MARK HOWARD'S FINANCIAL NEWS DIGEST

MONEYLINE

Consider Working Longer

Courtesy of Mark N. Howard, MS, MBA

Call me a "buzz kill" but working as long as possible may be beneficial in more ways than one. I have found that those who worked longer tend to have fewer financial problems and seem more content as they age.

I recognize that many people really don't like what they do, or they are burned out or simply can't physically continue performing the tasks required for their jobs. But for many years in the past, even those who could continue to work tended to choose not to do so.

You might think that people working later in life have to earn money, and you would be right in many cases. But some people are working because they want to, not because they have to.

There is some belief that staying active and engaged at work may help fight the natural decline in physical and cognitive functioning, but don't fret if you aren't working. There is plenty of research that shows membership in social groups, such as book clubs or religious organizations, after retirement is also linked to a longer life. The key is to remain engaged in some way, whether through work, group membership or even hobbies such as bridge or other card games.

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More big Medicare premium hikes coming for higher earners and other groups. Medicare is not allowed to pass along premium increases greater than what most participants would receive through Social Security's cost-of-living adjustment—which is estimated to be just 0.2% in 2017. That holds down Medicare Part B premiums for 70% of people receiving Medicare, because they also get Social Security. But it will force the remaining 30% to pick up virtually all increased Medicare costs for the second year in a row. For those recipients, this year's Medicare Part B cost of $121.80/month will rise 22% to $149/month—after going up 16% last year for the same reason. Those forced into higher premiums include people who have Medicare but have taken the frequent advice to defer taking Social Security benefits. Higher earners will pay much more: Individuals earning $85,001 to $107,000 and couples earning between $170,001 and $214,000 likely will pay 20% more ($204.40/month) next year, and individuals earning more than $214,000 or couples earning more than $428,000 also are projected to pay 20% more—$467.20.
Source: The Wall Street Journal

"A bank is a place that will lend you money if you can prove that you don't need it."
— Bob Hope

Ask Kim: FAQs About Giving Your RMD To Charity

By Kimberly Lankford, Kiplinger's Personal Finance

I get a lot of questions from people over age 70 1/2 about giving their required minimum distribution to charity. The following answers will help you make plans to donate your RMD before the year-end deadline.

Q: ***Can I give my RMD to charity anytime or only in December?***

A: You can give your RMD to charity anytime during the year. In the past, Congress often waited until December to approve charitable transfers, leaving IRA holders scrambling to give the money to charity before the December 31 RMD deadline. But last December Congress passed a law that permanently extends the Qualified Charitable Distribution provision.

Q: ***How much can I transfer from my IRA to charity? Can I transfer more than my RMD?***

A: If you are 70 1/2 or older, you can transfer up to $100,000 to charity tax-free each year—even if that's more than your RMD. The money counts as your required minimum distribution but isn't included in your adjusted gross income.

Q: ***I'll be 70 1/2 in a few months. Can I give my RMD to charity now?***

A: Even though you can take your RMD anytime during the year you turn age 70 1/2 (or until April 1 of the year after you turn 70 1/2), you have to wait until you actually turn age 70 1/2 to make the tax-free transfer to charity.

Q: ***Can I give my 401(k) RMD to charity?***

A: No. You can only make the tax-free transfer from an IRA.

Q: ***Can I withdraw the money from my IRA and then write a check to charity, or do I need to transfer the money directly?***

A: You need to transfer the money directly from the IRA to the charity for it to count as a tax-free transfer. Ask your IRA administrator and the charity about making a direct transfer, or you can have the IRA administrator send a check from your account to the charity. If you have check-writing privileges for your IRA, you can write a check to the charity. Give the charity a heads-up, so it knows the contribution came from you and can send you an acknowledgement.

Q: ***Which is better: the tax-free transfer or a charitable deduction?***

A: The tax-free transfer could give you extra benefits. You don't need to itemize your deductions to get a tax benefit from the gift (and many people who no longer have a mortgage don't itemize their deductions). Making the tax-free transfer also keeps the money out of your adjusted gross income (AGI). That could help you avoid the Medicare high-income surcharge. Keeping the money out of your AGI could also make less of your Social Security benefits taxable.

Six Steps To A Successful Home Remodel

By Patricia Mertz Esswein, Kiplinger's Personal Finance

Before you start a project, figure out how you will pay for it.

Make a plan. Start by talking with remodelers and lenders to figure out whether your ideas are financially feasible. How much

will you pay out of pocket? How much will you need to borrow? You could pay with a credit card, but that's probably your most expensive option. Home-equity borrowing may make the most sense for larger projects. You can generally borrow up to 80 percent of the appraised value of your home (that amount includes all housing debt).

