-run plans, you can set aside money in an account where it's invested on a tax-deferred basis. When you withdraw funds to pay for qualified higher education expenses, the distributions are exempt from current tax. Although the details vary from state to state, the limits for contributions are generous, usually well into six figures.

Other techniques may be used alongside or even in lieu of a Section 529 plan. Those might include custodial accounts, Coverdell Education Savings Accounts (CESAs), loans, scholarships, and various types of trusts.

3. Emergency planning: This is generally the most difficult goal to achieve because, on its face, it doesn't appear as vital as the other two. Yet you should recognize the need to have cash reserves you can draw on in the event of an unexpected event such as a catastrophic medical condition or a job loss. This rainy day fund can help sustain your family in times of need. No one can foresee the future, so you need to plan for the worst and hope for the best.

The conventional thinking is to set aside enough to get you through about six months of hard times, but the exact amount will differ, depending on your personal circumstances and your ability to save. Don't try to do it all in one fell swoop. Instead, as part of a monthly budget, try to deposit a regular amount in a separate fund and add in any windfalls, such as an inheritance or an unexpected insurance check that may come your way.

Reminder: There's no need to sacrifice any one of these three goals. They are all important to your financial being, but there are times when you likely will prioritize one over the other. Strike the balance needed for your situation. ●

beneficiaries. The trust becomes irrevocable when you die.

The main advantage living trusts have over wills is that the property transferred to the trust doesn't have to go through probate. Depending on the state in which you live, probate can be time-consuming. In addition, unlike a will, a living trust isn't available to public inspection, ensuring complete privacy with respect to the assets it holds and distributes.

But don't assume that a living trust is a panacea. It will require some time and work on your part to make all of the necessary arrangements. Also, if you devise a "pour-over will" to catch assets not in the living trust, the will must be probated anyway. Finally, despite some claims to the contrary, there are no estate-tax benefits for property transferred to a living trust.

Clearly, a living trust may provide valuable benefits, but it usually works best hand in hand with your will. We can help you work with your attorneys to find a solution that works for you. ●

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7 Retirement Moves NOT To Make

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working years and transitioning into retirement. If the plan was designed properly, it should be suitable for your situation and reflect your personal tolerance for risk. However, your situation and your preferences are likely to evolve, requiring an update. That's why it's important to revisit your portfolio holdings and strategies on a regular basis.

6. DON'T forget about taxes. When you're counting on your income to sustain you through retirement, keep in mind how much of your projected earnings will be eroded by taxes. For example, if you sell securities to raise cash, your capital gains will be taxable, although you may benefit from a preferential tax rate of 15% on net long-term gains (20% if you're in the top regular income tax bracket). Most distributions from retirement plans are taxable as ordinary income and even Social Security benefits are subject to taxation. However, qualified distributions from a Roth IRA at least five years old are completely tax-free.

7. DON'T stop saving for retirement. Just because you're retiring doesn't mean that you should stop saving for retirement. In fact, with life expectancies continuing to expand, the opposite is true. You can continue to take advantage of tax-favored savings vehicles, including employer-sponsored retirement plans and IRAs if you work at least part-time. For instance, if you quit your main job but work as a freelance consultant, you could set up a Simplified Employee Pension (SEP) or another plan for your self-employed business. Note that plans such as 401(k)s and SEPs allow older workers to add "catch-up contributions" on top of the usual limits.

It takes a long time to build up sufficient savings for retirement but this can be undone quickly through a few costly missteps. DON'T make these mistakes. ●

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