

The “price-to-rent” ratio can help you decide

whether it is better financially to rent or buy a home in a specific area. A ratio of more than 16 means renting is better than buying... ratios below 16 favor buying over renting. Among the 20 large cities with the highest price-to-rent ratios, 15 are in California—led by Sunnyvale, with a ratio of 39.31. *Lowest price-to-rent ratio among 200 cities studied:* Cleveland, 6.04. Price-to-rent calculators are available online at many real estate websites.

Source: MoneyTalksNews.com 2018

Best national parks for the money, based on typical cost of round-trip airfare, a hotel for a week’s stay, car rental, meals and entrance fees—plus experiences and amenities to make the trip worthwhile: *Rocky Mountain, Colorado*, \$2,336 for a week’s vacation for two people... *Great Smoky Mountains, Tennessee and North Carolina*, \$2,297... *Zion, Utah*, also \$2,297... *Death Valley, California and Nevada*, \$2,193... *Yosemite, California*, \$2,870... *Crater Lake, Oregon*, \$2,243... *Hot Springs, Arkansas*, \$2,211... *Saguaro, Arizona*, \$2,527... *Great Basin, Nevada*, \$1,715... *Voyageurs, Minnesota*, \$1,999

Source: Money.com 2018

“We make a living by what we get, we make a life by what we give.”

— Sir Winston Churchill



Why Throw Cold Water on FIRE Movement?

By Jill Schlesinger, Tribune Content Agency

There’s a FIRE spreading in the world of personal finance.

FIRE stands for Financial Independence, Retire Early. It’s popular with millennials who want to escape soul-sucking jobs that don’t reflect their values.

The movement has added to the chorus of naysayers, who complain about the generation’s work ethic, but I believe that FIRE followers are doing what they should be doing: taking control of their financial lives.

The ideas behind FIRE are pretty simple: Don’t spend more than you earn, reduce major expenses with cheaper alternatives, avoid debt, cultivate side hustles or part-time work, invest in low-cost index funds and do not withdraw too much from your retirement account. Yes, a financial life will likely become more complicated over time, but these steps are a great start for the vast majority of Americans.

But critics say the FIRE movement requires adherents to live very frugally and embrace a workaholic mindset to make real progress on retirement savings goals. Critics also say the FIRE fans are underestimating how much money they’ll

need and are naïve about retirement expenses.

But Peter Adeney, aka blogger Mr. Money Mustache, is a fan of frugality as a path to financial freedom. “Everybody uses the FIRE acronym because it is catchy and early retirement sounds desirable.”

But for most people who get there, financial independence does not mean the end of their working careers. Instead it means: “Complete freedom to be the best, most powerful, energetic, happiest and most generous version of you that you can possibly be,” he says.

I’m not sure why anyone wants to argue with that sentiment, but haters abound. Before you cast judgment, let’s remember that a huge number of millennials ran head first into a once-in-a-lifetime (hopefully) financial crisis and recession. Many diligently went off to college and then graduated, often with tens of thousands of dollars of student loan debt, only to face a horrible employment landscape.

As a result, they were forced to take any job that would service that debt. Meanwhile, the older part of the generation had just started to accumulate some wealth and then, suddenly, the financial storm knocked them off course.

While the Great Recession was tough on everyone, The Federal Reserve Bank of St Louis found that younger workers, especially those born in the 1980s, suffered the most severe setbacks and have rebounded at a snail’s pace.

“This cohort has been the slowest to recover from the Great Recession. In fact, its wealth shortfalls (relative to the age-specific benchmark levels we predicted) were the only ones to worsen from 2010 to 2016. ... There are reasons to be very concerned about the financial outlook for many young Americans.”

It’s not surprising these younger folks have a complicated relationship with money. The recently released Millennials with Money report from communications marketing firm Edelman, found that more than half (54 percent) of those surveyed who struggle with financial decisions say it’s because thinking about money makes them stressed and anxious.

Retirement: Learning To Live Without A Paycheck

By Janet Bodnar, Kiplinger's Personal Finance

One retirement truism I can personally vouch for is that once you give up the security of a steady paycheck, you're exposed to a host of uncertainties: interest rate moves, stock market corrections and tax changes, to name a few.

To hedge against things that are out of my control, I've elected to wait till age 70 to collect Social Security benefits as well as to take my pension as an annuity rather than a lump sum, both of which will maximize my regular income.



The latter is a popular strategy among Kiplinger's readers. "I totally underestimated the value of a guaranteed income stream," writes Bill Kleine. To create one for himself, Kleine converted a lump-sum payout from a former employer into a simple fixed annuity. Another reader converted a whole life insurance policy into a fixed annuity.

