A Legacy Is More Than Money

December 28, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Many years ago, there was a bestselling book entitled, *Tuesdays with Morrie: An Old Man, a Young Man, and Life's Greatest Lesson,*by Mitch Albom. I remember hearing about the book, but back then I was busy getting my financial planning firm off the ground, so it wasn't at the top of my reading list. Recently, at the recommendation of one of my employees, I picked it up.

I don't want to spoil the story, should you decide to read it. But, in a nutshell, it is about a university sociology professor, Morrie, who is diagnosed with a terminal illness. One of his former students, "Mitch," who is also the author, was very close to his teacher, but, despite promises to keep in touch after graduation, he became too busy with "life" – pursuing a career, making money, and chasing success. When Mitch finds out his former mentor is ill, he begins to visit him – on Tuesdays – to listen, learn, and eventually write about Morrie’s views on a variety of topics. Morrie’s “lessons” on everything from our culture, to money, to death, itself, are powerful and enlightening, and, may I add, still relevant today. But, I must warn you, as captivating as this book is, it’s not a feel-good journey. It’ll tug at your heart and, at some point, will probably bring a tear to your eye.

So, what does this decades-old book have to do with financial planning? Everything! Each chapter could be a flashing billboard for planning ahead and preparing for the unexpected. But, the words on the pages tell so much more. In his final months of life, Morrie had a steady stream of visitors to his bedside – family, friends and many of his former students. It’s amazing how one individual, in two very different stages of his life, was able to touch, impact, and influence so many lives. More specifically though, the story highlights the special relationship between a teacher and one student, the author.

As the year draws to a close, I can’t help but recall the hundreds of meetings I’ve had with my clients over the past 21 years. When I go about my daily work as a financial planner and adviser, I hope that I, not only teach people about their finances so they can improve their circumstances, but that, by truly listening and caring, I am able to connect with them on a personal level, as well. It is this approach, and attitude, I have tried to nurture in the team of advisers who now work at Holland Financial.

As you may have already heard, starting January 1st, I’ll be taking a break from this weekly column. But, before I do, I’d like to wish each one of my readers a very happy and healthy 2019. Please continue to email me your financial questions and don’t forget to watch PlanStrongerTV™, Sunday through Friday, at 7 pm on WDSC Channel 15.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Gray Divorce and a House Divided

December 21, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

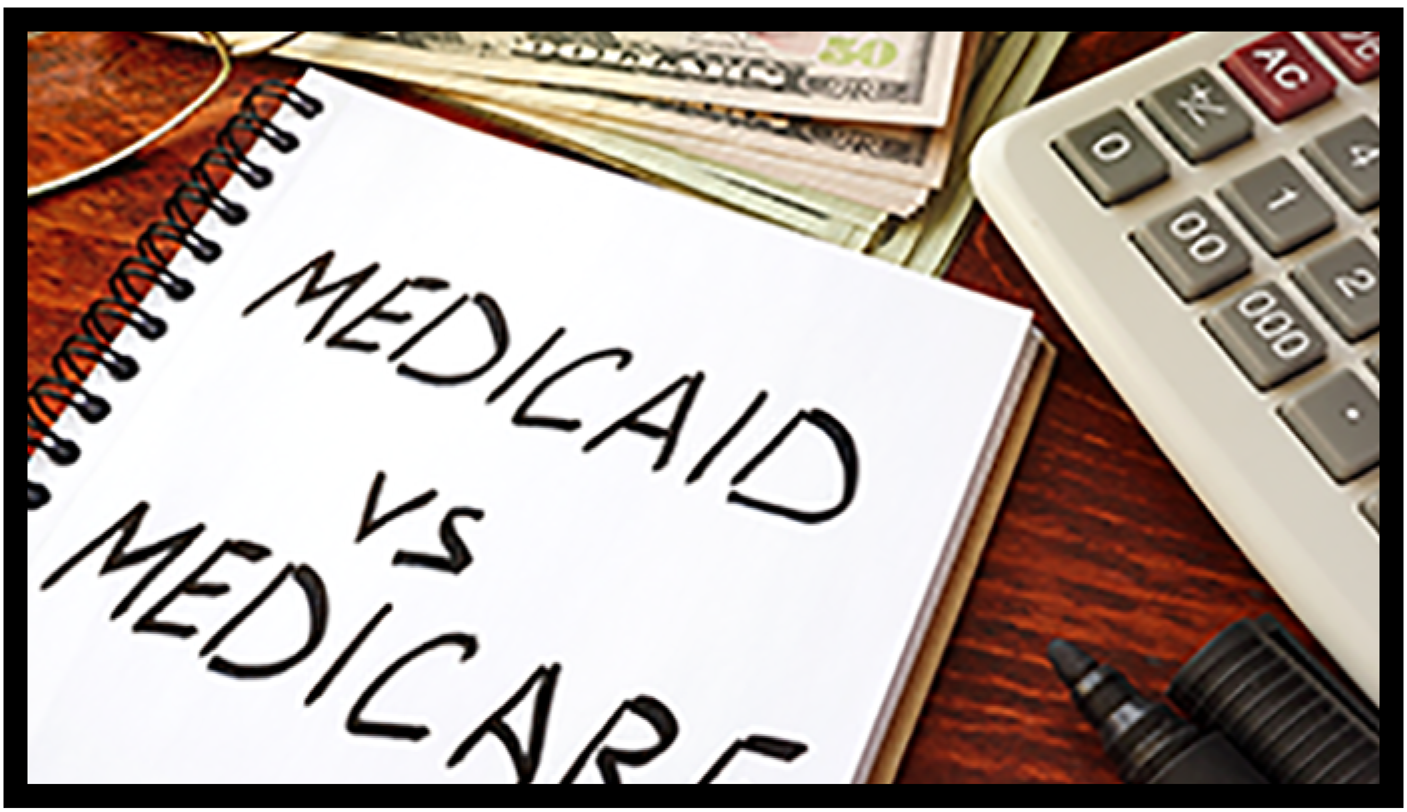
Sadly, divorce has been on the increase for older Americans. You may have heard the phrase, “graying of divorce,” which is used to describe this phenomenon. So, what happens when a couple gets divorced? Usually, the home, often the largest asset, must be sold for its equity. This does not have to be the case when the couple is age 62 or older. A Reverse Mortgage loan can create some additional options. Here’s a fictitious example:

Chuck and Estelle are ages 69 and 72, respectively. They own their house and have no debt. Estelle was reluctant to file for divorce because she knew it might mean selling the home where she and Chuck raised their children. However, Estelle could establish a Reverse Mortgage Line of Credit and use the money to pay Chuck for his share of their home’s equity. Estelle would be able to stay in place after the divorce, and have *no mortgage payments*, as long as she maintained the residence and continued to pay property taxes and homeowners insurance. Chuck could use his proceeds for other housing arrangements.

Or, here is a second approach: If they both agreed to sell the house, the couple could divide the proceeds and then each use his/her share of the money to purchase separate homes using Reverse Mortgage loans. Here’s a simplified example of how this could work: the couple lists and sells their house for $320,000 (net of closing costs and sales-related expenses). Estelle and Chuck each receives $160,000. Estelle can now use her proceeds to buy a smaller home for, let’s say, $235,000. She uses $135,000 of her cash as a down payment and the balance would come from a Reverse Mortgage loan. Here again, *Estelle would not have a monthly mortgage payment*. She would also have $25,000 left over from the original $160,000 – a “cushion” for emergencies or future expenses. The process could work in a similar way for Chuck. The advantage of this strategy is clear: the loan balance would not be due until the property was sold or the owner moved or passed away (as long as each person continued to live in his/her new home and met the property tax, homeowners insurance and maintenance requirements).

Using a Reverse Mortgage loan can benefit each of the divorcing parties. Of course, this type of loan isn't just for divorcing spouses. It can be used by anyone who is age 62 or older and owns a home. In fact, the older you are, the more loan dollars you can receive, and the less you'll have to use for a down payment when buying a home. If this strategy sounds interesting to you, and if you'd like to learn more, give my office a call. Mike Peerless (NMLS# 1073735), Reverse Mortgage Director for Holland Mortgage Services, Inc. (NMLS# 1432962), would be happy to answer your questions.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)



Medicare Is Not Medicaid

December 14, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Recently, on PlanStrongerTV™, I interviewed Tom Upchurch, Esq., the owner of Upchurch Law. Tom and I outlined some of the important differences between Medicaid and Medicare.

Medicaid. Medicaid is a federal-state assistance program for low-income people. It is run by state and local governments within federal guidelines. Qualification is based on assets, which can be categorized as exempt or non-exempt (a.k.a. available). Tom mentioned that many retirees who come down to Florida from the northern states, like New York, aren't aware that Medicaid, and its requirements, are state-specific. That means, the conditions by which you can qualify for Medicaid vary from state to state. In Florida, for example, there is a homestead exemption. There is no limit to the equity a couple has invested in their home to qualify for Medicaid. In New York, however, individuals with over a certain amount of equity in home value will have to sell their property and spend the money down in order to qualify for the program.

