Navigate Financial

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I was ready for winter to end; bring on the sun and those longer days! I love the work I do and the connections I make with my clients. This year so far has been very productive, with many of you introducing me to folks you care about and affording me the the honor of being able to serve them. Clients who have been with me for years and are now dealing with life changes and new opportunities -have called upon me to provide assistance. Good, solid, caring people are who I want to be a resource to - thank you for making that possible. Enjoy spring and the new beginnings - GO PLAY!

Social Security, retirement, struggling parents...

How Does Your Employer's Retirement Plan Compare?

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Charting Your Journey

Quiz: Social Security Survivor Benefits

Did you know that Social Security may pay benefits to your eligible family members when you die, helping to make their financial life easier? Take this quiz to learn more.

Questions

1. What percentage of Social Security beneficiaries receive survivor benefits?

a. 5%

b. 10%

c. 15%

2. Your child may be able to receive survivor benefits based on your Social Security earnings record if he or she is:

a. Unmarried and under age 18 (19 if still in high school)

b. Married and in college

c. Both a and b

3. Which person may be able to receive survivor benefits based on your Social Security earnings record?

a. Your spouse

b. Your former spouse

c. Both a and b

4. Your parent may be able to receive survivor benefits based on your Social Security earnings record.

a. True

b. False

5. How much is the Social Security lump-sum death benefit?

a. $155

b. $255

c. $355

Answers

1. b. About 10% of the approximately 62 million Social Security beneficiaries in December 2017 were receiving survivor benefits.[1]

2. a. A dependent child may be able to receive survivor benefits based on your earnings record if he or she is unmarried and under age 18 (19 if still in high school) or over age 18 if disabled before age 22.

3. c. Both your current and former spouse may be able to receive survivor benefits based on your earnings record if certain conditions are met. Regardless of age, both may be able to receive a benefit if they're unmarried and caring for your child who is under age 16 or disabled before age 22 and entitled to receive benefits on your record. At age 60 or older (50 or older if disabled), both may be able to receive a survivor benefit even if not caring for a child (a length of marriage requirement applies).

4. a. That's true. To be eligible, your parent must be age 62 or older and receiving at least half of his or her financial support from you at the time of your death. In addition, your parent cannot be entitled to his or her own higher Social Security benefit and must not have married after your death.

5. b. The Social Security Administration (SSA) may pay a one-time, $255 lump-sum death benefit to an eligible surviving spouse. If there is no surviving spouse, the payment may be made to an eligible dependent child. The death benefit has never increased since it was capped at its current amount in a 1954 amendment to the Social Security Act.[2]

This is just an overview. For more information on survivor benefits and eligibility rules, visit the SSA website, ssa.gov.

1 Fast Facts & Figures About Social Security, 2018

2 Research Notes & Special Studies by the Historian's Office, Social Security Administration

To compare your plan's offerings and features with those described in this article, review your plan materials or ask your Human Resources Department for its Summary Plan Description.

Diversification is a strategy that helps manage investment risk; it does not guarantee a profit or protect against investment loss.

Mutual funds and target-date funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from the fund company or your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

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How Does Your Employer's Retirement Plan Compare?

Each year, the Plan Sponsor Council of America (PSCA) surveys employers to gauge trends in retirement plan features and participation. Results are used by employers and plan participants to benchmark their plans against overall averages. How does your plan compare to the most recent survey results, released at the end of 2018?[1]

Participation and savings rates

Plan participation (that is, the percentage of participants contributing to the plan) was on the rise, increasing from 77% in 2010 to 85% in 2017. Employees in the financial, insurance and real estate, manufacturing, and technology and telecommunications sectors were most likely to contribute (more than 85% of eligible employees), while those in the transportation, utility, and energy sectors (75.6%) and wholesale distribution and retail trade sectors (59.7%) were least likely.

The average amount participants contributed to their plans rose from 6.2% of salary in 2010 to 7.1% in 2017. Participants in the health-care sector contributed the most (8.7%), while those in durable goods manufacturing contributed the least (6.3%).

Roth option on the rise

Roth contributions are growing in popularity among 401(k) plans. Unlike traditional pre-tax contributions that are deducted from a paycheck before income taxes are assessed, Roth contributions are made in after-tax dollars. The primary benefit is that "qualified" withdrawals from a Roth account are tax-free. A withdrawal is qualified if the account has been held for at least five years and it has been made after the participant reaches age 59½, dies, or becomes disabled.

