



Taylor Financial Group's Monthly Planning Letter



IRA Checklist Month

September is IRA Checklist Month at Taylor Financial Group

When was the last time you reviewed your retirement plan? Have you made your 2017 IRA contribution? Are you on track to maximize your employer-sponsored retirement plan contributions? Are your beneficiaries up-to-date? As summer has officially drawn to a close, what better time to refocus and review your retirement plan? We have prepared this short newsletter to provide you with tips and actionable items to help review your retirement plans and ensure you are on track to your financial goals.

We hope that all of our friends and clients find this Monthly Planning Letter informative and helpful. Should you have any questions, please do not hesitate to contact our office.

Debbie

Monthly Planning

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Have you made your 2017 IRA Contribution yet?

For 2017, you can contribute the greater of \$5,500 or your earned income to an IRA. If you are age 50 or older, you can make a "catch-up" contribution of an additional \$1,000 making your total contribution limit the greater of \$6,500 or your earned income. If you have not yet made your 2017 IRA contribution, please do not hesitate to contact our office to make your contribution or set up automatic monthly contributions from your bank account!

Are you on track to maximize your Retirement Plan Contribution?

For 2017, you can contribute up to \$18,000 to your employer-sponsored retirement plan (401(k), 403(b), and most 457 plans). If you are age 50 or older, you can make a "catch-up" contribution of an additional \$6,000 making your total contribution limit \$24,000. You should contact your Human Resources department to ensure that you are on track to maximize your retirement plan contribution for 2017! And, at the very least, contribute enough money to obtain the employer "match," which is like doubling your money overnight!

Do you have an old 401(k) with a former employer?

Keeping tabs on multiple investment accounts can be a hassle. We recommend contacting us if you have 401(k)'s or other retirement accounts with a former employer as these accounts can potentially be consolidated into one rollover IRA.

When consolidating your retirement accounts, you may consider "rolling over" all old 401(k)'s and smaller IRA's into one IRA. After requesting a roll over, some plans will mail you a check payable to the new firm and you'll have to deposit it yourself. Be careful though, if done incorrectly this could make you liable for income taxes and a penalty, if under age 59 ½. We generally recommend a "trustee-to-trustee transfer" and would be happy to assist you with any forms.

When reviewing a roll over, be sure to pay particular attention to your "after-tax contributions" to the plan. If you have funds in your 401(k) Plan that are considered "after-tax contributions," recent IRS guidance has been issued clarifying that rather than just being cashed out, these "after-tax contributions" can be transferred to a Roth IRA!

If you have any questions, or have an old 401(k) or IRA that you would like to consolidate with your current investment accounts, please do not hesitate to give our office a call to explore your options!*

When was the last time you reviewed your Retirement Plan beneficiaries for your IRA's, 401(k)'s and other retirement plans?

It is important to select the individuals who will receive your retirement account and insurance benefits in the event of your death. This person is called your beneficiary. A beneficiary designation that has not been updated or changed can spoil any estate planning you may have done, and can even create a situation where your final wishes are not followed. We recommend that you review your beneficiaries annually to ensure your wishes are clearly outlined for your retirement, annuity and insurance accounts and are coordinated with the other estate planning documents you have put in place. And remember, your beneficiary designations supersede your Will. In other words, one has nothing to do with the other.

In addition, we recommend that clients add contingent beneficiaries on their account. The contingent beneficiaries would receive the benefits if your primary beneficiary is not alive to claim the assets or chooses to disclaim the assets.

If you are unsure who your current beneficiaries are on your accounts, or wish to add or make changes to your beneficiaries, please do not hesitate to contact us.

Considering whether to maximize your IRA or 401(k)? Considering whether or not to rollover your old 401(k) in to your IRA? Here are a few things you can do with an IRA that you can't do with assets in a 401(k) that you should consider.

Make a Qualified Charitable Distribution- Have you reached the age (70 ½) where you have to take your Required Minimum Distribution (RMD)? If you do not need those distributions to support your standard of living, and want to avoid the taxation of those distributions, you can make a Qualified Charitable Distribution of up to \$100,000 directly to a charity. You won't get a charitable deduction for your income tax return, but that \$100,000 will not be added to your taxable income for the year. This Qualified Charitable Distribution can be used to offset all, or a part of, your annual Required Minimum Distribution.

