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# Protecting A Lifetime Of Memories

Where Your Retirement Dreams Become Reality...



MAY 2019

## Behind in Savings? What Are You Going To Do About It?

Did you know that 50% of the 78 million Baby Boomers admit being behind in saving for retirement? Worse than that, there are millions of others who don't even know where they stand. So if you've procrastinated, you are not alone! There is hope! You can catch up! But you must take action now! Here are some tips for catching up, even if you are off to a late start.

1. **"It All Starts With A Plan... It Wasn't Raining When Noah Built that Ark!"** Unless you have figured out how much you'll need to save for retirement, your retirement plans are based on wishful thinking. Creating a Financial Plan or Road Map is the best way to succeed. Call your trusted advisor for help now.
2. **Maximize Retirement Plan Contributions:** A recent study showed Americans contributed an average 6.8% to their 401(k) plan – far less than the maximum allowed by law for most workers. Maximize the value of tax deferral and maximize the value of employer matching contributions by maxing out your 401(k) every year. The same holds true for 457s, 403(b)s, SEP and other retirement plans. It is a no-brainer for anybody saving for retirement – maximize tax deferred contributions.

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## Saving For College

As an advisor, one of the concerns I help people with is college planning. Seeing your children, grandchildren, nieces, nephews or someone else you care about graduate college is an accomplishment we all want for our loved ones. Unfortunately, the cost of a college education is astronomically high and is rising each year. Additionally, financial aid is becoming harder and harder to receive. Thus, it is becoming critical to start saving in advance to avoid the Student Loan horrors we hear about. However, most people don't know how or where to save that is best for them. The most popular option is the 529 plan.

### Setting Up a 529 Plan:

There are two main types of 529 Plans: a Prepaid Tuition Plan (PTP) and a College Savings Plan (CSP). In either case, it is extremely important to realize every state has their own rules and structures of a given plan, and you are not restricted to only using your state's plan. A PTP allows you to pre-pay all or a portion of the costs of an In-state public institution. Though, depending on the state you are usually allowed to convert these funds for use at a private or out of state college. A CSP is more like an investment account with tax advantages. It allows you to put money away into an investment account managed by the state that grows without you having to pay taxes on the growth.

### Benefits of a 529 Plan:

- Tax advantages: All funds inside a 529 grow tax-free and will not be taxed upon withdrawal, as long as they are used for a qualified education expense.
- Flexibility: While most plans require a minimum initial contribution, once it is set up you are usually free to choose how and when to pay or to stop payments.
- Eligibility: anyone can set up a 529 plan; you do not have to be related to the beneficiary and there are no income restrictions. The only requirement is both the beneficiary and the owner need a Social Security Number or Tax ID, and the owner must be over 18.

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## Interesting Facts:

-No piece of normal-size paper can be folded in half more than 7 times.

-Every human spent about half an hour as a single cell.

-We, as humans, forget 90% of our dreams

-During thinking, we use only about 35% of our brains.

-Approximately two-thirds of people tip their head to the right when they kiss.

-The city of Portland in Oregon was named after a coin toss in 1844. Heads for Portland and tails for Boston.

## Tired Of Losing Money?

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*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.*

"I can't change the direction of the wind, but I can adjust my sails to always reach my destination."

**-Jimmy Dean**

## **May is Mental Health Awareness Month**

And is a time for people to learn more about mental health conditions and seek out help for them.

According to the National Institute of Mental Health, mental health concerns affect 1 in 5 Americans today, but fewer than 25 percent of people with a diagnosable mental disorder seek treatment. Worldwide, depression is the leading cause of disability. Mental Health Awareness Month hopes to help increase the number of people who will talk to their doctor or a mental health professional about their concern.

Mental illness is a real and treatable set of conditions that includes major depression, bipolar disorder, panic attacks, generalized anxiety disorder, attention deficit hyperactivity disorder, and schizophrenia, among dozens of others. These disorders are serious enough to significantly impact a person's daily life functioning, whether at school, work or in their relationships with others.

The good news is that mental illness can be successfully treated in most people who seek out treatment.

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## **Behind in Savings? What Are You Going To Do About It?**

- 3. Catch-Up Contributions:** Uncle Sam encourages workers age 50 and older to save more than younger employees by offering catch-up contributions for retirement plans. This can be a big incentive for late savers to get back on track. Consult your accountant or IRS documents for the exact rules and this year's contribution limits as they change frequently.
- 4. Scale Down:** Most people plan to reduce their expenses in retirement and live a simpler life. Here's an idea – try scaling down and get used to living on less right now. If that's impossible, then at least don't increase your expenses when you get a raise – instead, store the money away for retirement.
- 5. Plan to Work During Your Early Retirement:** It is nice to have the extra income from working part time or intermittently in the early years of retirement. Working is also good for you. People who work part time stay mentally alert and challenged and are better able to maintain a healthy social structure.
- 6. As a Last Resort Postpone Retirement:** The longer you work, the fewer years in retirement you must finance from savings. Not only does this lower the savings required, but it gives more years to continue growing your savings while having your employer cover medical insurance and other expenses. This can dramatically close the retirement savings gap.

The choices you make today profoundly impact your tomorrows. If you can't seem to get control of all the pieces that will add up to a successful retirement, turn to professionals for advice. Just as some dieters do better in a diet program than on their own, most people do better when they have a professional guiding them.

## **Saving For College**

### **Drawbacks of 529 Plans:**

- You need to be careful about disbursing funds as they are a 'gift', and you could be subjecting yourself to the Federal Gift Tax.
- There can only be 1 beneficiary per account. You are allowed to change this with no tax consequences so long as the new beneficiary is a member of the same family but there are restrictions on how often this can be done.
- 529 Plans are considered before applying financial aid. This will lower eligibility and funds received, increasing your total college costs.
- Double Fees. The State charges you a fee to manage the account, and then you are charged fees again inside the mutual funds they use. This can seriously erode your earnings.
- All the funds are put into mutual funds. Meaning all of your money is subject to market risk. There aren't any conservative options.
- Penalties. If the funds are not used for a qualifying expense you have to pay both the taxes on the gains, and a 10% penalty.

### **Summary:**

While a 529 plan does have its benefits, there are some serious drawbacks to using them. Luckily, there are other options out there that offer the same tax advantages, plus other benefits without the drawbacks of a 529 plan. For more information on other ways to save for college without hurting your chances for financial aid, give us a call today.