Financial Decision Partners LLC
Financial Planning & Investment Management

Financial Decision Partners
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- Working Past Your Normal Retirement Age
- Will You Pass the College Savings Test?

Working Past Your Normal Retirement Age

The Great Recession has many older Americans considering the prospects of staying in the workforce past their normal retirement aga. But working past your normal retirement age is not a new necessity. According to the Social Security Administration, more than 30% of individuals between the ages of 70 and 74 reported income from earnings in 2010, the latest year data are available. Among a younger age group, those between 65 and 69, nearly 49% had income from a job.[1]

Some remain employed for personal reasons, such as a desire for stimulation and social contact; others still want a regular paycheck. Whatever the reason, the decision to continue working into your senior years could potentially have a positive impact on your financial future.

Working later in life may permit you to continue adding to your retirement savings and delay making withdrawals. For example, if you earn enough to forgo Social Security benefits until after your full retirement age, your eventual benefit will increase by between 5.5% and 8% per year for each year that you wait, depending on the year of your birth. You can determine your full retirement age at the Social Security Web site (www.ssa.gov) or by calling the Social Security Administration at 1-800-772-1213.

Adding to Your Nest Egg

Depending on the circumstances of your career, working could also enable you to continue adding to your retirement nest egg. If you have access to an employer-sponsored retirement plan, you may be able to make contributions and continue building retirement assets. If not, consider whether you can fund an IRA. Just remember that after age 70 1/2, you will be required to make withdrawals, known as required minimum distributions (RMDs), from traditional 401(k)s and traditional IRAs. RMDs are not required from Roth IRAs and Roth 401(k)s.

Even if you do not have access to a retirement account, continuing to earn income may help you to delay tapping your personal assets for living expenses, which could help your portfolio last longer in the years to come. Whatever your decision, be sure to apply for Medicare at age 65. In certain circumstances, medical insurance might cost more if you delay your application.

Work doesn't have to be a chore. You may find opportunities to work part time, on a seasonal basis, or capitalize on a personal interest that you didn't have time to pursue earlier in life.

Source/Disclaimer:
[1]Source: Social Security Administration, *Income of the Population 55 or Older, 2010,* March 2012 (latest available).

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Providing Vision, Service, & Pathways Securing Your Future℠

Will You Pass the College Savings Test?

Did you know that on average, a college graduate earns over 80% more than someone with just a high-school diploma?[1] That advantage, however, comes with a price tag. Currently, the annual cost of a four-year private college can top $30,000 for tuition, fees, and room and board, according to a 2013 report by the College Board. That's a significant amount of money, but don't despair. A sound investment strategy can help put your children on the road to a valuable four-year college degree.

When investing for any large financial objective, it's best to start early and invest often. First, set your goal: Estimate how much you will need to accumulate for each child based on his or her age. Then, develop a plan and stick with it. Consider discussing the following guidelines with your financial advisor.

Use an Age-Based Approach

If you have time on your side (12 to 18 years), consider investing the majority of your college assets in stocks and equity mutual funds, as these investments have historically provided the greatest long-term growth potential (of course, past performance can't guarantee future results). Make sure to consider the volatility involved with equity investing and your ability to ride out potential fluctuations.

As your time horizon nears, you'll probably want to add or increase a fixed-income element to help balance risk. Also, consider teaching the college-bound student about investing -- by encouraging that a portion of the money earned through part-time jobs be contributed to the college savings plan.

Investigate Tools for Saving

When investing for college, consider investing in a 529 college savings plan. These state-sponsored plans allow individuals to invest in predetermined, professionally managed investment pools. All earnings and distributions are tax free if used for qualified higher education expenses.[2] Plus, residents of the sponsoring state may be eligible for a state tax deduction on contributions to the state's 529 plan.

Lifetime contribution limits to 529 plans often exceed $200,000. In addition, you can contribute up to $14,000 annually or make a lump-sum contribution of $70,000 every five years -- up to the plan's lifetime contribution limit -- without triggering gift taxes. Another plus: there are no income restrictions on contributors to a 529 plan.

Work with your financial advisor to devise a strategy and choose from among different investments to pursue a long-term financial goal, such as a child's or grandchild's college education.

Source/Disclaimer:
[1]Source: U.S. Census Bureau, 2011. Based on lifetime earning figures.
[2]Nonqualified withdrawals are subject to a 10% federal penalty tax.

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