Take Penalty Free Withdrawals for Higher Education Expenses- In general, distribution taken from a retirement account prior to age 59 ½ are subject to a 10% penalty, in addition to ordinary income tax. While the tax law does provide for certain exceptions to this rule, one such exception is available if you use your IRA to pay for higher education expenses for yourself or certain family members, such as your children.

Take a Distribution Whenever you Want- Distributions should only be taken for retirement, but emergencies do happen. Funds in an IRA can be accessed at anytime (of course subject to income taxation and applicable penalties prior to age 59 ½) whereas there are limitations on distributions from qualified retirement plans such as a 401(k). Generally, distributions from a 401(k) can only occur upon the death, retirement, or separation of service of a participant with few exceptions.

Aggregate RMD's Across Multiple Accounts- It is not uncommon to have multiple IRA's and 401(k)'s that have been accumulated by workers over the course of their careers. For retirees taking Required Minimum Distributions (those age 70 ½ or older) the total value of IRA's can be aggregated and a distribution taken from only one account to satisfy your total RMD requirement. However, if you have 401(k) accounts you must take a distribution from each and every 401(k) plan to satisfy that account's distribution requirement.

Elect to not have a Withholding- Paying taxes is not an option, however perhaps you have several deductions or credits that lower your overall tax bill. When taking a distribution from an IRA you can elect not to have taxes withheld if you think you will have a low tax bill for the year. However, distributions from a 401(k) are subject to a mandatory minimum 20% tax withholding. Therefore, if you don't expect to owe taxes on a distribution from a 401(k), a mandatory tax withholding of 20% will apply and you won't get those funds back until after you file your tax return and receive your refund.

IRA's and 401(k)'s are both wonderful tax-deferred (or potentially tax-free if a Roth) retirement savings vehicles. However, they are different and for some individuals an IRA may provide greater flexibility than a 401(k). Investors should consider their individual needs when deciding on the use of an IRA or 401(k) or when considering a rollover.

Have you considered a Roth IRA Conversion?

We have discussed Roth IRA conversions in this newsletter as a great long-term tax and estate-planning tool. Unlike Traditional IRA's, withdrawals from a Roth IRA are often tax free, and there are no Required Minimum Distributions for account holders. A Roth IRA can allow account holders to potentially benefit from not only tax-free growth, but allow them to pass assets to their heirs free of future income taxation! If you have any questions about Roth IRA's, or would like to consider a potential Roth Conversion, please do not hesitate to contact our office.

Withdrawals from a Roth IRA may be tax free, as long as they are "qualified distributions" which means that they must be withdrawn after age 59 ½, unless an exception applies (such as disability, hardship, a death, or in some cases a first time home purchase). For example, \$500,000 held in a Roth IRA that achieves a 6% growth rate* may be worth more than \$1,600,000 in twenty years. And those funds can be withdrawn tax-free!

*This is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.

Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional to a Roth IRA. The converted amount is generally subject to income taxation. Investors should consult with their accountant or tax professional to determine how a Roth Conversion may affect their tax situation. Limitations and restrictions may apply to Roth Conversions. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

Have you thought about how much money you will need to support your standard of living in retirement?

A 2017 US News Report showed that only approximately 40% of Americans have calculated how much money they need to save for retirement, yet the average American spends more than 20 years in retirement! Here are five quick tips to better retirement planning.

- 1) **Start saving, keep saving, and stick to your goals!** Remember it is never too soon, and never too late, to start saving for retirement.
- 2) **Contribute to your employer's retirement plan.** If your employer offers a retirement plan, contribute early and contribute as much as you can. Not only can you lower your tax bill by doing so, but your employer may offer matching contributions.
- 3) **Make IRA contributions.** Even if you are maxing out your retirement plan contributions, you are still eligible to make a non-deductible contribution to an Individual Retirement Account (IRA) and reap the benefits of tax-deferred savings for retirement.
- 4) **Find out about your Social Security Benefits.** You may be able to estimate your Social Security Benefits by visiting socialsecurity.gov. Your Social Security Benefits, and proper timing of the withdrawal of these benefits, are an integral piece of every retirement plan. There are over 8,000 combinations of ways to collect Social Security and we have the industry's most robust software for helping clients analyze their options and attempt to maximize their lifetime benefits. Please do not hesitate to contact our office if you would like to review your options for collecting Social Security benefits.
- 5) **Create a financial plan.** Prepare a budget and know how much money you will need to live comfortably in retirement. We discuss our financial planning process, WealthMatch™ in more detail on the next page. Please do not hesitate to contact our office should you be interested in reviewing your retirement planning goals and prepare a full financial plan.

