



## Unified Retirement Planning Group

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Dear friends and family,

URPG celebrated its one-year anniversary in September 2017, and what a year it has been!

Since our last newsletter in August, we have been very busy fine-tuning our client service model. Additionally, we have had a seminar with a professional organizer and held a private tour of the Ossining Historical Society. Our team has also recently attended several industry conferences so that we may continue to stay current on your retirement, investment, and legacy planning needs.

I've recently become more involved with the Ossining community by delivering food to families on Thursday evenings at the Ossining Food Pantry.

Please visit the Solutions page on our website [www.myurpg.com](http://www.myurpg.com) for educational articles on retirement income planning, to review our past newsletters, and to check out our upcoming events.

I wish you and your family a wonderful and safe holiday! I am very grateful to work with you.

Peter

### Fall 2017

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Is the Social Security Administration still mailing Social Security Statements?

Can I roll my traditional 401(k) account balance over to a Roth IRA?

# URPG Education & Solutions

*Feel Comfortable Dreaming About Your Future*

## For Women, a Pay Gap Could Lead to a Retirement Gap



Women in the workforce generally earn less than men. While the gender pay gap is narrowing, it is still significant. The difference in wages, coupled with other factors, can lead to a shortfall in retirement savings for women.

### Statistically speaking

Generally, women work fewer years and contribute less toward their retirement than men, resulting in lower lifetime savings.

According to the [U.S. Department of Labor](#):

- 56.7% of women work at gainful employment, which accounts for 46.8% of the labor force
- The median annual earnings for women is \$39,621 — 21.4% less than the median annual earnings for men
- Women are more likely to work in part-time jobs that don't qualify for a retirement plan
- Of the 63 million working women between the ages of 21 and 64, just 44% participate in a retirement plan
- Working women are more likely than men to interrupt their careers to take care of family members
- On average, a woman retiring at age 65 can expect to live another 20 years, two years longer than a man of the same age

All else being equal, these factors mean women are more likely than men to face a retirement income shortfall. If you do find yourself facing a potential shortfall, here are some options to consider.

### Plan now

Estimate how much income you'll need. Find out how much you can expect to receive from Social Security, pension plans, and other available sources. Then set a retirement savings goal and keep track of your progress.

### Save, save, save

Save as much as you can. Take full advantage of IRAs and employer-sponsored retirement plans such as 401(k)s. Any investment earnings in these plans accumulate tax deferred — or tax-free, in the case of Roth

accounts. Once you reach age 50, utilize special "catch-up" rules that let you make contributions over and above the normal limits (you can contribute an extra \$1,000 to IRAs, and an extra \$6,000 to 401(k) plans in 2017). If your employer matches your contributions, try to contribute at least as much as necessary to get the full company match — it's free money. Distributions from traditional IRAs and most employer-sponsored retirement plans are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

### Delay retirement

One way of dealing with a projected income shortfall is to stay in the workforce longer than you had planned. By doing so, you can continue supporting yourself with a salary rather than dipping into your retirement savings. And if you delay taking Social Security benefits, your monthly payment will increase.

### Think about investing more aggressively

It's not uncommon for women to invest more conservatively than men. You may want to revisit your investment choices, particularly if you're still at least 10 to 15 years from retirement. Consider whether it makes sense to be slightly more aggressive. If you're willing to accept more risk, you may be able to increase your potential return. However, there are no guarantees; as you take on more risk, your potential for loss (including the risk of loss of principal) grows as well.

### Consider these common factors that can affect retirement income

When planning for your retirement, consider investment risk, inflation, taxes, and health-related expenses — factors that can affect your income and savings. While many of these same issues can affect your income during your working years, you may not notice their influence because you're not depending on your savings as a major source of income. However, these common factors can greatly affect your retirement income, so it's important to plan for them.

# Ten Year-End Tax Tips for 2017



## **Deductions may be limited for those with high incomes**

*If your adjusted gross income (AGI) is more than \$261,500 (\$313,800 if married filing jointly, \$156,900 if married filing separately, \$287,650 if filing as head of household), your personal and dependent exemptions may be phased out, and your itemized deductions may be limited. If your 2017 AGI puts you in this range, consider any potential limitation on itemized deductions as you weigh any moves relating to timing deductions.*

## **IRA and retirement plan contributions**

*For 2017, you can contribute up to \$18,000 to a 401(k) plan (\$24,000 if you're age 50 or older) and up to \$5,500 to a traditional or Roth IRA (\$6,500 if you're age 50 or older). The window to make 2017 contributions to an employer plan generally closes at the end of the year, while you typically have until the due date of your federal income tax return (not including extensions) to make 2017 IRA contributions.*

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

### **1. Set aside time to plan**

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

### **2. Defer income to next year**

Consider opportunities to defer income to 2018, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

### **3. Accelerate deductions**

You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year, instead of paying them in early 2018, could make a difference on your 2017 return.

