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WEALTH MANAGEMENT, INC.

Plan For Retirement At Different Stages Of Life

No matter how old you are, retirement planning can be crucial to your overall financial health. However, your current stage of life can make a big difference in how you plan for retirement. Here are some general guidelines:

The early years: If you're just starting your career, chances are you'll have other financial priorities besides retirement savings, such as paying off college loans, your monthly rent, and car payments. But that doesn't mean you should move retirement planning completely off your agenda. For instance, if your company offers a 401(k) plan, try to defer as much salary as possible, especially if your employer will match some of your contributions.

While it may be hard to see from this vantage point, the long-term benefits of tax-deferred compounding within a retirement account such as a 401(k) or an IRA can be substantial. Suppose you contribute $10,000 a year to your 401(k), including matching contributions, beginning with the first year you enter the workforce. Then assume you earn a 7% annual return on your investments in the account. After 40 years you will have accumulated $2,136,096 without paying a penny of tax! (You will be taxed when you withdraw that money during retirement.)

Marriage and family: For many people, the next stage of life involves getting married and starting a family. On top of those financial pressures, you may buy a house and then replace it later with a bigger place. Suffice to say, your regular salary could be stretched thin, plus you have to think about paying for the college education of your children.

The trick at this stage is to stay the course as well as you can. Even if you and your spouse both have been working, one now may take some time off or cut back to part-time to help raise the kids. But you still can find a way to save money for retirement. For example, if you've both been contributing a total of $10,000 a year to a 401(k) and one of you stops working full-time, the other might try to boost 401(k) contributions to make up part of the difference.

Peak earning years: If you're a working couple, the next stage of life might offer a little more flexibility. Although you'll probably be paying for college, the mortgage may be paid off, or close to it, and your salary typically still will be rising. It only makes sense that you should be able to save more for retirement when you're earning the most.

Because even the best-laid plans can go astray, however, you now may need to make up for some lean years when other financial concerns took precedence. For example, if you failed to reach your target for annual 401(k)

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The "Snap-Back" Effect

Currently the Dow is above 22,000 and this question comes up daily; "Are we now in a bubble?" With the market at all-time highs, some investors may feel a little uncomfortable knowing that at some point something will happen to throw the market into chaos.

A correction will come, we just don't when or how severe it will be. But long-term investors have learned the magic of compound interest, dollar-cost averaging and the "snap-back" effect that generally follows major crashes and may reward those who remain calm and stay invested.

We can remember the 2008-2009 melt down and all the uncertainty and confusion. It was relatively short lived though, and beginning March 9, 2009 the market began to snap back. Even last year before the elections, the market was down. Who would have expected such positive returns over the past 12 months?

As long-term investors, we have learned the importance of staying calm when the market gets turbulent. The "snap-back" effect can happen when you least expect it! And many who panic and pull out of the market miss out on the market's rebound.

We have the experience of going through many ups and downs and appreciate the opportunity to help you stay on track toward your personal goals.

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

This Tax-Free Rollover Goes Right To Charity

The tax law provides a unique planning opportunity for retirees who have to take required minimum distributions (RMDs). You're allowed to transfer funds directly from your traditional IRA to a qualified charitable organization without paying any federal income tax on the distribution. Although the contribution isn't tax deductible, it does count toward your RMD for the year.

This tax break—sometimes called a "charitable rollover"—had expired and been reinstated several times. Thanks to the Protecting Americans from Tax Hikes (PATH) Act of 2015, however, the tax provision is now permanent.

Under the PATH Act, someone who's at least age 70½—the age at which RMDs must begin—can instruct an IRA custodian to move up to $100,000 of funds from that person's IRA to a favorite charity. A married couple can transfer up to $200,000, assuming their both old enough to begin taking RMDs.

Can't you accomplish the same result by taking a taxable IRA distribution and then donating that amount to charity? Not exactly. There are several other factors to consider, including annual limits on deductions for donations to charity, plus potential tax return complications. What's more, the direct rollover is valuable to non-itemizers who aren't eligible to deduct charitable contributions. And this method is simpler.

There are, however, a few more details to attend to with this approach. To qualify for the tax exclusion, the distribution must be made directly from the IRA trustee to a qualified charitable organization. You're not allowed to use the funds temporarily before transferring them to the charity's coffers.

In addition, the contribution must otherwise qualify as a charitable donation. If the deductible amount decreases because of a benefit received in return — for example, the value of a dinner at a fundraiser — or the deduction would not be allowed due to inadequate substantiation, you can't take the exclusion.

