Mission Point Dec. Newsletter

We wish you a Merry Christmas!!

Mission Point Planning Group
Mission Point Team
Anthony L. Bucci
Managing Director
3250 West Big Beaver
Suite 302
Troy, MI 48084
248-504-6015
anthony@missionpointplan.com
www.missionpointplan.com

Ellen : "Clark, I think it'd be best if everyone went home... before things get worse."

Clark : "WORSE? How could things get any worse? Take a look around here, Ellen. We're at the threshold of hell."

While the Griswold family struggled mightily with the holiday hustle and bustle in one of my all-time favorite movies, I hope you and yours fare much better during the most wonderful time of the year.

As the calendar year comes to a close, we once again want to thank you for your continued trust and business with us. We cherish the relationships we've created.

We know this is a busy period for many and if you have some down time, we hope you enjoy this newsletter over a cup of eggnog or a few gingerbread cookies. It offers year-end advice, some tips for business owners, how to talk to your teen about finances and much more.

We hope the new year finds you and your family in good health and prosperity. From all of us at Mission Point, we wish you a very, Merry Christmas and a Happy New Year!!

December 2018

What Happened to Your Money?

If you don't know what happened to your money during the past year, it's time to find out. December and January are the perfect months to look back at what you earned, saved, and spent, as W-2s, account statements, and other year-end financial summaries roll in.

How much have you saved?

If you resolved last year to save more or you set a specific financial goal (for example, saving 15% of your income for retirement), did you accomplish your objective? Start by taking a look at your account balances. How much did you save for college or retirement? Were you able to increase your emergency fund? If you were saving for a large purchase, did you save as much as you expected?

How did your investments perform?

Review any investment statements you've received. How have your investments performed in comparison to general market conditions, against industry benchmarks, and in relationship to your expectations and needs? Do you need to make any adjustments based on your own circumstances, your tolerance for risk, or because of market conditions?

Did you reduce debt?

Tracking your spending is just as important as tracking your savings, but it's hard to do when you're caught up in an endless cycle of paying down your debt and then borrowing more money. Fortunately, end-of-year mortgage statements, credit card statements, and vehicle financing statements will all spell out the amount of debt you still owe and how much you've really been able to pay off. You may even find that you're making more progress than you think. Keep these paper or online statements so you have an easy way to track your progress next year.

Where did your employment taxes go?

If you're covered by Social Security, the W-2 you receive from your employer by the end of January will show how much you paid into the Social Security system via payroll (FICA) taxes collected. If you're self-employed, you report and pay these taxes (called self-employment taxes) yourself. FICA taxes help fund future Social Security benefits, including retirement, disability, and survivor benefits, but many people have no idea what they can expect to receive from Social Security in the future.

This year, get in the habit of checking your Social Security Statement annually to find out how much you've been contributing to the Social Security system and what future benefits you might expect, based on current law. To access your Statement, sign up for a *my* Social Security account at the Social Security Administration website, socialsecurity.gov.

Did your finances improve?

Once you've reviewed your account balances and financial statements, your next step is to look at your whole financial picture. Taking into account your income, your savings and investments, and your debt load, did your finances improve over the course of the year? If not, why not?

Next, it's time to think about the changes you would like to make for next year. Start by considering the following questions:

- What are your greatest financial concerns?
- Do you need help or advice in certain areas?
- Are your financial goals the same as they were last year?
- Do you need to revise your budget now that you've reviewed what you've earned, saved, and spent?

Use what you've learned about your finances to set your course for the new year ahead. Challenge yourself to save more and spend less so that you can make steady financial progress.

MISSION POINT
Planning and Retirement

Business Owners: What's Your Plan for Retirement?

This article is a brief overview of some of the retirement plan options available. The right plan for you and your business will depend on a number of factors. Consider reviewing IRS Publication 560, Retirement Plans for Small Business, and consulting a financial professional before making any decisions.

Distributions from pre-tax accounts and nonqualified distributions from Roth accounts will be taxed at ordinary income tax rates. In addition, taxable withdrawals before age 59½ will be subject to a 10% penalty tax, unless an exception applies. (For the definition of a qualified Roth IRA withdrawal, refer to chapter 2 of IRS Publication 590-B, Distributions from Individual Retirement Arrangements.)

All investing involves risk, including the possible loss of principal. There is no guarantee that working with a financial professional will result in investment success.

