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Tips to Help STRETCH YOUR PAYCHECK

Most people would like to have more money in their bank accounts, while working less. Although this may seem like a never-ending dilemma, there may be a solution. Think about it. The best way to stretch the money you make without working more hours is to avoid excess spending in the first place. Some people call this a budget, but you could just as easily call it a spending plan.

Here are 10 tips to help stretch your hard-earned cash in today's challenging economic climate:

1. Create a spending plan. Many people resist the idea of a budget because they associate it with hardship and sacrifice. But instead, you can create a monthly "spending plan" for your fixed and discretionary expenses. By planning your spending, you may find that you spend money more wisely because you're consciously taking control.

2. Pay yourself first. Put savings at the top of your spending plan. If you wait until the end of the month to save any leftover cash, you may find yourself without a cushion when you need it most. Be sure to set a savings goal. For example, strive to save at least 10% of your income before spending the rest.

3. Track your spending. Record your expenditures for a month. Be especially careful about keeping track of any small, optional items you purchase. You may be surprised to discover how quickly purchases costing only a few dollars can add up. At the end of the month, review your expenditures and adjust your spending plan accordingly. Once you see where your money is going, you may decide to make different choices about your spending habits.

4. Live within your means. Many people feel as if they never have quite enough money to live on, yet they probably know people who successfully manage on less. If your expenses are less than your income, you are living within your means.

5. Shop for value. Look for opportunities to get more value from each dollar you spend. Join a warehouse or shopping club to buy items in bulk. Purchase clothing,

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How Much Can Your Earn
AND STILL RECEIVE SOCIAL SECURITY

Retirees are often ready, willing, and able to start new careers that may earn them significant incomes during their years of "leisure." However, some individuals may feel that it is not worthwhile to work for wages, only to have to "give up" some of those earnings in the form of higher income taxes. As frustrating as that may sound, it is important to understand the fundamentals of Social Security income and taxation so you can make your retirement years more "golden" and less "taxing."

Income Limits: Paying to Work?

The first factor to consider is the Social Security "give-back." If you are age 62 or older, but still under the **full retirement age** (65–67 depending on your birth year), and receiving reduced Social Security benefits, you must "give back" $1 for every $2 earned above $17,640 in 2019. If you reach full retirement age in 2019, your benefits are reduced by $1 for each $3 earned over $46,920 in months prior to your full retirement age. When you reach your full retirement age, there is no limit on your earnings, and Social Security benefits are not reduced.

How Much Is Taxable?

A second factor affecting your Social Security income is the potential taxation of your monthly benefit. If you are working and also receiving a check from the Social Security Administration (SSA) each month, you must first determine how much, if any, of your benefit is included in your **gross taxable income**. The first step in estimating this amount is to add half of your Social Security benefits to all your other income, including any tax-exempt interest.

This total is then compared to a first-tier threshold of $25,000 for a single taxpayer or a married taxpayer who is filing separately and lived apart from his or her spouse for the entire year, or $32,000 for a married taxpayer filing jointly. For a married taxpayer filing separately, who lived with his or her spouse for any period during the year, the first-tier threshold is $0.

For illustrative purposes, suppose your total applicable earnings are $27,000, and you are married and filing jointly. Since the total does not exceed the applicable threshold amount of $32,000, then *no* portion of your Social Security benefit is taxable. However, if the total exceeds the applicable threshold amount, further calculation is needed to determine the amount of your benefit that is taxable. For more information, refer to IRS Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, visit the Social Security website at www.ssa.gov, or consult your qualified tax professional.

Performing these calculations is no simple task. So, it is important to understand the potential tax consequences when thinking about receiving Social Security while still working, and plan accordingly. As with all tax planning matters, be sure to consult a qualified tax professional to help ensure that your planning decisions are consistent with your overall financial goals. **20/20**

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furniture, and household goods on sale. Big-ticket items like cars and household appliances often depreciate substantially in the first one or two years. So, you may want to consider buying a certified, used car with reasonably low mileage or secondhand appliances in good condition for less.

6. Minimize debt. Keep your debt level low. By reducing debt, you also minimize interest and finance charges. When you are tempted to charge a purchase, remember that you are committing to pay for it from income you have not yet earned.

7. Eat in. Dining out can be expensive, since you are paying for the service, as well as the food. Meal taxes also add to the bill while liquor and desserts boost the tab even higher. Therefore, reserve the fine dining for special occasions only.

8. Reduce housing costs. Housing is a major fixed expense. Consider reducing this cost by buying or renting a smaller place, or one with fewer amenities. If you rent and plan on staying in an area for more than a few years, consider buying. Owning a home is often more expensive than renting at first, but can be worthwhile in the long run.

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Creative Insurance Solutions
FOR TODAY'S MATURE FAMILY

Survivorship life insurance offers a creative and flexible solution for a family's life insurance needs. Often referred to as ***last-to-die*** or ***second-to-die,*** this life insurance policy insures *two* individuals yet provides only one **death benefit** payable upon the death of the second insured. In many instances, survivorship life insurance may be less expensive than a single life insurance policy on one of the insureds. This is possible because the insurance risk is spread over the life expectancy of *two* individuals rather than one. In fact, two people can be insured even if one is medically "uninsurable," therefore providing added security in a potentially difficult situation.

Why Survivorship Life?

