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SIENA
WEALTH MANAGEMENT, INC.

Live Longer And Prosper In Your Golden Years

Are you part of the baby boomer generation that now is surging into retirement? Or are you a member of "Generation X," which isn't far behind? In either case, some traditional ideas about retirement no longer may apply.

For one thing, people now live longer than in the past, which means that their golden years will last longer, too. The average life expectancy for someone in the U.S. who now is age 65 is 84.3 years. And that number, which has grown steadily for many decades, is expected to go even higher.

Maybe the "new" 65 is 70 or even 75.

What is the main implication of this change? By living longer, it's likely you'll have to save more for retirement, or figure out ways to stretch your dollars further if you want to maintain a comfortable lifestyle. If you do nothing, you could run the risk of outliving your retirement savings. You'll also have a lot less, if anything at all, to pass on to your heirs.

Fortunately, there are several potential solutions to this dilemma. Consider these six options:

1. Invest for the longer term. You're already in it for the long haul. But some additional tinkering with your investment portfolio may allow your assets to last even longer. For example, you could minimize some risks of a market downturn by making sure you have a well-diversified portfolio. Of course, there are no guarantees against a loss of principal, especially in a declining market.

2. Bulk up your 401(k) and IRAs. Assuming you're still working full-time, do whatever you can to boost your annual contributions to your 401(k) plan and IRAs. For 2017, someone age 50 or over can contribute a maximum of $24,000 to a 401(k) and $6,500 to an IRA. (The 2017 figures are $18,000 and $5,500, respectively, for younger savers.) Your IRA contribution could be split between a traditional IRA and a Roth IRA.

3. Postpone Social Security benefits. Although you can receive your full Social Security retirement benefits at your "full retirement age" (FRA)—age 66 for most baby boomers—you're entitled to even higher monthly benefits if you postpone taking benefits until as late as age 70. This may be preferable if you expect to live a long time.

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The Next Generation!

We are grateful to have worked with many of you for over 20 years and some over 25 years. We've been through a lot together: planning for the future, market fluctuations, buying homes, changing jobs, starting businesses, selling businesses, having children and grandchildren, retiring, and traveling the world. After all these years, your children and heirs may be ready for the sort of advice and partnership you were seeking when we first began working together.

We are always happy to help you and your family anyway we can. Working with the next generation is exciting, and while the world has changed a lot, many of the same ageless principles still apply. We enjoy talking with our clients' children and heirs about what it means to be a trustee for your estate or how we can help them become more financially savvy. Whether it's discussing investment vehicles, principles and philosophy, rainy day funds, insurance, 401(k)s, stock options, home purchases or college savings, we invite you to bring us into the conversation.

As you know, the same advice that falls on deaf ears coming from mom and dad can be a revelation coming from an outside "expert." Please let us know if it would be helpful to set up a meeting with your next generation.

Your team at Siena Wealth Management

Ron Howard – Managing Principal
Mike Demko – Senior Financial Advisor
Mike Weakley – Senior Financial Advisor
Chris Cox – Financial Advisor
Billy Boulett – Client Service

How Now, Dow Jones Industrials?

You see it reported every day in the financial news: The Dow Jones Industrial Average (DJIA). And the Dow made headlines back on January 25, 2017, when it cracked the 20,000-point mark for the first time in its history. But what exactly is the DJIA and what do the fluctuations in points really mean?

The DJIA is a long-time barometer for the way the stock market is moving although it's not the only one, and it may not be the best measure of the thousands of stocks listed on the major exchanges. Some experts consider the Standard & Poor's (S&P) 500 and the NASDAQ to be more reliable indicators. Nevertheless, even if you don't put much store into whether the DJIA goes up or down on a given day, it does have an interesting history.

The Dow measures the movements of just 30 stocks. Traditionally, those have included the "blue-chip" companies considered to be the bedrock of the American economy. So, when the DJIA finally punched through the 20,000-point mark, it may have seemed like a triumph for the economy as a whole.

The roots of today's DJIA can be traced back to before 1900. Charles Dow, co-founder of *The Wall Street Journal*, simply added up the closing prices of one share of each of a dozen companies he had selected to measure, and then divided the total by 12 to arrive at a daily average. Subsequently, the list was expanded to include 30 of the top industrial companies, with the daily average computed by dividing the total price of those stocks by 30.