To protect against potentially higher future tax rates, Dennis Kelly is withdrawing more than his required minimum distributions to take advantage of today's relatively low rates. David and Janet Dennison are making charitable contributions from their pretax accounts to reduce the amount they'll be required to take in RMDs when they turn 70 1/2, which will also cut their tax bill.

To preserve his savings, Del Richter is planning to use an ultraconservative 2 percent annual withdrawal rate instead of the traditional 4 percent benchmark. But Richter may be playing it too safe. Wes Moss, a certified financial planner (CFP) in Atlanta, recently took an updated look at the 4 percent rule and found that it's still valid. In 70 percent of Moss's scenarios, retirement funds lasted 50 years or more, and in the worst-case scenario, the money ran out in 29 years.

In fact, there's a lot of evidence that retirees may be worrying too much about preserving their money. A recent study by the Employee Benefit Research Institute found that people are reluctant to dip into their assets, often spending down significantly less than half of their savings within the first two decades of retirement -- and sometimes even increasing their nest egg.

One reason is that retirees are self-insuring against potentially catastrophic expenses. Nevertheless, says EBRI CEO Lori Lucas, "they're living sub-optimally, not spending money even though they could be."

How to overcome their fear? Sometimes the solution is to put into place a financial plan "that gives you permission to spend," says Brian Sykes, a CFP in Blue Bell, Pa. Sykes also recommends maintaining separate accounts for things such as basic bill-paying, travel and investment.

But frequently the spending barrier is mostly psychological. For years you've been saving regularly, and now you have to create a new habit by training yourself to do what doesn't come naturally, says financial therapist Olivia Mellan. Her advice: "Practice spending your money, and reward yourself for the experience." 



Some things about 529 college savings accounts: The beneficiary of a tax-advantaged 529 account can be switched without penalty to any direct relative of the original beneficiary. Switching beneficiaries helps avoid the IRS rule that allows account holders to change fund choices only twice per calendar year. Parent-owned 529s may reduce a child's financial-aid package by up to 5.64% of the value of the account when applying for financial aid, but 529s owned by grandparents do not count at all until withdrawals to pay for college start. Then the money is considered income to the student. Some states, but not all, allow 529 funds to be used for K-12 education—for instance, for private high school. But other states tax the gains portions of withdrawals for K-12 use, although those gains are not federally taxed. Rules can be quite complex—consult your tax and financial adviser.

Source: The Wall Street Journal 2018

Create an online Social Security account even if you are years away from retirement. This will stop identity thieves from setting up a phony account and claiming benefits in your name. It also is an easy way to check your earnings record to be sure it is correct.

Source: CBSNews.com 2018

"A wise man should have money in his head, but not in his heart."

—Jonathan Swift

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New Tax Law Affects Divorce Settlements

By Elliot Raphaelson, Tribune Content Agency

The Tax Cuts and Job Act changed the rules regarding tax deductions for both parties in divorce and separation agreements, starting in 2019. Divorce agreements executed before 2019 will not be affected. Under the new tax law, alimony payments will not be tax-deductible. Alimony will be tax-free to recipients.

The new tax law may increase the value of tax-deferred retirement savings not paid in cash in divorce negotiations. This would include property, common stock, real estate, retirement plans such as a 401(k) under a qualified domestic relations order and balances from an IRA (subject to state law limitations).

Taxable alimony may be used to fund IRAs because it is considered compensation, but tax-free alimony does not qualify as compensation and can't be used to fund an IRA. Accordingly, a recipient receiving cash as alimony after 2019 may not use it to fund an IRA.

However, there will be opportunities to use non-cash transfers

to benefit both parties in divorce agreements. For example, assume an individual in the 35 percent tax bracket transfers part of a retirement plan, such as an IRA or 401(k), to a recipient in the 25 percent tax bracket. The recipient receives the transfer

tax-free. The donor does not pay any taxes on the distribution. The recipient would be paying a lower tax on any withdrawals. There is a disadvantage for the recipient is when he/she is younger than 59 1/2: There would be a 10 percent early retirement penalty.

After 2019, divorce attorneys will have to be more creative in structuring divorce agreements to satisfy both the donor and the recipient.

For individuals either contemplating divorce or already divorced, it is important to understand Social Security regulations. For example, if you are considering a divorce and the marriage has lasted close to but less than 10 years, it is advantageous to maintain the marriage for at least 10 years. Otherwise, you will not be eligible for any spousal Social Security benefits, including widow(er) benefits.

