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MARK HOWARD'S FINANCIAL NEWS

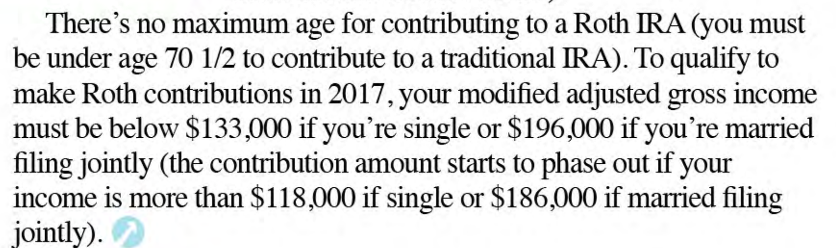
DIGEST

MONEYLINE

Can I Contribute To A Roth IRA If I Work Part-time?

Courtesy of Mark N. Howard, MS, MBA

As long as you have earned income from a job, you can put money into a Roth IRA. You may contribute up to the amount of your earned income for the year, with a $5,500 maximum for 2017, or $6,500 if you're 50 or older. (See www.irs.gov for details.) If you work and your spouse does not, you can even contribute up to $5,500, or $6,500, to a spousal Roth IRA on his or her behalf — as long as your total contributions for both accounts don't exceed the amount you earned from working. That means your earned income for the year would need to be at least $13,000 if you're 50 or older and want to contribute the maximum for yourself and your spouse. (Pension and investment income doesn't count.)



There's no maximum age for contributing to a Roth IRA (you must be under age 70 1/2 to contribute to a traditional IRA). To qualify to make Roth contributions in 2017, your modified adjusted gross income must be below $133,000 if you're single or $196,000 if you're married filing jointly (the contribution amount starts to phase out if your income is more than $118,000 if single or $186,000 if married filing jointly).

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Out-of-network ATM fees have climbed to a record $4.57 per transaction, on average (that's $237.64 a year if you use an ATM once a week), says personal finance expert Greg McBride, CFA. This includes two separate fees — one charged by the financial institution that provides the ATM (averaging $2.90) plus a second one by the ATM user's own financial institution (averaging $1.67). *To avoid out-of-network ATM fees:* Check whether your bank offers a free smart-phone app that can direct you to the closest fee-free ATM. Or use your debit card to get cash when you make a purchase at a retailer that offers fee-free cash back.
Source: Bankrate.com

Did you know that the home ownership rate was the lowest in 50 years in the second quarter of 2016? This is partly due to the continuing fallout from the collapse of the housing market, as well as shifting demographics and the fact that more people are moving into rentals instead of buying houses. The rate of home ownership fell to 62.9%, down 0.6% from the first quarter of the year and the lowest level since 1965.
Source: The Wall Street Journal

"Content makes poor men rich; discontent makes rich men poor."
— Benjamin Franklin

Working In Retirement Has Benefits And Some Small Costs

By Elliot Raphaelson, Tribune Content Agency

It is no secret that both men and women have a longer life expectancy than in previous generations. Many readers worry that their nest egg will not be sufficient to last the rest of their and their spouses' lives. It is not unusual for retirees, especially if they are forced to retire early, to face 25 or more years in retirement.

Interest rates on traditional savings vehicles are likely to remain low, and experts predict that returns on both stocks and bonds in the foreseeable future will likely return 2 percent or less than in prior generations. Many retirees who use the traditional rule of withdrawing 4 percent each year at the start of retirement and increasing withdrawals to keep up with inflation will run out of money. Naturally, retirees who do go back to work, even part-time, will be able to withdraw less from their investments and be able to make their next egg last longer.

Most retirees do not wait until their full retirement age (FRA) to initiate Social Security payments. To the extent that retirees can postpone filing, income from Social Security will increase. An individual whose FRA is 66 who files for SS benefits at 62 faces a 25 percent permanent reduction in their benefit. If a retiree files after their FRA, the benefit will increase by 8 percent per year up to age 70.

