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## MARK HOWARD'S FINANCIAL NEWS

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## Maximize Gifting Through a 529 Plan

*Courtesy of Mark N. Howard, MS, MBA*

**Y**ou can generally give any number of people \$14,000 in 2016 without being subject to gift taxes. (If you give more than that, your gifts could reduce your lifetime estate tax exclusion, which is currently \$5.45 million per person.) But there is a special rule for 529 contributions.

You can make five years' worth of gifts to a 529 account in one year without triggering the gift tax. That means you can contribute \$70,000 to a person's 529 this year, as long as you don't make any other contributions within the next five years. Your spouse can give up to \$70,000 in one year, too, enabling the two of you to make up to \$140,000 in contributions to a person's 529 this year. And you can also contribute up to that much to other people's 529s in

one year. This can be a good strategy to shift money out of your estate and also help your grandkids build up savings they can use tax-free for college costs.

You'll have to file IRS Form 709 reporting the gift if you contribute more than \$14,000 to any one beneficiary's 529 plan in 2016 to report that you are treating the contribution as if you made it over up to five years. 

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*Crooks are hiding credit card “skimmers” inside gas pumps, we hear from security expert Gray Taylor. Previously, thieves tended to attach skimmers—electronic devices that steal credit card account information—to the outside of pumps, where they were eventually spotted. What to do: Use pumps positioned where they are most easily monitored by station employees. Also make sure the “security tape” near the card reader is unbroken, though not all stations use the tape.*

*Source: Bottom Line Personal Magazine*

*Home remodeling usually does not increase home value. A recent study found that only two remodeling projects raised home value by as much as they cost: midrange kitchen remodeling and replacing windows with midrange wooden ones. What some other projects return: Turning the attic into a bedroom, 83% of the cost... installing a steel entry door, 77%...replacing vinyl siding, 73%...master suite addition, 51% to 58%...bathroom addition, 46%...sunroom, 45%... home office, 45%.*

*Source: Remodeling Magazine*



## Why Planning For Retirement Is Getting More Difficult

*By Elliot Raphaelson, Tribune Content Agency*

**T**here are many reasons why it is more difficult for people to retire.

A major one is the rising costs of health care, which have outstripped income growth for most working people and retirees. Retirees recently have seen no increase in Social Security benefits because the federal government has indicated that inflation is too low to support cost-of-living increases. Yet it is no secret that all categories of health care costs have increased substantially more than the stated rate of inflation.

This is unlikely to change. According to HealthView Services, a leading maker of health care cost projection software, the cost of premiums for a healthy 65-year-old couple for Medicare, Parts B, D and supplemental plans is \$583 per month, excluding vision, dental and copay. If you added all the exclusions, the cost would be \$863 per month. HealthView estimates that health care costs will increase 6.5 percent per year, which means they would double in about 10 years.

Future administrations will be under pressure to

cut back on Medicare and Social Security benefits. However, the cost of health care will likely continue to surpass inflation rates.

Some individuals are under the illusion that when they reach 65, Medicare will take care of long-term care expenses. Medicare will not pay for any long-term health expenses. As we age, the probability increases that some long-term care will be required. It is quite expensive. Homemaker services and home health aides cost approximately \$3,800 per month (according to Genworth's "Cost of Care" report for 2016). Adult day

health care is \$1,473 per month; assisted living is \$3,628 per month; and a nursing home (with semi-private accommodations) costs \$6,844 per month.


It is important to be realistic regarding expected expenses and income in retirement. Anticipate a long life. Don't assume that health care costs will decrease. Use a realistic inflation rate for anticipated medical expenses. Don't expect that Medicare benefits and Social Security benefits will increase. It is more likely they will decrease.

What can you do if you anticipate that you will not have sufficient income when you retire?

If you are contemplating early retirement, reconsider. Your financial situation will improve the longer you work, both with respect to employer pension plans, your personal retirement plans and your Social Security benefits.

If you are not saving 10 percent of your income now for retirement, consider increasing the amount. If you are not receiving the maximum employer match from your employer's 401(k) plan, increase your contribution.

If you planned on filing for Social Security at age 62, reconsider and look at other options such as waiting until age 70, increasing your benefit by 8 percent annually from your full retirement age up to age 70.

The further away you are from retirement, the more options you have to plan ahead to ensure a prosperous retirement. Don't wait. 