A bonus is that you're required to start taking RMDs in the year after the year in which you turn age 70½. If you take a charitable rollover, you can meet this obligation without paying the usual tax on an IRA distribution.

This tax law provision also applies to Roth IRAs, though it may not be advisable to take this approach with a Roth. Roth IRA distributions to account holders over age 59½ are usually tax-free, and it doesn't make sense to use money that isn't taxed to make a donation that isn't deductible. But a portion of a distribution may be taxable if your Roth hasn't been in existence for at least five years. In that case, it might be reasonable to transfer the taxable amount directly to a charity. ●

How To Spell Estate Tax Relief

Here's an acronym you've probably never heard of: Pronounced D-Sue, it stands for deceased spouse's unused exemption, and it could be a crucial component of your estate plan.

Frequently, a plan relies on two key tax-saving provisions—the unlimited marital deduction and the unified estate and gift tax exemption. Under the marital deduction, a spouse is normally doesn't have to pay estate or gift tax on any property transferred from a spouse. The estate and gift tax exemption covers transfers to your children or other non-spouses up to $5.49 million in 2017.

That means that a married couple together can transfer almost $11 million to others without a penny of tax liability. Even better, the exemption is "portable" between spouses—so when the estate of the spouse who dies first doesn't exhaust all of that person's exemption, it can be used by the estate of the second spouse.

Normally, an estate tax return has to be filed only if an estate is worth more than the maximum exemption. However, a return will also have to be filed to take advantage of DSUE.

Consider this hypothetical example. A husband died early in 2017 with assets valued at $8.49 million. He left $5 million to his wife and the other $3.49 million to their children. Thus, amount of the DSEU—the $5.49 million exemption minus the amount given to non-spouses—is $2 million.

Now say that the wife dies late in the year with an estate valued at $7.9 million ($5 million from the husband and $2 million of her own assets). Thanks to DSUE, her estate can add that $2 million to the $5.49 million of her own exemption to cover her entire estate. Without DSUE, her estate would owe estate

Five Documents At The Core Of An Estate Plan

Every estate plan is unique because of a particular family's circumstances. Still, most people share many primary objectives that may be reflected in five documents often found at the core of a plan.

If your current estate plan doesn't include these five items, you might need to fill the gaps. And if you don't yet have a comprehensive estate plan in place, it's probably time to make that a priority. Mortality can sneak up on anyone.

1. Financial power of attorney: A power of attorney is a legal document that authorizes another person to act on your behalf. A financial power of attorney enables the "attorney-in-fact"—the person specified to act for you—to conduct your financial affairs. Many states have a standard form for financial power of attorney.

Usually, the power of attorney is "durable," meaning that it remains in effect in the event you are incapacitated. But you might use a non-durable power of attorney for specific purposes, such as to have someone manage your portfolio temporarily. Keep in mind that a power of attorney is enforceable only when it has been established before its creator becomes incompetent.

2. Health care power of attorney: Like a financial power of attorney, this authorizes a designated person to act on your behalf in the event you're unable to make your own decisions—in this case, about your medical care. This goes further than a living will, which generally applies only if you're terminally ill or on life support, based on the prevailing state law.

Your attorney-in-fact for a health care power of attorney needs to be someone you can trust to act in your best interests. Typically, that would be a spouse, a child, or another close family member. But you'll also need to name contingent and successor agents.

3. Health care directives: Although there are several other kinds of health care directives that you might include in your estate plan, the most common version is a living will. Without it, family members may be left in a quandary about end-of-life decisions involving your care. This can lead to turmoil and questions could even end up being decided in court.

Often a health care power of attorney is coordinated with a living will, or the two may be combined in a single document. Some states have forms combining these elements and reflecting other personal choices such as whether to donate your organs.

4. Will: No matter how sophisticated your estate plan is, you'll likely circle back to the need for a will to tie everything together. A will can be used for a wide range of purposes, including (but not limited to):

- Dividing your assets and allocating them to your beneficiaries;
- Naming guardians for your children;
- Achieving estate tax benefits;
- Arranging gifts to charity;
- Creating trusts for your beneficiaries;
- Excluding certain family members from inheriting your assets;
- Avoiding a lengthy probate process; and
- Thwarting potential legal challenges.

A will may refer to other documents in your estate plan. If you don't have a legally valid will and you die "intestate," your estate will be governed by the laws of the applicable state.