If you're a small-business owner, you probably pour your heart, soul, and nearly all your money into your business. When it comes to retirement planning, do you cross your fingers and hope your business will provide the nest egg you'll need to live comfortably? What if you become ill and have to sell your business early? Or what if the business experiences setbacks just before you retire?

Rather than relying on your business to define your retirement lifestyle, consider a tax-advantaged retirement plan to supplement your strategy. Employer-sponsored plans offer many benefits, including current tax deductions for the business itself and tax-deferred growth (and perhaps even tax-free income) for you and your employees. Here are some options to consider.

Qualified plans

Although these types of plans generally have regulatory requirements that can be costly and somewhat cumbersome, they offer a certain level of control and flexibility.

- **Profit-sharing plan:** Typically, only the business contributes to a profit-sharing plan. Contributions are discretionary (although they must be "substantial and recurring") and are placed into separate accounts for each employee according to an established allocation formula. There's no fixed amount requirement, and in years when profitability is particularly tight, you generally need not contribute at all.
- **401(k) plan:** Perhaps the most popular type of retirement plan offered by employers, a 401(k) plan can allow employees to make both pre- and after-tax (Roth) contributions. The accounts grow on a tax-deferred basis. Distributions from pre-tax accounts are taxed as ordinary income, whereas distributions from Roth accounts are tax-free as long as they are qualified. Employee contributions cannot exceed $18,500 in 2018 ($24,500 for those 50 and older) or 100% of compensation, and you, as the employer, can choose to match a portion of employee contributions. These plans must pass tests to ensure they are nondiscriminatory; however, you can avoid the testing requirements by adopting a "safe harbor" provision that requires a set matching contribution based on one of two formulas. Another way to avoid testing is by adopting a SIMPLE 401(k) plan. However, because they are more complicated than SIMPLE IRAs (described later in this article), SIMPLE 401(k)s are not widely utilized.
- **Defined benefit (DB) plan:** Commonly known as a traditional pension plan, DB plans are not as popular as they once were and are uncommon among small businesses due to costs and complexities. They promise to pay employees a set level of benefits during retirement, based on a formula typically expressed as a percentage of income. DB plans generally require an actuary's expertise.

Total contributions to profit-sharing and 401(k) plans cannot exceed $55,000 or 100% of compensation in 2018. With both profit-sharing and 401(k) plans (except safe-harbor 401(k) plans), you can impose a vesting schedule that permits your employees to become entitled to employer contributions over a period of time.

IRA plans

Unlike qualified plans that must comply with specific regulations, SEP-IRAs and SIMPLE IRAs are less complicated and typically less costly.

- **SEP-IRA:** A SEP allows you to set up an IRA for yourself and each of your eligible employees. Although you contribute the same percentage of pay for every employee, you're not required to make contributions every year. Therefore, you can time your contributions according to what makes sense for the business. For 2018, total contributions (both employer and employee) are limited to 25% of pay up to a maximum of $55,000 for each employee (including yourself).
- **SIMPLE IRA:** The SIMPLE IRA allows employees to contribute up to $12,500 in 2018 on a pre-tax basis. Employees age 50 and older may contribute an additional $3,000. As the employer, you must either match your employees' contributions dollar for dollar up to 3% of compensation, or make a fixed contribution of 2% of compensation for every eligible employee. (The 3% contribution can be reduced to 1% in any two of five years.)

For the self-employed

In addition to the options noted above, sole entrepreneurs may consider an individual or "solo" 401(k) plan. This type of plan is very similar to a standard 401(k) plan, but because it applies only to the business owner and his or her spouse, the regulatory requirements are not as stringent. It can also have a profit-sharing feature, which could help you maximize your tax-advantaged savings potential.

MISSION POINT
Planning and Retirement

Talking to Your Teen About Money

Parents play an important role in shaping their children's financial behaviors and attitudes toward money.

You probably feel comfortable talking to your teen about things like school, sports, and clothing. But how do you feel about talking about money? While it may be a tricky topic to broach, odds are that your teenager will rely on you to learn basic financial management skills. And the teenage years can be a critical learning period. According to a report by the Consumer Financial Protection Bureau, it's important to establish strong financial decision-making habits in the teen years because it will help your child better navigate his or her financial life as an adult.[1]

Prepare your teenager for the financial challenges of adulthood by talking to him or her about the following topics.

Handling an income

Whether your teen earns an allowance from you or works a part-time job, he or she will need guidance on what to do with the income. Set some expectations regarding your teen's pay. How much of it will be discretionary? Will your teen start contributing to his or her share of a monthly cell phone bill, or would you prefer for your child to set aside a portion of each paycheck for college?

