

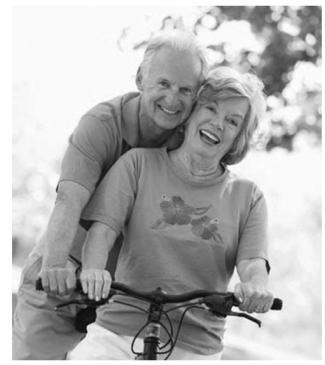


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# Protecting A Lifetime Of Memories

Where Your Retirement Dreams Become Reality...



OCTOBER 2016

## What Are RMD's and How Do They Affect Me?

RMD's are an abbreviation that stands for 'required minimum distributions'. RMDs are the method used by the government to make sure they receive the taxes that you deferred while you were accumulating money for retirement. Simply put, RMDs are the amount of income you have to withdraw from your qualified plans each year to avoid suffering a penalty. RMD's are based upon your life expectancy which is pulled from a chart put out by the IRS called the Uniform lifetime Table.

### How does it work?

Once you turn 70 1/2 they require you to take a percentage out of your total qualified (401k, 403b, IRA etc...) money as income. That percentage changes each year based on the previously mentioned table. Note, because Roth is tax-free income it is exempt from RMDs. It is also important to remember, that while the amount is determined by the balances of all your accounts, you can choose to take the amount from any single or combination of those accounts.

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## How To Secure An Income, That Lasts A Lifetime!

During a recent conversation with a family member we briefly discussed their retirement income and they made the following comment; "As long as we earn an average 8 to 9% return, our money will last forever." It reminded me that many retired people are counting on their stockbroker to outperform the stock market during their 20 or more years of retirement. And, maybe they will! But, even if their broker is able to outperform the stock market, they still run the real risk of running out of money.

Let me explain. Over the years, I've had too many retired couples come to me, asking for help, because they were running out of money. Example: One couple retired in 1992 with a little over one million dollars. They were taking \$70,000 per year to live on, and when I met them in 2003 they had less than \$176,000. They were running out of money and didn't know what they were going to do. Their broker had assured them they would average an 8 to 9% return on their investments... and they had! The problem is that although they had averaged the 8 to 9% return, they didn't get that return each and every year. There were years where they made less than 8 to 9%, and years where they lost money. And, each of those years they still withdrew the \$70,000 of income they needed to maintain their current life style. When you take an income in years with low returns or losses, you are often forced to dig into your principal, and you are compounding your investment losses.

Plus, each year they were paying management fees to their broker, whether investments made money or not. Consider, if you average 8 to 9%, and you pay a 2% management fee, then isn't your net average return only 6 to 7% per year?

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## Interesting Facts:

-The letter from Johnny Cash to June Carter in 1994 was voted the greatest love letter of all time. (They were married from 1968 to 2003 when June passed away).

-Bears can lose from 25-40% of their body weight during hibernation.

-When Queen Elizabeth visited the Game of Thrones set, she couldn't sit on the 'Iron Throne' due to a law forbidding her to sit on a foreign throne.

-If you could drive straight up, Outer space is only about an hour away.

## Tired Of Losing Money?

Now you can get stock market type returns without the stock market risks.

Plus, it offers tax deferred interest and tax free income at retirement.

Call Our Office Today for More Information!

*Are you unnecessarily paying income taxes on your social security call now for your **FREE** report*

**"How to Stop the Taxation of Your Social Security Income"**

*Call now while supplies last.*

**Failure will never  
overtake me if my  
determination to  
succeed is strong  
enough.**

**-Og Mandino**

## Halloween Safety Tips...

### Costume Tips:

-When selecting a costume, make sure it is the right size to prevent trips and falls.

-Be wary of accessories as they may be encumbering, or a trip hazard.

-Decorate costumes or bags with reflective tape or stickers and, if possible, choose light colors.

### On The Trail Tips:

-Have kids carry glow sticks or flashlights to help them see and be seen by drivers.

-Children under 12 should trick-or-treat and cross streets with an adult. Cross the street at corners, using traffic signals and crosswalks.

-Teach children to make eye contact with drivers before crossing in front of them.

-Always walk on sidewalks or paths. If there are no sidewalks, walk facing traffic as far to the left as possible.

-Make sure your children know to never enter a car or home for a treat.

-Establish a time for them to be home and/or have them carry a cell phone for quick communication.

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### Do RMDs affect Social Security?

Yes and no. It does not affect your benefit directly but it does affect how much of your social security is taxed. RMDs are treated as normal income in relation to the taxation of your social security. If you are low income, the RMDs can push you up over the income threshold and make up to 85% of your social security taxable.

### What happens if you fail to take your RMD?

Harsh penalties! If you fail to take the RMD by Dec 31st of the year you turn 70 1/2 (and years thereafter) the IRS can assess a stiff **50% penalty** on the amount you should have withdrawn. It is possible to get this penalty waived if you can prove to the IRS that the shortfall in your distribution was due to "reasonable error" and that you are taking steps to fix it.

### Are there ways around RMDs?

Unfortunately no, if you have qualified funds, there is no way around them; you will have to take RMDs once you turn 70 1/2. However, there are numerous strategies out there to reduce the impact of them. Especially if you have a combination of qualified and nonqualified funds!

If you would like help calculating your RMD. Determining which accounts are the best to withdraw from. Or, if you would like other tax saving ideas, then please give me a call.

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## How To Secure An Income, That Lasts A Lifetime!

The final straw for them was when the stock market took the downturn in 2000 to 2003 and they lost over 40% of their remaining money. Because they had no way to recoup their losses and needed the income, they were forced into taking out a reverse mortgage on their home, significantly cutting back on their life style and looking to their children for help. This is much too common a story.

### What's The Best Way To Make Your Money Last?

There is no single investment, or income generation strategy that will work in every situation! Everyone's situation is different. However, income laddering with a portion of your money, using annuities, may provide the potential for a longer sustainable income, with much less risk to your investments and no fees. There is also the new breed of annuities that can provide the upside potential of the stock market, without the catastrophic downside market risks.

There is much to consider in your retirement years and many questions that need answers. One of the most important questions for you is:

**"What's more important, your investment returns,  
or the amount of income you get to spend?"**