Have you heard about WealthMatch™?

WealthMatch is our custom financial planning and modeling software that we use to help our clients make informed financial decisions and plan for their financial future. Whether you want to understand if your current savings may be able to support your standard of living in retirement, how decisions on collecting Social Security or a pension will effect your retirement, how annual gifting to your children or grandchildren will effect your retirement, or even how the purchase of a vacation home or a downsize will effect your financial future, we can help! Below is a hypothetical example of how WealthMatch's Decision Center can help model how a client downsizing their home in 2020 can potentially, assuming a 6% rate of return, increase their estate by over \$1 million over the next 25 years!

In this hypothetical example, the blue bars represent the client's portfolio assets in the base case and the green bars represent the potential effect on portfolio assets after a downsize. With WealthMatch, the modeling capabilities are endless. We are already using WealthMatch for many families who have found the experience to help build confidence when making important financial decisions such as gifting to their grandchildren's 529 Plans, buying a vacation home in Florida, and even making the decision to retire ahead of schedule. Please do not hesitate to contact our office today to review how WealthMatch can help you to make more informed financial decisions and provide confidence that you are on track in working towards pursuing financial freedom.

DECISIONCENTER

[Go to Presentation](#)

Selected Plan
Base Facts ▾

TECHNIQUES

[Modify](#)

☐ Wife Stops working in 2015

☒ Downsize- Sell Home

☒ Downsize- Replace Home

☒ Downsize- Reduce Living Expenses by \$1...

☐ Husband gets part time job

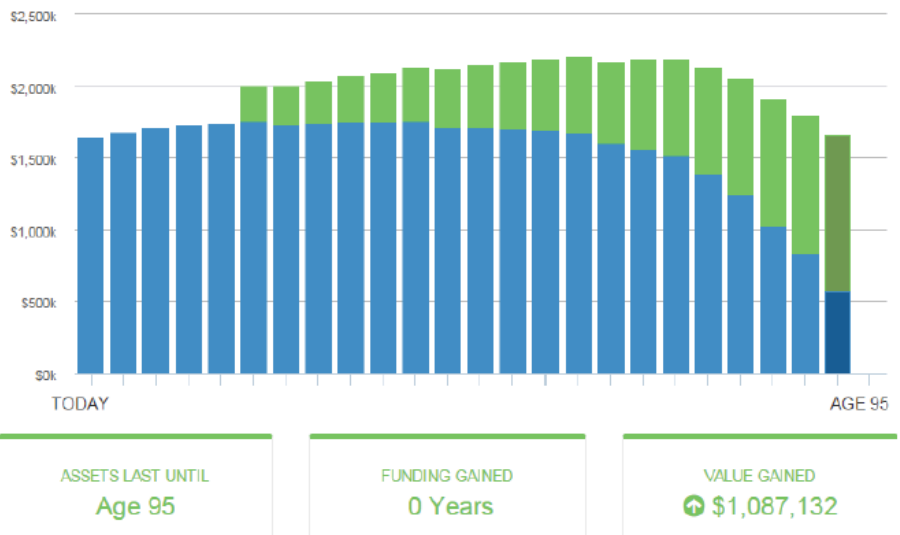
All On - All Off

ADVANCED TECHNIQUES

[Advanced](#)

No techniques added

Selected Report
Lifetime Cash Flow ▾

[View in Present Value](#)


The chart is for a hypothetical example and is for illustrative purposes only. Your results will vary. The hypothetical rates of return are not indicative of any particular investment and do not reflect the fees and expenses that are inherent with investing, your results will vary. Hypothetical variable include estimated values of reducing living expenses, withdrawal rates, and cash flow.