The percentage of plans allowing participants to make Roth contributions rose from 45.5% in 2010 to nearly 70% in 2017. Almost 20% of eligible employees made Roth contributions.

Company contributions

Nearly all employers surveyed contributed to their employees' plans through matching contributions, non-matching contributions, or a combination of both. And it appears that employers have become more generous over time, as the average company contribution rose from 3.5% in 2010 to 5.1% in 2017. Moreover, many employers impose a vesting schedule on their contributions through which plan participants earn the right to keep the company contributions over time. In 2017, less than 40% of companies allowed their employees to become immediately vested in the company contributions.

Investment options

When it comes to your retirement plan, how many options would you prefer on your investment menu? Too few funds could limit the opportunity for an appropriate level of diversification, while too many funds might cause an overwhelming decision-making process. So what's the "right" number?

According to an article in *InvestmentNews,* an appropriate number of investment options (typically mutual funds) is 15 to 20.[2] And according to the PSCA, employers seem to be following this guideline, as the average number of funds offered among survey respondents was 20.

The most common types of funds offered were indexed domestic equity funds (84.6% of plans), followed by actively managed domestic equity funds (83.6%), actively managed domestic bond funds (78.9%), and actively managed international/global equity funds (77.9%). Target-date funds — those that offer a diversified mix of different types of investments based on a participant's target retirement date — were offered in 70.6% of plans.

Overall, the two most popular types of funds, based on percentage of assets invested, were target-date funds and actively managed domestic equity funds.[3]

[1] PSCA, 61st Annual Survey

[2] *InvestmentNews,* February 16, 2018

[3] The return and principal value of mutual funds fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost. A bond fund is a mutual fund that comprises mostly bonds and other debt instruments. The mix of bonds depends on each fund's focus and stated objectives. Bond funds are subject to the same inflation, interest rate, and credit risks as their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. Investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, as well as economic and political risk unique to the specific country; this may result in greater share price volatility. The target date is the approximate date when an investor plans to withdraw money. The mix of investments in the target-date fund becomes more conservative as the date grows closer. The further away the date, the greater the risks the fund usually takes. The principal value is not guaranteed at any time, including on or after the target date. There is no guarantee that a target-date fund will meet its stated objectives. It is important to note that no two target-date funds with the same target date are alike. Typically, they won't have the same asset allocation, investment holdings, turnover rate, or glide path.

Four Reasons Your Parents Might Be in Financial Trouble

When retirees were asked about their overall expenses and spending in retirement, 37% said they were higher than expected, 52% said they were about what they expected, and just 8% said they were lower than expected.

Source: 2018 Retirement Confidence Survey, Employee Benefit Research Institute

As your parents age, they will probably need more help from you. But it may be difficult to provide the help they need, especially if they're experiencing financial trouble.

Money can be a sensitive subject to discuss, but you'll need to talk to your parents about it in order to get to the root of their problems and come up with a solution. Before you start the conversation, consider the following four scenarios as signs that your parents might be experiencing financial challenges, and how you can make things easier for them.

1. They are dealing with debt

Perhaps your parents have fallen behind on their mortgage or credit card payments. Maybe they're dealing with the aftermath of a large, unexpected medical bill. Or it could be that years of generously supporting their children and grandchildren have left their finances in shambles.

Whatever the cause, debt among older Americans is a growing trend. In 2010, the average debt for a family in which the head of household was age 75 or older was $30,288. In 2016 (most recent data available), that number grew to $36,757.[1]

2. They are falling for fraud

According to a report by the Federal Trade Commission, older adults have been targeted or disproportionately affected by fraud. Moreover, older adults have reported much higher dollar losses to certain types of fraud than younger consumers.[2]

Why do scammers target older individuals? There are many explanations for this trend. Some older individuals lack an awareness about major financial issues. Others may be attractive targets for scammers because they have access to retirement account assets or have built up home equity. Additional factors that increase an older adult's vulnerability to scams include cognitive decline and isolation from family and friends.

3. They aren't used to managing finances

The loss of a spouse can create many challenges for the survivor, especially if the deceased spouse was in charge of finances. Many widows or widowers might find themselves keeping track of statements, paying bills, budgeting, and handling other financial matters for the first time, which can be a complicated reality to face.

4. They struggle with change

As financial institutions continue to innovate and increase online and mobile access to customer accounts, it can be difficult for older consumers to keep up. For example, some older adults may struggle with accessing their financial information online. Others might get frustrated or confused when financial institutions implement new policies and procedures, especially if they've had an account with an institution for decades.