It is no surprise that Medicaid provides for the majority of long-term care in nursing homes. In the state of Florida, Medicaid will cover skilled nursing care, like nursing home stays, but there are also waiver plans for assisted living facilities, for which qualification is more difficult. When you need to know your options, it's best to consult with a professional in the area of Medicaid.

Medicare. Unlike Medicaid, Medicare is a federal insurance program that primarily serves people over age 65, regardless of their income. Not to be confused with Medicaid, Medicare cannot be used for long-term care. It can, and does, cover rehabilitative services, however. Medicare will provide rehabilitative care for the first 20 days after a patient leaves a qualifying stay in a hospital. Between day 21 and day 100, if the patient continues to improve, Medicare will cover a percentage of the cost (up to $170.50 per day for 2019). The balance must be paid by supplemental insurance, long-term care insurance or "private pay" by the individual. In the last decade or so, the reins have been drawn tighter on Medicare coverage for rehabilitative services. In fact, if a person starts to plateau in his/her recovery, a notice of discharge will usually be issued by the rehabilitative center.

It's important to know the differences between these two programs and their services. Requirements and qualifications change, so make sure to obtain the most current information, and research your state-specific Medicaid guidelines. For Florida, a good website to visit is: myflfamilies.com/service-programs/access-florida-food-medical-assistance-cash/Medicaid. If you are facing difficult decisions about long-term care, there are a lot of variables to consider. Take the time to sit down with your financial planner, and an attorney that specializes in elder law and Medicaid, so you can get help relevant to your particular situation. It will be time well spent.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

What to Do with Excess Money?

December 7, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Despite the fact that a lot of people would like to have this problem, many retirees are faced with the dilemma of being forced to take Required Minimum Distributions (RMDs) from IRA accounts and not knowing what to do with the money. I received this question (text slightly modified and name changed) from a PlanStrongerTV™ viewer:

***My husband and I are retired and our income is Social Security and a small pension. We can pay all our bills on this income (unless we have some crisis, like buying a new air conditioner). We now have to take annual RMD payments, which, combined between my husband and me, are around $15,000 a year, after taxes. We don't know what to do with this money, so we put it in our money market account at our bank. The interest paid is about $4.00 a month. I go over to the bank every quarter and ask for an upgrade, which brings the interest payment up slightly. My question is, what should we invest the RMD money in that would make the money grow*? – Ramona**

Hi, Ramona. Thanks for writing. I'll break your question into two parts:

1. Undesired Required Minimum Distributions. Many of our clients are in the same "boat" as you and your husband! My firm holds our clients' money at the same large, well-known, financial custodian that you do (I deleted the institution's name from your question). For clients who want help with this same problem, we can calculate and move the RMD amount from their IRA account(s) to a regular joint investment account. This, essentially, keeps the money working for the clients as if no RMD was required. Of course, income taxes have to come out and be sent to the IRS as part of the process, but we handle that directly with the custodian.

2. Surplus Cash That Earns Next to Nothing. Although prevailing interest rates are starting to climb, cash in the bank will probably continue to earn very little. Once you have a healthy emergency fund established for the unexpected (like the broken air conditioner), you can then look for alternatives to earn more interest. There are two primary solutions my company uses, and they are both from insurance companies: 1. Fixed Interest Annuities or 2. Fixed Index Annuities. Annuities don't have required RMDs, and the interest can be left to accumulate and compound tax-deferred. The Fixed Index Annuity is "indexed" to the stock market. The interest earned is not guaranteed or known in advance, but it can, potentially, be higher than the Fixed Interest Annuity. Over the years, we've seen these products work well alongside our clients' investment portfolios and within overall financial plans.

I hope this information is helpful. Please realize that these are general observations and ideas; if I knew more about your individual situation, goals, etc., I might have additional or different recommendations. Thank you for writing!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Name Your Beneficiaries!

November 30, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

My name is Steve Tacinelli, Vice President of Tax Services for Holland Tax & Accounting. From time to time, David Holland asks me to contribute to the PlanStronger™ column. Today, I'd like to talk about inherited 401(k)s and taxes.

As a result of the decreasing popularity of pensions and the regulatory environment surrounding them, most employers have embraced defined contribution plans like the 401(k), 403(b) and 457(b). According to the American Benefits Council and the U.S. Department of Labor, 94 million workers now participate in 401(k)-type plans and total assets exceed $6.9 trillion!