*"The trouble with being poor is that it takes up all your time."*

— Willem de Kooning

# Key To Successful Freelancing Is Disciplined Approach

By Jill Schlesinger, Tribune Content Agency

The U.S. has become a freelance nation. Whether out of necessity (reduced hours, loss of job) or desire (flexibility, control over hours), more than 53 million Americans earn income from work that's not a traditional 9-to-5 job. That amounts to one in three workers, according to Sara


required.

It's important to be disciplined about how much time you will devote to your business. It has to be enough to judge whether or not it could be self-sustaining but not too much as to drain you and cause you to underperform at your full-time job. By spending 10 to 20 hours a week, you will probably get a sense of whether or not you like doing it and how much work it takes to run your own business.

If the experiment goes well, you may choose simply to keep that extra income stream and not make the jump to becoming a full time freelancer. But if you are ready to go it alone, be sure to beef up emergency savings so you have a year of expenses stashed away, and consider the cost of purchasing

your own health insurance. Establish a separate business checking account, and consider creating an LLC. Finally, be sure to have a system to pay your taxes.

You don't have to do this by yourself. There are great free resources available to help you develop your idea into an ongoing concern. The Small Business Administration (SBA.gov) offers advice and information on starting or growing a business, and many local offices often provide financial assistance for new or

existing businesses through guaranteed loans made by area bank and non-bank lenders. There are also special SBA resources devoted to women, minorities and veterans. 



Horowitz, the founder and executive director of Freelancers Union.

If you are considering starting a business or dipping your toe into the freelance pool, one of the best ways to do so is to experiment while you have a job. More than a quarter of the total number of freelancers — 14.2 million workers — are moonlighters, who have a different full time position. About a third of them say they would like to quit and freelance full time.

Whether you are just starting out or trying to make the leap to full-time freelancer, you need to treat the endeavor like a going concern, not as a side business or a hobby. That means you should create a plan that explains the new venture, your background and what differentiates your business from competitors. It should identify your target customer and include a competitive analysis of organizations and other freelancers in your space. You will also need to project the numbers to determine if any start-up financing will be



*Credit cards offering 0% introductory rates on balance transfers no longer require excellent credit scores.*

Some attractive offers are available to applicants with scores as low as the high 600s. These include Chase Slate, which charges no interest for 15 months and no balance-transfer fee... and Discover it, which charges no interest for 12 months with a standard 3% transfer fee. Applicants with scores in the mid-600s might qualify for the Capital One QuicksilverOne card, interest-free until February 2017 with a \$39 annual fee and 3% transfer fee.

Source: CardRatings.com

*Bereavement fares are offered by only Delta and Alaska Airlines.*

Many airlines used to offer discounted last-minute fares to travelers visiting dying relatives or attending their funerals, but most have stopped doing so. Be aware that the remaining bereavement fares are not necessarily the lowest ones available -- for instance, Alaska Airlines offers just 15% off a full-fare refundable ticket, which can be pricey. Delta bereavement discounts vary, and availability is not guaranteed.

Source: AirfareWatchdog.com

*"If you lend someone \$20, and never see that person again, it was probably worth it."*

— Author Unknown

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## Preparing For The Next Recession

By James K. Glassman, Kiplinger's Personal Finance

**M**any investors are speculating whether the expansion that began in 2009 after the Great Recession is running out of steam. Some are warning of impending recession.

But there's a problem. The main feature of any recession is that it sneaks up on you. There is a correlation between stock prices and the economy; the market almost always falls before a recession begins, and typically begins to recover before the economy does. But a close connection between stock prices and economic activity is unusual. As Paul Samuelson, the late Nobel Prize-winning economist, famously said, "The markets have predicted nine of the last five recessions."

The best way, in my view, to prepare for a recession is to take the following three steps.

**Develop a diversified portfolio that stresses asset allocation over stock picking.** Let your risk tolerance and time horizon determine your allocations. If you're moderately risk-averse and need to tap your portfolio in 10 years, then you might want roughly 70 percent in stocks and 30 percent in bonds or fixed assets, with interest rates as low as they are now. In more-normal

times, I would split the money 50-50.

**Feed new money into the stock market and bond market (or fixed assets) on a regular basis.** If you were to put \$1,000 into a company currently trading at \$100, you could buy 10 shares this month. But if the stock dropped to \$50 next month, you could buy 20 shares then. Think of yourself as an accumulator of shares over time. Please keep in mind that a program of regular investing does not ensure a profit or protect against loss in declining markets.

**Remember to rebalance your portfolio regularly**—say, every six months. If you're trying to maintain a 60 to 40 stock-bond ratio and stock prices soar, then favor bonds over stocks to bring the ratio back to your target.

And that's it. 