September 2016

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 2016 IRA contribution? Are you on track to maximize your employer-sponsored retirement plan contributions? Are your beneficiaries up-to-date? As summer has 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 2016 IRA Contribution yet?

For 2016, 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 2015 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 2016, 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 2016! 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?

A plan participant leaving an employer typically has four options (and may engage in a combination of these options), each offering advantages and disadvantages. Typically participants can leave the money in the former employer's plan (if permitted), rollover the assets to a new employer plan (if available), rollover the assets to an IRA, or cash out the account value (this would be a taxable event).

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 and a half. We generally recommend a "trustee-to-trustee transfer" and would be happy to assist you with any forms.

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 are recommending 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 are different and apart from any heirs in your Will or other estate planning documents. 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.

* Investors should carefully consider all choices available including various factors such as investment options, services offered, withdrawal rules, required minimum distributions, legal aspects, and any employer stock.

Have you reviewed a Roth IRA Conversion?

We have discussed Roth IRA conversions 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 on 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 considered "qualified." That is to say they are withdrawn after age 59 and ½ unless in the case of an exception (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 2014 Wall Street Journal report showed that fewer than 50% of all 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) **Know your needs.** Prepare a budget and know how much money you will need to live comfortably in retirement. We have worksheets to assist you in this exercise (see the end of this Planning Letter). Please do not hesitate to contact our office should you have any questions.

3) **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.

4) **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.

5) **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 your drawing of these benefits, are an integral piece of every retirement plan.

If you have any questions about your retirement planning goals, or would like to complete a full financial plan, do not hesitate to call our office.

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. We include the Required Minimum Distribution table below for your reference.

For example, if you are 74 years old and your IRA was valued at $100,000.00 on December 31, 2015, your Required Minimum Distribution for 2016 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).

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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