Brought to you by Todd Minard, PGK, FICF

KNIGHTS OF COLUMBUS

Financial Beacon

Winter 2017

A MESSAGE from your agent

Dear Brother Knight:

I take my responsibility to you very seriously, and will do everything in my power to help you plan for and protect your financial security.

Most are aware that health care costs, in general, can be a significant threat to carefully-laid financial plans, but I'd like to call your attention to long-term care costs as a more specific concern.

According to the U.S. Department of Health and Human Services, 70% of Americans age 65 and older are expected to need long-term care at some point in their lives.

Many people misunderstand how little Medicare and other health insurance plans cover in terms of long-term care.

Whether it's budgeting for premiums or setting aside assets to cover long-term care costs, I strongly believe that no retirement plan is complete unless this specific need has been considered and accounted for.

Advanced care planning, both medical and financial, can be the greatest gift you give to your loved ones, so please allow me to guide you through the coverage options. You'll rest easier knowing that you've made an informed decision.

Fraternally yours,

Todd Minard

Understanding Required Minimum Distributions

You may be familiar with the term Required Minimum Distribution (RMD), perhaps not; but it deserves your attention. You face a significant penalty if you fail to take your RMD, or if you withdraw too little.

RMD Basics

What and when. The RMD is the minimum amount you must withdraw from your IRA, SIMPLE IRA, SEP IRA, or retirement plan account, starting at age 70 ½. Roth IRAs do not require withdrawals until after the death of the owner.*

You generally have until April 1 of the year following the calendar year in which you reach 70 ½ to take your *first* RMD. Subsequent year's distributions must be made by December 31 of each year.

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).*

Calculation and withdrawal. The required minimum distribution for any year is the account balance as of the end of the immediately preceding calendar year *divided by* a distribution period from the IRS's "Uniform Lifetime Table." A separate table is used if the sole beneficiary is the owner's spouse who is ten or more years younger than the owner.*

You don't need to take withdrawals from each IRA account if you have more than one; your total required withdrawal may be taken from just one account.

If you have more than one *defined contribution plan*, you must calculate and satisfy your RMDs separately for each plan and withdraw that amount from that plan.

Exception: If you have more than one 403(b) tax-sheltered annuity account, you can total the RMDs and then take them from any one (or more) of the tax-sheltered annuities.*

Planning for withdrawals

Depending on your circumstances, your annual RMD may exceed your living expenses, and you may wish to reinvest excess funds.

Whole life insurance. One strategy, with favorable tax consequences, is to apply funds from your RMD to a whole life insurance policy. The death benefit will pass tax-free to your beneficiaries, if the policy is properly structured with your circumstances in mind.

Annuities. You may wish to consider the advantages of annuities. Once annuitized, you will be receiving a taxable income stream of level payments. Depending on the structure of an annuity contract, tax rules vary. We can discuss your annuity options in detail.

Charitable Giving. An IRA owner, age 70½ or over, can directly transfer, tax-free, up to $100,000 per year to an eligible charity. Your qualified charitable distributions can satisfy all or part the amount of your required minimum distribution from your IRA.*

You are not alone

Due to the complexity of this topic, many taxpayers fail to withdraw the correct RMD. I am here to help. If you are facing the Required Minimum Distribution, or looking ahead to when you will, let's sit down to discuss your situation and find a strategy that's right for you. ✦

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on, for tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

* *www.irs.gov/retirement-plans.*

Getting acquainted with the Roth IRA

Although the Roth IRA is turning 20 this year, you are not alone if you still feel like it's a bit of a "stranger" to you. Here are some pertinent details to help you determine if a Roth IRA is right for you.

After-tax instead of pre-tax

The defining characteristic of a Roth IRA is that contributions are made with after-tax dollars, so there is no current year tax deduction for the money you put into a Roth IRA. This is not necessarily a drawback. In fact, it can be a positive.

If you are young, and early in your career, you have every reason to expect your salary to be higher in years to come. It may be wise to pay the income tax on retirement funds now—at your current tax rate—and look forward to the money growing tax-free for years.