I recently spoke with a client, "Amy." Amy was going through the probate process due to the death of her sister, who was in her sixties and single. According to the sister's will, Amy was the sole beneficiary of her estate. Included in the probate of the estate was a 401(k) valued at $500,000. The probate attorney informed Amy she would be getting the entire 401(k) amount this year and she would owe taxes of about $185,000! Receiving such a large amount in one year would put her in the highest tax bracket of 37%, much higher than her normal tax rate of 12%.

A 401(k) plan, like many other retirement vehicles, can skip the probate process by naming individuals as beneficiaries upon death. However, the sister thought there was no need to have a completed beneficiary form on file, because she left everything to Amy in her will. A costly mistake. Because there was no beneficiary form, the sister's *estate* is deemed the beneficiary. This is important for a couple of reasons. First, the probate process is lengthy, cumbersome, expensive and public. Second, and more importantly, naming the estate as beneficiary limits the options of the inheriting individual. When a non-spouse inherits a 401(k), he/she usually has three options: 1. Take the full balance in a single distribution. As Amy found out, this can create a huge tax liability. 2. Take the distribution over five years, spreading the taxes over time and usually at a lower tax rate. 3. Utilize an option known as the "stretch" method, where the balance is rolled over into an "Inherited IRA." This allows an individual to take annual amounts over his/her life expectancy according to the Required Minimum Distribution (RMD) life expectancy tables. Although all distributions are taxed, and a person can take a higher amount if he or she wishes, an RMD usually will not propel a beneficiary into a higher tax bracket and will be a much lower tax liability than the other options.

While most plans provide all three options to an individual, *estates are not individuals*. Some plans will allow the five-year option for estates, but because of the administrative burden, most require the lump sum distribution. And the "stretch" is never allowed for an estate, since an estate cannot open an Inherited IRA. Although she was grateful to her sister, proper planning would have given Amy more options and, in time, a much more sizable inheritance.

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Be an Aware Shopper!

November 23, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Once again, the holidays are upon us! That makes it a great time to review some everyday safety precautions. Of course, these tips are applicable at any time of the year, but they are particularly relevant during the holiday shopping season.

1. **Lock your car!** This is so basic, but some people still don't do it. During a rash of car break-ins in Ormond Beach in June, 34 of the 37 burglarized cars had been left unlocked.

2. Ladies, when driving, **keep your purse behind your seat** or on the floorboard on the passenger side of your car. A purse on the front passenger seat is an easy target for a "smash and grab." Also, when shopping, never **leave your purse in a cart unattended**. Consider buying a crossbody bag – a purse that crosses your shoulder and rests in front of your body. It's harder to pickpocket or steal.

3. **Stay alert in parking lots** and, if shopping in the evening, always park in a well-lit area. If you see anything suspicious, return to the store or mall for assistance. Before entering your car, always check the backseat. After entering your car, if you notice a flyer under your windshield wiper, don't get out. Drive to a safe place before removing it.

4. **Place all gift bags in the trunk of your car, out of sight**. If you have an SUV, a cargo cover is a great investment. Avoid placing bags in your car and returning to the store for more shopping. Someone could be watching you.

5. **Avoid carrying more cash or credit cards than you will need.** Leave the rest at home.

6. **There is safety in numbers.** Bring a friend with you!

How about shopping safely online? Here are a few things to remember:

7. **Make certain the website you are accessing is legitimate.** Is it a trusted site? Have you purchased from them before? “Fake” websites may offer outstanding prices, but your name and credit card number can be stolen for merchandise that doesn’t even exist.

8. **Use credit cards for purchases online**. If a credit card is compromised, report it immediately. You are not liable for the charges while the card company investigates your case. Using a debit card online can be dangerous; a perpetrator who steals your information can quickly empty the account linked to that card.

9. When ordering online, **make sure you see a padlock icon and a browser URL address that starts with https://.** These are signs of SSL data encryption.

10. **Avoid shopping over public Wi-Fi.** Though it might be convenient to place orders while sipping a latte at your favorite coffee shop, someone three tables over might be monitoring your every keystroke! Without the use of a VPN (Virtual Private Network), your data can be at risk!