5. Revocable trusts: Finally, your estate plan may include more revocable trusts, which let you change terms based on future events or preferences. Such trusts are commonly called living trusts—or, more technically—inter vivos trusts—because you create them while you are alive.

With a revocable living trust, you can transfer assets to the trust to be managed by a party you designate. The transferred assets aren't subject to probate.

Other kinds of trusts can also be created to complement the rest of your estate plan. These trusts might be designed to minimize potential state or federal estate taxes, as well as to protect assets from creditors or in the event of a divorce.

This list of estate planning basics can be a good starting place for many families. You'll need the help of an experienced attorney and other advisors to create a plan that fits your family's needs. ●

tax of 40% of $2 million, for an estate tax bill of $800,000.

Even if a surviving spouse remarries, he or she maintains the DSUE from the previous spouse. However, you can't use a DSUE from more than one spouse. So, if your second spouse dies before you do, your estate forfeits the DSUE from your earlier spouse.

Finally, keep in mind that the $5.49 million exemption gets higher every year to account for inflation, but the DSUE remains locked into the amount that was available when the first spouse died. ●

Watch Out For "Grandparent Scams"

It started innocently enough. Bill Frielander picked up the phone one recent morning at around 10 am. The person on the line said, "Hi Grandpa, it's Jason." To Bill, the voice sounded close enough to his grandson's that he didn't worry. The two chatted amiably a few minutes about family and school and nothing else in particular.

But then "Jason" dropped the hammer. He told Bill that he had been in a drunk driving accident in a neighboring state. Someone else had been injured and Jason needed $1,950 to keep his name out of the records. An attorney who was supposedly advising him could make it all go away for that fee. But Jason said he needed the money right away and that he was afraid to tell his parents. And he asked that Bill not tell anyone else about it because he was ashamed.

Bill was almost convinced and ready to ante up. But when the caller requested the money, there was something about his voice that made Bill pause. He had his wife call Jason's personal cellphone from her own phone while Bill was still talking to the person asking for money. It turned out Jason was safely at home, hadn't left the state in weeks and had not been in any accident. When Bill confronted the caller with this information, the imposter quickly hung up.

Bill was fortunate that he didn't fall for this "grandparent scam," but many others haven't been as lucky. Scammers are able to find out personal information and sound enough like the people they are impersonating to be believable. They target elderly people and pull on their heartstrings with a story about needing cash in a hurry.

If you get a call that sounds suspicious, the worst thing you can do is to help out the caller by referring to other confidential information (for example, the names and locations of other family members). Here's what the Federal Trade Commission (FTC) advises:

- Resist the urge to act immediately no matter how desperate the caller's plight appears to be.
- Verify the person's identity by asking questions a stranger couldn't answer.
- Call a phone number for your grandchild that you know is legitimate.
- Check out the story with trusted family members or friends even if you've been told to "keep it a secret."
- Don't wire money, send a check or money order, or use an overnight delivery service or courier to get cash to your "grandchild."
- Finally, the FTC advises consumers to report the incident at ftc.gov/complaint or call 877-FTC-HELP. ●

Plan For Retirement

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contributions while one of you was out of the workforce, hiking contributions could help make up lost ground. Even though deferrals to a 401(k) are limited by law ($18,000 for 2017), once you turn 50 you're allowed to make extra annual catch–up contributions ($6,000 for 2017). These also could be years when you move part of your portfolio into slightly riskier investments in the hope of earning higher returns.

Approaching retirement: Once you're in the home stretch, don't hold back. Making maximum contributions to your 401(k) now only makes sense. This is also the time to review your overall financial situation with an eye toward retirement.

For instance, you can tweak plans for sustaining a comfortable retirement, based on the health status of your family, whether you'll be downsizing to a smaller home, the income tax ramifications of your investments, your retirement accounts, and your estate plan. Furthermore, you might consider adjusting your portfolio to emphasize asset protection as well as growth.

Now also would be a good time to get familiar with the rules for required minimum distributions (RMDs). Generally, you have to start taking RMDs from your 401(k) and IRAs after you turn age 70½.

Finally, think about other possible financial moves, such as converting some or all of your IRA funds into a Roth IRA, whose future payouts would be tax-free—you'll be taxed now on the amount you convert. Also try to prepare for current or future financial or health problems affecting your lives. Of course, family-related events such as divorces, weddings, births, and deaths also may have an impact on your retirement picture.

What's your stage right now? With professional assistance, you can develop a plan tailor-made for you and your family. ●