### **4. Factor in the AMT**

If you're subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you're subject to the AMT in 2017, prepaying 2018 state and local taxes probably won't help your 2017 tax situation, but could hurt your 2018 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help save you from making a costly mistake.

### **5. Bump up withholding to cover a tax shortfall**

If it looks as though you're going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (via Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest

advantage in doing so is that withholding is considered as having been paid evenly through the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments.

### **6. Maximize retirement savings**

Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2017 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year-end.

### **7. Take any required distributions**

Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

### **8. Weigh year-end investment moves**

You shouldn't let tax considerations drive your investment decisions. However, it's worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

### **9. Beware the net investment income tax**

Don't forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net investment income if your modified AGI exceeds \$200,000 (\$250,000 if married filing jointly, \$125,000 if married filing separately, \$200,000 if head of household).

### **10. Get help if you need it**

There's a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.

# Managing Debt While Saving for Retirement



**<sup>1</sup> Employee Benefit Research Institute, 2017 Retirement Confidence Survey**

**<sup>2</sup> Employee Benefit Research Institute, 2016 Retirement Confidence Survey**

**<sup>3</sup> Distributions from pre-tax accounts will be taxed at ordinary income tax rates. Early distributions from pre-tax accounts and nonqualified distributions of earnings from Roth accounts will be subject to ordinary income taxes and a 10% penalty tax, unless an exception applies. Employer contributions will always be placed in a pre-tax account, regardless of whether they match pre-tax or Roth employee contributions.**

It's a catch-22: You feel that you should focus on paying down debt, but you also want to save for retirement. It may be comforting to know you're not alone.

According to an Employee Benefit Research Institute survey, 18% of today's workers describe their debt level as a major problem, while 41% say it's a minor problem. And workers who say that debt is a problem are also more likely to feel stressed about their retirement savings prospects.<sup>1</sup> Perhaps it's no surprise, then, that the largest proportion (21%) of those who have taken a loan from their employer-sponsored retirement plans have done so to pay off debt.<sup>2</sup> Borrowing from your plan can have negative consequences on your retirement preparedness down the road. Loan limits and other restrictions generally apply as well.

The key in managing both debt repayment and retirement savings is to understand a few basic financial concepts that will help you develop a strategy to tackle both.

## Compare potential rate of return with interest rate on debt

Probably the most common way to decide whether to pay off debt or to make investments is to consider whether you could earn a higher rate of return (after accounting for taxes) on your investments than the interest rate you pay on the debt. For example, say you have a credit card with a \$10,000 balance that carries an interest rate of 18%. By paying off that balance, you're effectively getting an 18% return on your money. That means your investments would generally need to earn a consistent, after-tax return greater than 18% to make saving for retirement preferable to paying off that debt. That's a tall order for even the most savvy professional investors.

And bear in mind that all investing involves risk; investment returns are anything but guaranteed. In general, the higher the rate of return, the greater the risk. If you make investments rather than pay off debt and your investments incur losses, you may still have debts to pay, but you won't have had the benefit of any gains. By contrast, the return that comes from eliminating high-interest-rate debt is a sure thing.

## Are you eligible for an employer match?

If you have the opportunity to save for retirement via an employer-sponsored plan that matches a portion of your contributions, the debt-versus-savings decision can become even more complicated.

Let's say your company matches 50% of your contributions up to 6% of your salary. This means you're essentially earning a 50% return on that portion of your retirement account contributions. That's why it may make sense to save at least enough to get any employer match before focusing on debt.

And don't forget the potential tax benefits of retirement plan contributions. If you contribute pre-tax dollars to your plan account, you're immediately deferring anywhere from 10% to 39.6% in taxes, depending on your federal tax rate. If you're making after-tax Roth contributions, you're creating a source of tax-free retirement income.<sup>3</sup>

## Consider the types of debt

Your decision can also be influenced by the type of debt you have. For example, if you itemize deductions on your federal tax return, the interest you pay on a mortgage is generally deductible — so even if you could pay off your mortgage, you may not want to. Let's say you're paying 6% on your mortgage and 18% on your credit card debt, and your employer matches 50% of your retirement account contributions. You might consider directing some of your available resources to paying off the credit card debt and some toward your retirement account in order to get the full company match, while continuing to pay the mortgage to receive the tax deduction for the interest.