Survivorship insurance presents several opportunities, the most common of which is the funding of estate taxes. Even with the appropriate wills, trusts, and property ownership, assets of married couples that exceed $22.8 million (for 2019) may be subject to Federal estate taxes (for single individuals, assets over $11.4 million in 2019 are subject to estate taxes). For married couples, a survivorship life insurance policy can be an integral part of an estate plan.

For instance, suppose Peter and Kim are both 60 years of age and have three adult children. Their net assets total $23.3 million. They have updated and signed the appropriate legal documents (wills, trusts, etc.), and repositioned their asset ownership in order to maximize their respective **applicable exclusion amount**. The potential exists for only $22.8 million to pass to their heirs estate tax free. However, the remainder of their assets would be subject to Federal estate taxes if they were to die in 2019 (excluding other administrative and funeral costs).

One solution to this problem would be to create an **irrevocable trust** to purchase a survivorship life insurance policy. In this situation, the trust would be the owner ***and*** beneficiary of the policy, which would allow the policy proceeds to pass to the trust beneficiaries (Peter and Kim's children) estate tax free. In addition, Peter and Kim make a gift of the policy premiums to the trust by using their **annual gift tax exclusions** (without incurring a gift tax, individuals can gift up to $15,000 per year per donee to anyone they wish in 2019, while married couples can gift up to $30,000 per year).

Even if a couple does not foresee any estate tax problems, survivorship insurance can still be a dynamic method to enhance any gifting or wealth transferring program. For instance, a survivorship life insurance policy can help provide wealth to children and grandchildren or potentially transform regular gifts to charity into a sizeable long-term gift.

Maintaining Continuity

The many uses of survivorship life insurance can result in a "win-win" situation for the insureds and their family. Whether you have an estate tax problem or merely wish to leverage the value of any gifts you make to your children, grandchildren, or favorite charity, such an insurance plan can help provide maximum benefit for reasonable cost. A consultation with a qualified professional can help you determine how a survivorship life insurance policy can best fit into ***your*** overall financial plan. **20/20**

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9. Trim transportation costs. Many families now own multiple vehicles and have additional costs for insurance, repairs, fuel, and parking. Consider using public transportation or carpooling with others, whenever possible. The savings in vehicle-related expenses may offset any inconvenience.

10. Create a cash reserve. A cash reserve can help you stick to your spending plan and help keep you out of debt when emergencies, such as a major car repair or short-term disability, arise.

Cutting back on excess spending does not have to mean continually denying yourself life's simple pleasures. Instead, you may find that with living within your means and paying yourself first, your debts will decrease as your savings grow. A personalized spending plan can help provide that "extra" income and stretch your hard-earned paycheck a little further. **20/20**

Progress in Retirement Saving Varies
ACCORDING TO WORKER CHARACTERISTICS

While American workers are making progress in reaching their income replacement goals for retirement, large differences remain between those workers who are planning and saving effectively for retirement, and those who are not, according to the findings of a study of how financially prepared Americans are for retirement published in April by the Empower Institute, the research arm of retirement plan record-keeping firm Empower Retirement.

The findings of the study, "Scoring the Progress of Retirement Savers," are based on the results of a survey of 4,038 working adults aged 18-65 conducted between December 18, 2017, and January 21, 2018. When asked to identify the sources they expect to provide income to their household during the first five years of retirement, 71% of respondents mentioned Social Security, 56% cited a workplace-provided defined contribution plan, 38% said personal savings, 29% said employment or self-employment, and 19% cited a traditional pension.

More than two-thirds (67%) of the workers surveyed reported that at least one earner in their household has access to a defined contribution plan at work. The median projected income replacement percentage among all survey participants was found to be 64%; meaning that the median respondent is on track to replace 64% of his or her current income in retirement. However, the results also showed that the median income replacement percentage is 79% for respondents who indicated they have access to a defined contribution plan and are actively contributing to it, compared to 45% for those without access.

Looking at the impact of deferral rates, the analysis estimated that those respondents who are contributing under 3% of pay have a median lifetime income replacement percentage of 59%, while those who are contributing 10% or more have a median lifetime income replacement percentage of 128%. Focusing on the effects of automatic features, the analysis showed that respondents who were auto-enrolled in a retirement plan have a median lifetime income replacement percentage of 95%, compared to 84% for those who opted in; and that respondents in a plan with auto-escalation have a median retirement income replacement percentage of 107%, compared to 84% for those in a plan without this feature.

To explore the factors that might inhibit retirement plan participation, respondents were asked which circumstances would likely prompt them to start contributing to or to increase their contributions to a plan. Nearly one-third (32%) of the workers surveyed cited paying down debt, 22% said receiving a raise, and 12% said reducing their overall spending.

The analysis also revealed that respondents closest to retirement have the lowest projected replacement percentages, while those furthest from retirement have the highest projected replacement percentages: the millennials surveyed were found to be on track to replace 75% of their income, while the median projected income replacement percentage for the early boomers was shown to be just 55%.

The study additionally uncovered large differences in projected income at retirement based on gender, as the median projected income replacement percentage was 71% for the male respondents, but just 59% for the female respondents. Researchers attributed this gender gap in part to the somewhat higher retirement plan participation rates among men (69%) than among women (66%), as well as to the lower average contribution rates among women than among men.

The findings further indicated that there are important differences in projected income replacement based on the industry in which respondents are employed: the median scores were found to be highest among respondents in the financial services industry; and lowest among those in health care, social assistance, trade, transportation, and utilities. **20/20**