One of the surest ways to have a happy holiday is to stay safe and keep your money, purchases and identity secure. Keep these tips in mind and enjoy the start of the 2018 holiday season!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

IRA Trusts and Your Heirs

November 16, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Aside from their homes, Individual Retirement Accounts (IRAs) are some of the largest assets people own. So, how are these funds passed on at death? Normally, when filling out the paperwork for an IRA, an individual person is designated as the beneficiary. Often, however, a sole beneficiary isn't the best choice. What happens if a wife is the beneficiary to her husband's IRA and, although they have no children together,they each have children from a prior marriage? The husband might want to provide for his current wife, *but worked his whole life to leave a legacy to his own children*. If the IRA becomes the wife's property at her husband's death, she will have complete control of it. She may leave the money to *her children* (from her previous marriage) and exclude *his children*, altogether!

An **IRA Trust** (also called a Retirement Benefits Trust) could provide a solution. With an IRA Trust, a person can designate who gets his/her IRA, how it is distributed, and when. This is not just a problem-solver when there are children from prior marriages. Consider the dilemma of adult children who are unable to handle large amounts of money (or have *spouses* who are irresponsible with money). What if the child is in a bad marriage that may end in divorce? What if he/she has an alcohol or drug addiction, or has special needs? Is leaving a large, lump sum IRA to any of these individuals a good idea? Probably not.

Though it may sound a bit harsh, with an IRA Trust, you can actually control your IRA from the grave! *And, that's a good thing!* Example: Your 27-year-old son, Parker, spends each paycheck before it even hits his bank account. You know that if Parker were the sole beneficiary of your $400,000 IRA, the money would be gone in a year, or maybe two, at most. With an IRA Trust, you could specify at what age Parker would receive your IRA (perhaps, age 50) and how much would be distributed to him from the trust each year. This way, your IRA could provide funds throughout your son's lifetime, with less risk that it will be spent quickly.

One last scenario: What would happen if both you and your spouse were to pass away in an accident? Should you ever designate minor children as IRA beneficiaries? If so, the children's guardian would be in control of their finances, but at age 18, *the children would likely gain full control of the IRA monies you left behind!* Most people would probably agree that 18 is too young to manage, what could be, hundreds of thousands of dollars. You might want to consider an IRA Trust, so a trustee could oversee the money until your children reached the age of maturity that you designate.

Keep all this in mind when you are setting up, or reviewing, your IRA beneficiaries. Of course, you'll need to consult an attorney regarding your situation and the particulars of an IRA Trust.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Car Buying Countdown, Part III

November 9, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Okay, here are my last fourteen car-buying tips in this three-part series.

#14 - You should only drive the new vehicle *after* you've negotiated the deal. Why? To drive the vehicle, the salesperson will ask for your driver's license – and that will give the dealership a lot of information about you!

#13 - Know which vehicle you want *before* you step on the car lot. Do your homework and check inventories online. Spend more time on the dealership's website than on its lot.

#12 - Usually, several dealerships, within an hour's drive, will have the vehicle you want. If you feel you need a test drive before negotiating, go to a dealership further away. Tell them you came from out of town and you've heard they offer great prices. You'll come back only if they make it worth the drive!

#11 - Typically, "Internet offers" aren't any lower than going to the dealership.

#10 - When you go online, ignore those pesky "pop-up chats." The representatives can't give you any real information; their only purpose is to get your email address and phone number.

#9 - Do not discuss how you will pay for the vehicle until the "deal price" is established.

#8 - Investigate your financing options, beforehand. If you plan on financing through the dealership, do not negotiate the purchase price in terms of monthly payments. $25 more a month may not sound like a lot, but it adds up to $1,500 on a 60-month loan (not including interest).

#7 - Be careful with add-ons like extended warranties, prepaid services, etc., especially if you are financing. Are you really going to keep the vehicle that long?

#6 - Download a payment calculator to your smartphone and figure out the payments, yourself, based on the dealership's best "out-the-door" price.

#5 - When trading a vehicle for a newer one, understand there are two transactions. Some dealers want to talk about the "deal" as one number. Negotiating how much you'll give them in addition to your trade can hide a poor trade-in value or paying full price on the new vehicle. Ask for the two transactions to be kept separate for your ease of understanding.

#4 - If buying new, are you willing to wait until next year's model comes out? The dealer may be more motivated to sell last year's inventory.

#3 - Shop on a rainy day. You might be the only "prospect" on the lot.

#2 - Continue to look until you find a deal that works for you. You don't need to comparison shop at every dealership.

And, Tip #1 - If you're serious about buying a car, accelerate the process by asking for the manager. Leave if he/she isn't available or won't come out to meet with you face-to-face.