Have you fulfilled your Required Minimum Distribution (RMD)?

Your Required Minimum Distribution (RMD) is the minimum amount you must withdraw from your account each year. You generally have to start taking withdrawals from your IRA, SEP IRA, SIMPLE IRA, or retirement plan account when you reach age 70½. If you do not take your RMD by the required deadline, the penalty is 50% of the amount that you were supposed to take! So do not forget this important requirement.

- Roth IRAs do not require withdrawals until after the death of the owner.
- You can withdraw more than the minimum required amount.
- If you have inherited an IRA from somebody else, depending on their age and your relationship to them, you may be required to continue taking their Required Minimum Distribution.
- Your withdrawals will be included in your taxable income except for any part that was taxed before (your basis) or that can be received tax-free (such as qualified distributions from designated Roth accounts).

The amount of your Required Minimum Distribution is calculated by dividing the value of your IRA's and other tax deferred retirement accounts (as of last year end) by a factor published by the IRS (as outlined in the chart below). For example, if you are 74 years old and your IRA was valued at \$100,000.00 on December 31, 2016, your Required Minimum Distribution for 2017 will be \$4,201.68. This is calculated by dividing \$100,000.00 (the year end balance of the account) by 23.8 (the factor for a 74 year old, per the chart below).

RMD Table

Age	Factor	Age	Factor	Age	Factor	Age	Factor	Age	Factor
70	27.4	80	18.7	90	11.4	100	6.3	110	3.1
71	26.5	81	17.9	91	10.8	101	5.9	111	2.9
72	25.6	82	17.1	92	10.2	102	5.5	112	2.6
73	24.7	83	16.3	93	9.6	103	5.2	113	2.4
74	23.8	84	15.5	94	9.1	104	4.9	114	2.1
75	22.9	85	14.8	95	8.6	105	4.5	115+	1.9
76	22.0	86	14.1	96	8.1	106	4.2		
77	21.2	87	13.4	97	7.6	107	3.9		
78	20.3	88	12.7	98	7.1	108	3.7		
79	19.5	89	12.0	99	6.7	109	3.4		

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You should consult a tax advisor or accountant to understand how this information may affect your tax situation. We suggest that you discuss your specific tax issues with a qualified advisor.

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MONTHLY EXPENSES: What goes out.

Taxes (Variable with Income):	
Federal	\$
State	\$
Local	\$
TOTAL TAXES	\$0.00
Household (Essential):	
Mortgage/Rent	\$
Property Taxes	\$
Maintenance	\$
Home/Renter's Insurance	\$
Electricity	\$
Oil/Gas	\$
Water/Garbage/Sewer	\$
Telephone/Cell Phone	\$
Cable/Internet	\$
Credit Card Payments	\$
Other Debt (Student Loans, etc.)	\$
Other	\$
Total	\$0.00
Automobile & Transportation (Essential):	
Car Payment	\$
Maintenance/Repairs	\$
Gasoline	\$
License/Registration	\$
Insurance	\$
Other	\$
Total	\$0.00
Living Expenses (Essential):	
Food	\$
Clothing	\$
Beauty/Barber	\$
Other	\$
Total	\$0.00

Medical/Health (Essential):	
Health Insurance	\$
Life Insurance	\$
Long-Term Care Insurance	\$
Disability Insurance	\$
Dental Expenses	\$
Other	\$
Total	\$0.00
Family Care (Essential):	
Parent/Child Care	\$
Education	\$
Clothing	\$
Other	\$
Total	\$0.00
TOTAL ESSENTIAL	\$0.00
Discretionary:	
Entertainment	\$
Dining Out	\$
Hobbies	\$
Publications	\$
Education	\$
Traveling/Vacations	\$
Charitable Donations	\$
Gifts	\$
Professional/Social Dues	\$
Gym Membership	\$
Other	\$
TOTAL DISCRETIONARY	\$0.00
TOTAL MONTHLY EXPENSES	\$0.00

Total Monthly Income - Monthly Expenses = Monthly Discretionary Income: **\$ 0.00**

FOR MORE INFORMATION: www.blackrock.com

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