

9 Questions Everyone Needs Answered On How To Take Control Of Your Financial Future

Over the years, I've spent countless hours working with retirees and pre-retirees. I've seen just about everything. I've seen people who have wonderful, secure retirements and have done many things right. I've also seen many people who have not so wonderful retirements and have done lots of things wrong.

Many people wonder why their finances can be in such a mess. Since it is such a problem, our country could really be in big trouble with people who are suffering financially. As the Baby Boom Generation ages, retirees will become the country's largest financial problem of all.

So with that said, I want to make sure you understand everything you need to know to plan properly. When you finish this report and start planning, you will be well ahead of your peers.

Now let's talk about the **9 Questions Everyone Needs Answered On How to Take Control Of Your Financial Future.**

Question #1

Will my Social Security be subject to income tax?

People who have no income except their Social Security benefits generally pay no income taxes on them. People who have substantial other income—wages, self-employment, interest, dividends, and anything else reportable on the tax return—pay federal income taxes on up to 85% of their Social Security benefits.

The exact percentage depends on how much your "combined income" is greater than a "base amount" Your combined income is the sum of your adjusted gross income on your 1040 tax return, plus not-taxable interest, plus one-half of your Social Security benefits. Your base amount depends on your filing status.

If some of your Social Security benefits will be taxable, you may need to file an estimated tax payment every quarter or, optionally, have federal taxes withheld from

your benefits. See the following website for more information:
www.irs.gov/publications/p915/ar02.html#d0e261.

Question #2

What's the best way to get an accurate estimate of my Social Security benefits?

The most accurate information is compiled in a "Social Security Statement" —formerly the "Personal Earnings and Benefit Estimate Statement." (Sometimes government really does simply something). You can call your local Social Security office to get a request form (SSA-7004) for that statement, ask for the request online at www.ssa.gov/online/ssa-7004.html, or even enter your data directly on line (go to <https://s044a90.ssa.gov/apps6/iss/bp-7004home.jsp>, read all about it, and click the button at the bottom). A few weeks after you submit your information, you will receive a record of your wage history and an estimated retirement benefits statement.

You can get an immediate estimate, though perhaps not as accurate, using one of the SSA's online calculators: At either www.ssa.gov or www.socialsecurity.gov, click the *Calculate your benefits* link under the Retirement heading on the home page.

Question #3

If I am retired shouldn't my taxes be lower?

Many retired workers are surprised to learn that they will still be paying income taxes, often with little or no reduction in tax payments from their working years.

You need to plan carefully, and you should consider using some tax-advantaged strategies. Start by determining your taxable retirement income and your marginal tax bracket.

Question #4

The idea of not working worries me. How can I know whether the resources I've accumulated will meet my needs for the rest of my life?

That's exactly the purpose of retirement planning. It's remarkable how many individuals work for forty years or more accumulating wealth without spending forty minutes on analyzing their retirement needs and projecting their income.

Because of the number of retirees today, many financial advisors also do retirement planning. Additionally, many "do it yourself" software programs are available at little or no charge.

However, one of my *major* focuses is on retirement planning. If you have questions about your plans, or would like me to talk to someone you know about retirement planning please let me know.

Question #5

What kind of investments should I have?

Investments should be coordinated with an investor's individual need for income, growth of income, safety of principal, and liquidity. Only after careful planning should investments be recommended.

However, there are some general guidelines. Many people need three kinds of investments:

- *Short-term investments* like money market funds, CDs, and Treasury bills are useful in meeting needs for cash with the short term.
- *Fixed-income investments* like municipal and government bonds can meet intermediate needs for income, for periods beyond a year but not more than 10 years.
- *Long-term investments* like real estate, stocks, and stock mutual funds can be used to potentially increase a portfolio and the income it produces in years to come.

Question #6

Aren't bank Certificates of Deposit (CDs) better than investments in stocks for individuals?

Fixed-dollar investments with short maturities, such as CDs, do offer stability of principal and should be one component of nearly everyone's portfolio. The income, however, can and does fluctuate widely from year to year.

According to the Federal Reserve Board, during the 10-year period ended December 2008, the highest average interest paid on 6 month CDs was 6.59% (in 2000); the lowest was 1.14% (in 2008). So while the principal may be stable, it's not really safe to rely on the interest for steady retirement income.

CDs are FDIC-insured up to \$250,000 total principal and interest per depositor, per institution. All rates are subject to change and availability.

Question #7

Should I roll over to an IRA when I can leave my pension or 401(k) balance in my and not pay any expenses?

While many investors do leave pension balances in a company-sponsored plan, many individuals prefer an IRA for a number of reasons.

For one thing, the choices in the company plan are usually limited to a handful of investment accounts, while an IRA offers an almost unlimited number of alternatives and the ability to make changes easily and frequently.

Also, many investors find that the service from a former employer or from a toll-free number's voice menu is less than adequate.

Perhaps the most important reason investors choose an IRA is the personal attention and advice offered by a financial advisor who is knowledgeable about the investment markets, financial planning, and the particular needs of the investor.

Question #8

I've heard that if I take my "rollover" money out of my company plan, my employer will withhold 20%? Is this true? Is there a way to avoid it?

If your company writes you a check for your pension balance, even if you intend to deposit it to an IRA, the company must indeed withhold 20%. Therefore, when you deposit the check to the IRA, you must use funds from other sources (for instance, other savings or borrowing) to make up the withheld amount. Otherwise, you must pay income taxes on the 20% that is withheld and not rolled into the IRA.

To avoid that withholding, you can arrange to have the funds transferred directly from the pension into an IRA. In that case, your company writes the check to the custodian of your IRA, not to you, and there is no withholding applied to the account balance.

Question #9

I hear and read about people who do their own investing at a lower cost than those who use a financial advisor. Why should I use a financial advisor?

Some individuals, should take the "do it yourself" approach. Most should not. To decide whether they need an advisor's services, they should ask themselves these questions:

1. Am I knowledgeable about the investment markets?
2. Can I do my own financial planning?
3. Do I have the extra time that I want to commit to these tasks?
4. Will I enjoy handling my own investments and planning?
5. Is the potential savings worth the potential risks of making a mistake?

People who answer "yes" to all five questions might well want to take their financial planning into their own hands. For those giving one or more "no" answers, I would suggest consulting a professional advisor.

If you would like more information on these or any questions that you may have about the financial planning process please contact Braden Hill at bhill@summitbrokerage.com or call Braden for a complimentary 1 hour consultation at 479-631-9700.