But the math became trickier over time as stocks began to split and share prices became skewed. The solution to keep the DJIA going was to make periodic adjustments in the figures in order to keep the average historically consistent. Despite this change, this indicator still is referred to as an "average," although these days it isn't.

What's more, the ever-changing list is no longer limited to industrials. It now includes major retailers, technology companies, and financial services firms.

Also, of course, the percentage gains grow smaller as the total number of points goes higher. For instance, when the Dow reached the 6,000-point level more than 20 years ago, that represented a 20% increase from the 5,000-point mark. But the jump from 19,000 points to 20,000 points, another 1,000-point gain, was just a 5.3% increase.

In any event, don't discount the psychological and emotional impact that swings up and down in the Dow may have. You can't help hearing it on the news every day and it often affects investor judgment, especially when the economy is in turmoil or is booming. ●

Sidestepping A Life Insurance Trap

Life insurance can be a lifesaver for a family whose main breadwinner unexpectedly passes away. But there may be steps you should consider that go beyond buying sufficient coverage to protect your family.

A primary goal is to keep life insurance proceeds from being included in your taxable estate, which could reduce their value. Normally, that will happen if the proceeds are payable to the estate or are received by someone else for the benefit of the estate. So the first step in avoiding this trap is to designate beneficiaries such as a spouse or a child who don't fall into those categories and to grant them full control over those assets. But that may not be the entire solution.

Even if proceeds aren't made payable to the estate, they count as assets of the insured person's taxable estate if he or she possessed "incidents of ownership" in the policy on the date of death. Furthermore, this rule applies to any incidents of ownership transferred during the final three years before death.

What is an "incident of ownership"? The definition goes beyond mere legal ownership and rights to the economic benefits of a policy. The list includes items such as the power to change beneficiaries; to revoke assignments of benefits; to obtain loans against the policy's cash value; to pledge the policy as collateral for a loan; and to surrender or cancel the policy. But the right to receive dividends and the right to veto the sale of an insurance policy by a trustee of an irrevocable life insurance trust aren't considered incidents of ownership.

If you buy life insurance and transfer all incidents of ownership in the policy more than three years before your death, all of the proceeds will be exempt from

Spell Out Plans For Inherited IRA Assets

Do you have substantial assets in your IRAs? It's important to be smart about beneficiary designations, and maximizing tax benefits, while avoiding potential pitfalls. But it's also essential not just to fill out all of the paperwork and forget about it. Instead, take the time to discuss your plans with family members.

Spouses who inherit traditional IRA assets have more flexibility than other beneficiaries, though non-spouses, too, can benefit from careful planning to determine the best ways to pass along money in an IRA. Here are key points to cover in your family discussions:

The first thing to do is to bring everyone up to speed on the differences between spouses and other beneficiaries.

1. Spousal beneficiaries: Spouses who are IRA beneficiaries can move the money into their own IRAs and treat it just like other assets in those accounts. They can do this without owing any tax, and if they haven't yet reached age 70½, they won't have to take the required minimum distributions (RMDs) that must begin after you reach that milestone. (But if your spouse who died already was taking RMDs, you'll need to make that withdrawal for the year of death.)

That doesn't mean a spouse can't withdraw some or all of the money in the inherited account. But any distribution will be taxed, probably as regular income. So it's generally better for tax purposes to take a series of distributions stretched over several years.

2. Non-spousal beneficiaries: If you bequeath IRA assets to your children or to anyone other than your spouse, those beneficiaries will have to follow different rules. They can't roll over the money tax-free into IRAs of their own. Instead, they must arrange to receive a series of distributions based on their life expectancies or empty out the inherited accounts within five years. Because beneficiaries tend to be younger than the deceased IRA owner, they often can use the strategy of withdrawing funds gradually over their life expectancies, an approach often referred to as a "stretch IRA."

But those non-spousal beneficiaries *will* have to take annual RMDs regardless of how old they are. Because the amount of those yearly withdrawals depends on the inheritor's age, younger beneficiaries will be able to take smaller RMDs than those who are older. But if they fail to take an RMD in any year they'll be hit by a penalty of 50% of the amount that should have been withdrawn. They'll also owe regular tax.

The amount of these RMDs will be based on the account balances on December 31 of the prior year and a factor based on the beneficiary's projected life expectancy in IRS-prescribed tables. You have until December 31 of the current year to receive your RMDs, which generally will be calculated and paid out by the custodian of your IRA.