Another advantage of postponing is the impact on spousal benefits. A person is entitled to up to 50 percent of their spouse's Social Security benefit if they wait until their FRA to file for spousal benefits. If the spouse applies for benefits at 62, their benefit will be less.

Postponing filing for Social Security until after FRA also raises the widow(er) benefit. A surviving spouse is entitled to the greater of 100 percent of the deceased spouse's Social Security benefit or the benefit they earned based on their work record.

Many retirees don't believe they can wait until their FRA to file. Obviously, it's easier to wait until FRA if they can work even part time.

Working retirees under 70 1/2 can contribute to an IRA and obtain the tax advantage of tax deduction and tax-deferral. Retirees older than 70 1/2 can contribute to Roth IRAs and obtain tax-free income.

One possible disadvantage: Until FRA, there is a $1 reduction in the Social Security benefit for every $2 earned above the current annual limit of $15,720. After FRA, Social Security will deduct $1 in benefits for every $3 earned above the current limit of $41,880.

To summarize: Statistics show that many retirees have not saved enough prior to retirement to ensure that they will not run out of money. Hopefully, if you are still working, you can increase your savings rate. For those retirees whose nest egg is insufficient, working part-time is an option. Avoid filing prior to your FRA, if you can, to prevent a permanent reduction in your benefits.

Ask Kim: Can I Leave The Money In My IRA To A Charity?

By Kimberly Lankford, Kiplinger's Personal Finance

Q: *Can I make a charity the beneficiary of my IRA? Is there a benefit to doing that rather than leaving other money to the charity in my will?*

A: Yes, you can make a charity the beneficiary of your IRA. And if you leave other investments that are part of your estate to your heirs, they will get a nice gift from the IRS, too.

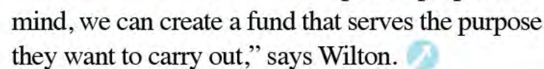
When you leave a traditional IRA to your heirs, they have to pay income taxes when they withdraw the money (except for withdrawals of non-deductible contributions). A charitable beneficiary, however, doesn't have to pay taxes on withdrawals. (An inherited Roth IRA generally isn't taxable to anyone.)

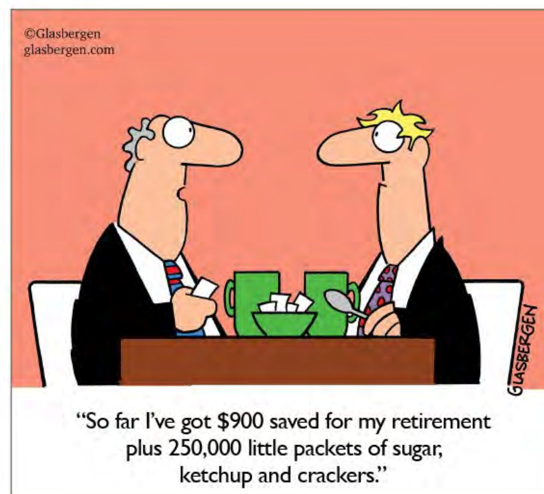
"You can substitute a different asset for your heirs and give the charity the asset that would otherwise be taxable," says Jane Wilton, general counsel for the New York Community Trust, the community foundation for New York City. Your heirs will likely avoid taxes because the tax basis for investments that aren't held in an IRA or other retirement savings account is stepped up when you die, and no taxes are due on gains from stocks or mutual funds that occurred during your lifetime.

Ask your IRA administrator about special rules for designating a nonprofit as the heir to your IRA. You don't have to leave the whole account to the charity. For example, you can split it into two separate accounts and make your spouse the sole beneficiary of one and leave the other to the charity.

Let a family member or attorney know your wishes, so that the executor of your estate can let the nonprofit know that it is the beneficiary of the IRA, says Maura Cassidy, vice president of retirement products for Fidelity. It can also help to talk with the charity ahead of time about how the money will be used; you generally don't have the opportunity to include details on the IRA beneficiary forms about how you'd like the charity to use the money, as you can when you make a bequest in your will, says Wilton.