## Other considerations

There's another good reason to explore ways to address both debt repayment and retirement savings at once. Time is your best ally when saving for retirement. If you say to yourself, "I'll wait to start saving until my debts are completely paid off," you run the risk that you'll never get to that point, because your good intentions about paying off your debt may falter. Postponing saving also reduces the number of years you have left to save for retirement.

It might also be easier to address both goals if you can cut your interest payments by refinancing debt. For example, you might be able to consolidate multiple credit card payments by rolling them over to a new credit card or a debt consolidation loan that has a lower interest rate.

Bear in mind that even if you decide to focus on retirement savings, you should make sure that you're able to make at least the minimum monthly payments on your debt. Failure to do so can result in penalties and increased interest rates, which would defeat the overall purpose of your debt repayment/retirement savings strategy.

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## Is the Social Security Administration still mailing Social Security Statements?

Your Social Security Statement provides important information about your Social Security record and future benefits. For several years, the Social Security Administration (SSA) mailed these statements every five years to people starting at age 25, but due to budgetary concerns, the SSA has stopped mailing Social Security Statements to individuals under age 60.

Workers age 60 and over who aren't receiving Social Security benefits will still receive paper statements in the mail, unless they opt to sign up for online statements instead. If you're age 60 or older, you should receive your statement every year, about three months before your birthday. The SSA will mail statements upon request to individuals under age 60.

However, the quickest way to get a copy of your Social Security Statement is to sign up for a my Social Security account at the SSA website, [ssa.gov](http://ssa.gov). Once you've signed

up, you'll have immediate access to your statement, which you can view, download, or print. Statement information generally includes a projection of your retirement benefits at age 62, at full retirement age (66 to 67), and at age 70; projections of disability and survivor benefits; a detailed record of your earnings; and other information about the Social Security program.

The SSA has recently begun using a two-step identification method to help protect my Social Security accounts from unauthorized use and potential identity fraud. If you've never registered for an online account or haven't attempted to log in to yours since this change, you will be prompted to add either your cell phone or email address as a second identification method. Every time you enter your account username and password, you will then be prompted to request a unique security code via the identification method you've chosen, and you need to enter that code to complete the log-in process.



## Can I roll my traditional 401(k) account balance over to a Roth IRA?

Yes, you can make a direct or 60-day rollover from a 401(k) plan [or other qualified plan, 403(b) plan, or governmental 457(b) plan] to a Roth IRA, as long as you meet certain requirements.\*

First, you must be entitled to a distribution from your plan. While you can always access your account when you terminate employment, in some cases you may be able to withdraw your own or your employer's contributions while you're still working (for example, at age 59½).

[Note: Your plan may also permit the "in plan" conversion of all or part of your account balance to a Roth account, regardless of whether you're eligible for a distribution from the plan. Check with your plan administrator.]

Second, your distribution must be an "eligible rollover distribution." Distributions that cannot be rolled over include hardship withdrawals, certain periodic payments, and required minimum distributions (RMDs).

Third, you must include the taxable portion of the distribution in your gross income in the year you make the rollover ("conversion"). But that's

the price you have to pay to potentially receive tax-free qualified distributions from your Roth IRA in the future.

Fourth, if your distribution includes both after-tax and pre-tax dollars, you can generally direct that only the after-tax dollars be rolled over to the Roth IRA (resulting in a tax-free conversion), while making a tax-deferred rollover of the pre-tax dollars to a traditional IRA.

When evaluating whether to initiate a rollover from an employer plan to an IRA, be sure to: (1) ask about possible surrender charges that your employer plan or IRA may impose, (2) compare investment fees and expenses charged by your IRA with those charged by your employer plan (if any), and (3) understand any accumulated rights or guarantees that you may be giving up by transferring funds out of your employer plan. Also consider all of your distribution options, including leaving the money in your employer's plan, transferring the funds to a new employer's plan, or taking a cash withdrawal.

\* If you make a 60-day rollover, your plan will withhold 20% of the taxable portion of your distribution for federal income tax purposes.