When your teen earns his or her first paycheck, take time to sit down and review the information on the pay stub or online statement. Help your child understand what certain terms mean, such as gross pay, net pay, federal income tax, state income tax, Social Security tax, and Medicare tax. Show your teen how income taxes can affect take-home pay.

Building a budget

Help your teen learn to be accountable for his or her finances by developing a spending plan. Start by listing all sources of regular income (e.g., an allowance or earnings from a part-time job). Next, ask your teen to identify regular expenses. Depending on what you and your child have agreed on, that might include car insurance, a cell phone bill, or clothing expenses. Take the total expenses and subtract them from your teen's total income.

If this exercise shows that your child won't have enough income to meet his or her expenses, help your teen come up with a plan for making up the shortfall. Suggest ways to earn more money or cut back on expenses, but resist the temptation to bail out your teen. The point of establishing a budget is to give your child a taste of what it's like to earn an income and pay expenses without running out of money.

Setting and saving for financial goals

In the past, your teenager probably came to you for money to pay for items that he or she wanted. Now that your teen has a steady source of income, it's time for him or her to make purchases independently. Your child may be ready to start saving for larger goals such as a new computer or a car and longer-term goals such as college. Encourage your teen to save by putting these goals in writing to make them more concrete. Consider offering incentives, such as matching what your teen saves toward a long-term goal. For example, for every dollar your child sets aside for college, you might contribute 50 cents or more.

Remember to praise your teen for showing responsibility when a goal is reached. Your approval, as well as the sense of accomplishment your teen will feel, can help reinforce healthy savings habits.

Getting familiar with credit

While credit card companies require an adult to co-sign a credit card agreement before they will issue a card to someone under the age of 21, you shouldn't ignore the credit card issue altogether. Teach your teen about establishing and maintaining good credit. Explain how credit card interest is calculated and emphasize the importance of paying bills on time. Don't be afraid to share your experience using credit with your child — personal examples can be a great way to help him or her learn.

Becoming a smart shopper

Encourage your teenager to spend money wisely. Teach your child to ask questions before making a purchase, such as:

- Why do I want this item? Am I buying something because I really want it, or because all of my friends have it?
- Can I really afford this item?
- Do I need to buy this item now, or can I set aside money to buy it at a later time?
- Am I getting a good deal on this item, or should I shop around for a more affordable alternative?

Remember that talking to your teenager about money now can help him or her establish a more financially stable future.

[1] Report Brief: Building Blocks to Help Youth Achieve Financial Capability, Consumer Financial Protection Bureau, September 2016

MISSION POINT
Planning and Retirement

Mission Point Planning Group
Mission Point Team
Anthony L. Bucci
Managing Director
3250 West Big Beaver
Suite 302
Troy, MI 48084
248-504-6015
anthony@missionpointplan.com
www.missionpointplan.com

Should I consider requesting a deferment or forbearance for my federal student loans?

Did you take on a large amount of debt to pay for college, and are you struggling to pay it off? If so, you are not alone. According to the Federal Reserve, 20% of individuals with outstanding student loans were behind on their payments in 2017.[1] You may want to consider requesting a deferment or forbearance if you are having difficulty keeping up with your federal student loan payments.

Provided certain eligibility requirements are met, both a deferment and a forbearance allow you to temporarily stop making payments or temporarily reduce your monthly payment amount for a specified time period. The key difference between the two is that with a deferment, you may not have to pay back any interest that accrues on the loan during the deferment period, depending on the type of loan you have. During a forbearance, you are responsible for paying any accrued interest on the loan, regardless of the type of loan you have.

In order to obtain a deferment or forbearance, you will need to submit a request to your loan servicer. Most deferments and forbearances are granted for a specific time period (e.g., six months), and you may need to reapply periodically to maintain your eligibility. In addition, there is usually a limit to the number of times they are granted over the course of your loan. If you meet the eligibility requirements for a mandatory forbearance (e.g., National Guard duty), your lender is required to grant you a forbearance.

Whenever interest accrues on a loan during a deferment or forbearance, you can either pay the interest as it accrues, or it can be added to the overall principal balance of the loan at the end of the deferment or forbearance period. It is important to remember that if you don't pay the interest on your loans and allow it to accrue, the total amount you repay over the life of your loan will be higher. As a result, you should weigh the pros and cons of requesting a deferment or forbearance and consider your repayment options. For more information on your federal student loan repayment options, visit studentaid.ed.gov.

[1] Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2017, May 2018