With some charities and community foundations, such as the New York Community Trust, you can set up a fund while you're still alive to support the causes you'd like to focus on and make that fund the beneficiary of your IRA. "If they have a specific purpose in mind, we can create a fund that serves the purpose they want to carry out," says Wilton.





"So far I've got $900 saved for my retirement plus 250,000 little packets of sugar, ketchup and crackers."

Better bonuses for credit card sign-ups, says personal-finance expert John Kiernan. *Examples:* Chase Sapphire Preferred MasterCard — spend $4,000 in the first three months and get $500 cash back or a $625 travel credit ($95 annual fee waived in first year). Barclaycard Arrival Plus World Elite MasterCard —spend $3,000 in 90 days for a $500 travel credit ($89 fee waived in first year). Chase Freedom Unlimited — spend $500 in three months to get $150 cash back (no annual fee). American Express Blue Cash Everyday — spend $1,000 in three months to get $100 cash back (no annual fee).

Source: WalletHub.com

Reduce car-rental fees, which can inflate your bill by 50% or more. *Use apps and kiosks to sign in,* instead of going to the rental counter, where employees are trained in the hard sell of unwanted extras. *Use the GasBreak app* to find out how much fuel you need to add for the car's fuel gauge to show as full. *Refuse rental-company insurance* — be sure that you are covered by your own auto insurer or through your credit card...or use a rental app such as *Carla,* which includes insurance costs in car pricing.

Source: USA Today

"Gratitude is not only the greatest of virtues, but the parent of all the others."

— Sir Winston Churchill

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How Much Risk Can You Stand?

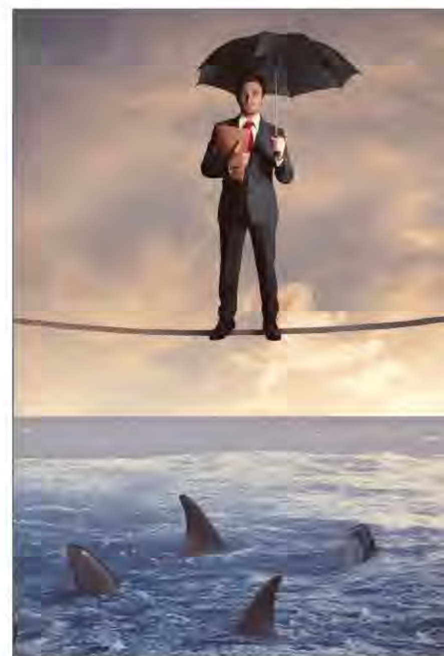
By Anne Kates Smith, Kiplinger's Personal Finance

The investing world is full of unknowns these days. The only certainty is volatility. Knowing more about your tolerance for risk can help you design a portfolio that can help you meet your goals without losing sleep.

"If investors are taking on more risk than they can emotionally tolerate, they'll hit the panic button and sell at the worst possible time," says Tyler Nunnally, a strategist at FinaMetrica, a firm that develops risk-tolerance tests for investment advisers to use with their clients. If that sounds like you, then you need to ratchet down the aggressiveness of your portfolio.

But recognize that such de-risking comes with the trade-off of expected diminished rewards. Maybe you'll have to retire at age 67 instead of 65, or maybe you'll decide to spend less and save more. Conversely, you might have an appetite for adventure when it comes to investing, but if you are only a year or two from retirement (or some other goal), then your capacity for risk-taking with the assets required to meet that goal is virtually zero.

One misconception about risk tolerance is that it varies with whatever is going on in the market. In fact, the psychological aspect of risk tolerance is just as much a part of your personality as, say, introversion or extroversion. Risk tolerance remains remarkably stable during market gyrations and throughout one's lifetime.



What can change with the market is your perception of risk, which wanes in boom times and waxes as markets head south. In other words, whatever your tolerance might be, a turbulent market can make you overestimate the level of risk. The best way to avoid any rash decisions is to maintain a well-diversified portfolio, which tends to smooth out returns over time, and to think long term. Don't obsess over your account balances, and turn off TV financial commentators if they spook you.