One report described the most common issues that older consumers identified with bank accounts or services. The top three complaints involved account management (47%), deposits and withdrawals (27%), and problems caused by low funds (12%).[3]

Ways you can help

Regardless of the reasons why your parents might be having money problems, there are steps you can take to help them.

- **Set up a meeting with a financial professional.** Encourage your parents to meet with a professional to evaluate their financial situation.
- **Help them reduce spending.** Look for big and small ways that they can scale back on expenses, such as downsizing to a smaller home, cutting cable plans, or canceling unnecessary memberships/subscriptions.
- **Have them tested for dementia.** If you've noticed behavioral or memory changes in one or both of your parents, share your concerns with a medical professional. Cognitive decline can result in difficulty managing finances.
- **Lend money (using caution).** If you decide to help your parents monetarily, consider paying your parents' expenses directly rather than giving them cash so you can ensure that their bills are paid on time.
- **Help them apply for assistance.** The National Council on Aging has a website, BenefitsCheckUp.org, that can help you determine your parents' eligibility for federal, state, and private benefit programs.

1 Debt of the Elderly and Near Elderly, 1992-2016, Employee Benefit Research Institute, 2018

2 Protecting Older Consumers: 2017-2018, Federal Trade Commission, 2018

3 Monthly Complaint Report, Vol. 23, Consumer Financial Protection Bureau, May 2017

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How do I replace my Social Security card?

Chances are, you probably have your Social Security number memorized, so you may not have had to use your card in awhile. However, there are times when you may be required to show your actual card, such as when you start a new job or need to access certain government services. Fortunately, replacing a lost or stolen card is a relatively easy process.

In order to obtain a new card, you need to prove your citizenship or lawful noncitizen status, and your age and identity from a list of approved documentation (e.g., U.S. passport, driver's license, birth certificate). All documentation provided must be either original or in certified form (notarized copies or photocopies will not be accepted).

Next, you need to fill out an *Application for a Social Security Card* and bring or mail the application, along with the approved documentation, to your local Social Security office. Once the Social Security Administration (SSA) has your information and verified your documents, you should receive a replacement card within 10 to 14 business days.

In certain circumstances, you may be able to apply for a replacement card online using a my Social Security online account. You can apply online for a replacement card if you:

- Are a U.S. citizen age 18 or older with a U.S. mailing address (this includes APO, FPO, and DPO addresses)
- Are not requesting a name change or any other change to your card
- Have a driver's license or state-issued identification card from a participating state or the District of Columbia

Be wary of businesses that offer to replace your Social Security card for a fee. The SSA provides those services free of charge. Keep in mind that you are limited to three replacement cards in a year and 10 during your lifetime, although certain exceptions apply.

For more information on replacing a lost or stolen card, visit the Social Security Administration website at ssa.gov.

Do I need to get a REAL ID when I renew my license?

If you need to renew your driver's license, you may want to get a REAL ID. The REAL ID Act, passed by Congress in 2005, enacts the 9/11 Commission's recommendation that the federal government set minimum security standards for state-issued driver's licenses and identification cards.

Beginning October 1, 2020, residents of every state and territory will need to present a REAL ID-compliant license/identification card, or another acceptable form of identification (such as a passport), to access federal facilities, enter nuclear power plants, and board commercial aircraft. Although implementation has been slow, states have made progress in meeting the REAL ID Act's recommendations. A majority of states and territories, along with the District of Columbia, have complied with all REAL ID requirements. The remaining noncompliant jurisdictions have been granted a temporary extension from the Department of Homeland Security.[1]

To obtain a REAL ID, you must apply in person at your state's department of motor vehicles (or other approved service center). Your picture will be taken and signature captured electronically. You must provide more documentation than you would normally need for a standard driver's license or identification card. A REAL ID requires that you show (in original or certified form) proof of identity and lawful presence (e.g., U.S. passport, birth certificate), state residency (e.g., mortgage statement, utility bill), and Social Security number (e.g., Social Security card, paystub). In addition, if your current name doesn't match the one on your proof of identity document, you must prove your legal name change (e.g., marriage certificate).

When states first implemented REAL ID recommendations, applicants were faced with delays and long wait times. However, many states have since streamlined the process by allowing applicants to start the application process online. For more information on applying for a REAL ID, you can visit your state's department of motor vehicles website or dhs.gov/real-id.

1 Department of Homeland Security, REAL ID Compliance Extension Updates, October 2018