No "Required Minimum Distribution"

On the other end of the spectrum, the Roth IRA also makes sense for older people who do not need to take withdrawals every year to cover living expenses. You have the option to keep your money working for you, and avoid a tax liability at an inopportune time.

With a Roth IRA, there is no Required Minimum Distribution (RMD) each year, which a Traditional IRA does require, starting at age 70 ½.

Withdrawals are tax-free

Withdrawals of contributions to a Roth IRA are never taxable, but there is a minimum holding period of five years, and you must be at least 59 ½ when you take a withdrawal to avoid taxation on *earnings*. There are some exceptions to these rules for situations like a home purchase or higher education expenses.

Contribution limits

For most people, $5,500 is currently the maximum contribution allowable to a Roth IRA per calendar year ($6,500 for those over 50). There are income eligibility limits, which vary with tax filing status, but most people qualify. For example, in 2017, an individual earning up to $118,000 is fully eligible, and a couple can have combined earnings up to $186,000 before Roth IRA eligibility begins to phase out. Sometimes the calculations can get more complicated than that, and the IRS looks at Modified Adjusted Gross Income, so be sure to seek professional tax advice from a qualified advisor to avoid accidentally breaking the rules.

No age limit on contributions

If you like the sound of a Roth IRA, and are wondering if you are eligible to set one up, there is more good news. You can contribute to a Roth IRA at any age, even beyond age 70 ½, as long as you have earned income from a job; your contributions cannot exceed your earnings. As people are living longer and working longer, it's beneficial to be able to keep making contributions.

A tool throughout life...

Remember the rule of thumb: if you expect your tax rate to be the same or higher in retirement than it is now, the Roth IRA is likely an investment tool worth getting to know. Also, if the total funds you wish to set aside for retirement in a given year exceed the limits of your traditional IRA, the Roth IRA is a vehicle where additional funds can be invested and grow tax-free.

...and beyond

Lastly, since there is no RMD with a Roth IRA, you have the option of holding this investment and passing it tax-free to your heirs, if they are specifically named as beneficiaries. ✦

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on, for tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

YOUR AGENT

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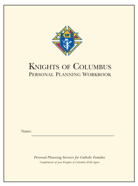

The document your family will be glad you left behind

In one place, you can assemble all the information your family would need to take care of basic financial matters in your absence. Your complimentary Knights of Columbus Personal Planning Workbook helps you compile details about key contacts (attorneys, insurance agents, etc.), financial accounts, bills, passwords, the location of important documents, and more.

Contact me today for your complimentary Workbook.

Contact me today for information on long-term care insurance

Two ways to manage the cost of risk management

If you are self-employed, you are your own risk manager. You are responsible for protecting your business assets from unexpected damages, lawsuits, etc., but you are also responsible for insuring your income against illness or injury.

Maintaining a business savings account specifically for contingencies is important, but that money should be for unexpected expenses or business interruptions, not for health-related loss of income. Why? Because if you can't work due to an illness or injury, you may have substantial extra expenses to cover in addition to replacing your salary.

For example, you may need to hire employees or subcontractors to serve your clients. You may need additional, customized equipment or modifications to your workspace to accommodate your recovery. The last thing you want to do is drain your savings to meet the daily needs of you and your family.

That's the role filled by disability insurance. One of the biggest mistakes you can make regarding disability insurance is to assume you can't afford it or you won't qualify. Why not do some basic research and apply for coverage?

Policies such as Income Armor from the Knights of Columbus give you options that can help you fit this critical protection into your risk management budget.

Here are two ways you can manage your premium:

Choose a two- or five-year benefit period. Depending on your age, the best option is probably a policy that pays benefits until you reach age 67. But a two-year or five-year maximum benefit period would cover many types of partial or total disabilities you might encounter in your working life.

Choose a longer elimination period. An elimination period is the number of days a total disability must exist before benefits begin to accrue. Typical elimination periods are 30, 90, or 180 days. Choosing a longer elimination period lowers the policy's premium. An emergency fund to cover the gap will serve you well if the need arises.

As your professional insurance agent, running a small business and the challenges of risk management are two of my specialties. Let's talk about how to protect your business income, your retirement needs, and your family's financial future. ✦