A refi could make sense. If you haven't locked in a super-low interest rate, you could refinance your mortgage and take out cash. Recently, the average 30-year fixed rate nationally was 3.5 percent, according to Freddie Mac; you'll pay a somewhat higher rate on a cash-out refi. If you have enough equity, you can roll the closing costs (about 1.5 percent to 3 percent of the loan amount, on average) into the loan. Allow about 45 days to close.

Take a lump sum. Home-equity loans are fixed-rate loans that you repay in equal monthly payments over a term of five to 20 years. They may be best for onetime projects such as replacing the roof or the heating and air-conditioning system. The average rate nationally was recently 6.1 percent.

Open a home-equity line of credit. With a HELOC, you tap it when you need the money and pay a variable rate of interest only on the amount you withdraw. You can usually make interest-only payments for 10 years, after which you must repay principal and interest. The average variable rate was recently 5.5 percent nationally. You can close on the line in about 30 days, and your only costs may be for a credit check and appraisal.

Take out a construction loan. If you're planning to completely renovate your present home or build a new one, a construction loan will maximize your borrowing power because the lender will generally lend against the future value of the home. You may be able to lock in your interest rate during the period allowed for construction (from six to 18 months, depending on the lender); during that time, you'll make interest-only payments on the amount disbursed. When construction is complete, the loan will convert to a permanent mortgage.

Pay cash and ask for a discount. Loren Schirber, a remodeler in the Twin Cities area, offers clients a discount of 2.5 percent of the project price if they pay in cash. If your builder doesn't offer a discount up front, ask for one.

"Banks are being more cautious these days.
For mortgages, we require 300% down-payment to cover whatever crisis may show up in tomorrow's news."

Average thirty-year fixed-rate mortgages fell to about 3.5% as of the end of the second quarter of 2016. That's the lowest level since April 2013. *What to do:* Consider refinancing now if you can trim at least one-half percentage point off your existing mortgage loan. Rates may not stay this low, especially if the US economy continues to improve.
Source: HSH.com

Common garage-sale swindles and how to prevent them: *Theft of cash*—don't use a cash box... instead, use a fanny pack or an apron with pockets so that your money stays close to you. *Counterfeit money*—buy a counterfeit-detection pen for about $5, or don't accept large-denomination bills. *Distraction scams* in which large groups of people show up at once or shoppers bring a child and ask for help putting purchases in a car. To avoid this, have friends or family members help with your sale. *Big-item scams* in which shoppers put small items in larger ones—inspect items that have pockets or drawers before selling them. *In-your-home scams*—shoppers ask to go inside to try on an item or use the bathroom, then steal the item or check out your home to break in later. Keep your house locked and off limits.
Source: NJ.com

"If you know how to spend less than you get, you have the philosopher's stone."
— Benjamin Franklin

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Bad Trade: College For Retirement

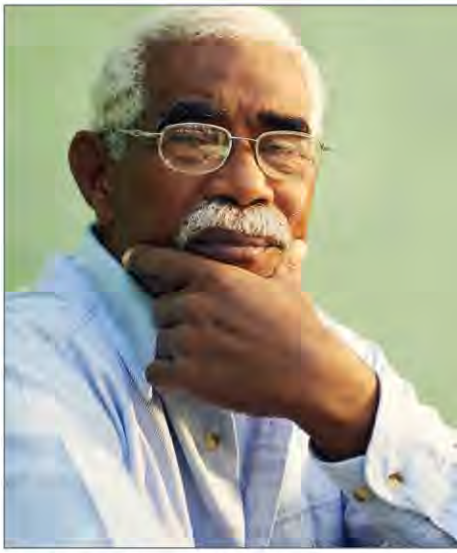
By Jill Schlesinger, Tribune Content Agency

"Sometimes self-interested is the most generous thing you can be."

This line from playwright Tony Kushner came to mind after I fielded a question about using retirement funds to pay for tuition. For most people, tapping retirement accounts or funding college education before retirement is a bad trade. Parents who do this just want to help their kids, but they could be jeopardizing their own futures with these decisions.

Before thinking about putting money toward your kid's education, you need to make sure that you have covered the Big Three: Paying down consumer debt; establishing an emergency reserve fund; funding retirement. If any one of these items is outstanding, you need to put education funding on the back burner.

Before you say, "But I have to make sure my kid gets a college education and I don't want him/her to be burdened by student loans," let me remind you that there is no reason that you can't help your children both earn a degree and do so without mounds of debt. To do so, you need to be more careful about how you choose which school to attend. Perhaps your child could attend a community college combined with a state school, or attend the school that will provide the most money or best financial aid package. Raiding your retirement account to allow your child to attend any school she wants should not be an option.



The problem is that many parents are reluctant to have difficult conversations with their children early enough to prepare the kids to make different choices. I worry that in an effort to provide the golden opportunity of college, many parents are actually creating a future burden for their kids. After all, if you are struggling to meet your retirement needs, your children will likely be on the hook for you. That's why "Sometimes self-interested is the most generous thing you can be."