Of course, non-spousal beneficiaries, too, can choose to withdraw more than the required amount or to take a lump-sum distribution of everything in the account.

With these basic rules in place, there can be several strategies to maximize tax and other benefits. For example, naming younger beneficiaries could extend the life of a stretch IRA and reduce the amount that is lost to taxes. One way to do that, if your children don't need the funds, is to designate your grandchildren as beneficiaries. Or you could name a child as a primary beneficiary and a grandchild as a contingent beneficiary. When you pass away, the child would have the option to "disclaim" the inheritance, passing it along to the contingent beneficiary and thus lengthening the payout schedule. As long as assets remain within the IRA they won't be subject to current taxes.

The family members who inherit IRA assets then can make their own beneficiary designations immediately, selecting a spouse or a child to inherit the account. Your beneficiaries also will be able to avail themselves of strategies for extending the life of the IRA.

These rules cover assets in traditional IRAs. There are different requirements for Roth IRAs, from which most distributions, even by beneficiaries, are tax-free. The original account holders don't have to take RMDs, although beneficiaries are required to withdraw money each year according to schedules based on their life expectancies. ●

federal estate tax. Although the transfer is subject to gift tax, in most cases you can shield the transfer from tax through the annual gift tax exclusion and generous unified estate and gift tax exemption. Or you might create an irrevocable life insurance trust, which also can help shield proceeds from estate tax.

Big changes in the estate and gift tax laws could be coming, but now is an opportunity to protect your interests under current law without risking future harm. ●

Views On Retirement Communities

How do you feel about retirement communities? Such places, often reserved for those who are age 55, or older, have many supporters and detractors, and opinions may vary widely even from one spouse to another. In the end, this is a personal decision that you have to make for yourself or as a couple. Consider these key considerations:

Common Advantages

• There's generally plenty to do in a retirement community. Depending on the location, you may be able to use your newfound leisure time for golfing, tennis, swimming, gardening, theatre, clubs of all sorts, and numerous other activities.

• Security is another reason why many senior citizens are flocking to these developments. Many communities are gated and have a visible security presence. Plus, with so many neighbors around all the time—rather than being away at work—suspicious activities tend to be reported quickly.

• The homes usually are located close to a reputable medical facility, shopping, and other conveniences. Some even have retail stores.

• A retirement community may offer peace and quiet, with no teenagers revving up their car engines or having all-night parties.

• Homes are built with retirees in mind. They generally provide easy access for disabled individuals and the elderly.

• You can meet and socialize with people in your own age group.

Common Disadvantages

• You may have strong ties to your current community. Many people feel most comfortable staying in the home where they raised their kids and living close to long-standing friends and neighbors.

• Do you have adult children or grandchildren living with you? If that's the case, you may not want to uproot them. In addition, they may not be allowed to live full time in an age-restricted community.

• Even if you don't have youngsters living with you, you may enjoy being around younger people. The age mix in your neighborhood may suit you just fine.

• One frequent complaint of young retirees is that they don't want to live with "old" people. They see themselves as being young or at least acting as if they were. And some people view living in a retirement community as a stigma to be avoided at all costs.

• The association fees for maintaining the community grounds—often including swank clubhouses, golf courses, and other amenities—can be pricey. If you're not a golfer, or shun the swimming pool, the extra costs might not be worth it to you.

In any event, get all the information you need to make the best choice for your situation. Your advisers can help. ●

Prosper In Your Golden Years

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4. Slow down RMDs. After you reach age 70½, you normally have to take required minimum distributions (RMDs) from traditional retirement plans such as 401(k)s and IRAs. The minimum amount you must withdraw is based on your life expectancy and the account balance on December 31 of the prior year. If you can resist the temptation to take more than you're legally required to you'll preserve more of your assets for retirement.

5. Consider the tax implications. When you need to start withdrawing funds for retirement, where should you turn first? This is a complex decision that requires careful thought as far as taxes are concerned. For example, if you anticipate being in a higher tax bracket during retirement than you are now, you might withdraw funds from taxable accounts first and Roth IRAs last, so the Roth funds can keep growing tax-free. If you expect your tax bracket to plummet, you might do the opposite. Financial and tax advisors can help you devise a strategy that works for you.

6. Work for a longer time. If you still think your retirement is underfunded, you might postpone retirement by working full-time for an extra few years, or you could use the earnings from a part-time job to supplement your retirement income. Also, working longer may postpone RMDs. ●