That's all 25! If you have an interesting car-buying story, shoot me an email. Also, let me know if these tips have helped you make a better deal!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Car Buying Countdown, Part II

November 2, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Last week, I started a countdown of car buying tips. I discussed dealer fees, the key information dealers know (that you don't), the things that *aren't* relevant to your car buying decision, and "time limits" for a sales transaction. Today, I'll share six more nuggets of advice and two personal stories!

#20 - The car salesperson doesn't work for you or represent you in the deal. Ignore personal questions. You're not there to make friends. Keep your guard up. In fact, if you want to have a little fun, turn the tables and *ask the salesperson* off-the-wall questions!

#19 - Even if you're told you're getting the dealership's "best price," salespeople rarely start with the lowest price for the new automobile and highest value for your trade. A true story: Not long ago, I traded in an older vehicle for a newer one. I asked the salesperson to give me the dealership's lowest price without going back and forth to his manager ten times. He said they wanted my trade and $15,000. I asked for the manager and pressed him for a lower price. A few times I asked, "What is the price that, if I gave you one dollar less, you would let me walk out the door?" That produced two more "lowest prices." When all was said and done, the final number was $9,000! ***I saved $6,000 because I kept asking if they would take less***. I was willing to walk out (and they knew it).

#18 - The buyer's most powerful tool is his/her feet (see the story above). If you never walked out of a dealership in the middle of a transaction, maybe you didn't try hard enough!

#17 - Do not drive the new car, and do not discuss the transaction, until you have the key to your trade-in vehicle back (from being appraised) and you know where it's parked. You need to be able to leave at any time.

#16 - If you've reached a "deal," but then they come back to say there was a "mistake" (or give another reason for a cost increase), walk out. This might be hard to do since you've already invested so much time and energy. But do it! More than once, the "mistake" was magically rectified when I told them, "Well, then we are done here" and stood up to leave.

#15 - If you get any indication that the dealership has questionable practices, walk out. Example: While shopping for my teenage son's first vehicle, we were discussing a used truck with the salesperson. A manager strolled over and said that he would reduce the price "just for us." As it turns out, his "lower price" was already painted on the windshield of the truck! We got up and left. You, too, could encounter a shady dealership, but don't lose heart, there *are* honest, reputable ones out there!

Could there possibly be more tips? Yes! We step on the gas with 14 next week!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Car Buying Countdown, Part I

October 26, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

During the filming of the sixth season of PlanStrongerTV ™ , an audience member asked me, “Do you have any car buying tips?” I answered, “Yes, I do!” I love cars and I’ve definitely purchased my fair share of new, and used, vehicles (one of my long-time employees teased me that I’ve bought a car for every year she’s worked for my firm . . . and, that’s 12 years!). My family also thinks I’m car-crazy, but they’ve given me “a pass,” because I’ve promised not to buy a motorcycle.

These 25 tips are based on my visits to a wide variety of automobile dealerships and my personal experiences with automotive salespeople and managers. So, ladies and gentlemen, *start your engines!*

#25 - I’ve dealt with some very good dealerships and salespeople over the last three decades. Some of them are my clients! When it comes to the car-buying transaction, though, keep in mind that the dealerships have an enormous advantage. They know (and you don’t) the lowest price they’ll take for the car you want and the highest price they’ll pay for your trade-in vehicle.

#24 - The car dealership is not going to lose money when selling you a car (even if they say otherwise or plead poverty). You may be told the dealership is only making $1,200.00, for example, on a trim-line that has very few options, or that the lower, internet price represents no profit to the dealer. Baloney! Concern yourself with what *you are willing to pay*, not what the dealer will make on the sales transaction; their profit (or lack thereof) is not your responsibility!

#23 - None of the following are relevant to your decision-making: MSRP, “factory” invoice, holiday and sales events, and “pretend” end-of-the-month deadlines.

#22 - You might despise “dealer fees,” but just accept the fact that they are part of the price of the vehicle; treat them as such. They aren’t the only way the dealership makes money on the sale. Another way is through “holdbacks” from the manufacturer. A percentage of the vehicle’s invoice or MSRP (the exact calculation can vary amongst manufacturers) is usually paid to the dealership when a new car is sold. They also make money on volume and by reaching certain sales goals.

#21 - Some salespeople will try to wear you down by drawing out the car-buying process. *The salespeople may have to be at the dealership all day, but you don’t!* Place a value on your time and set a limit (I give them one hour). Tell them if the deal’s not done within the allotted time, you’ll be out the door. And stick to it.

This is just the start! Come back next time for more tips and a personal car-buying story. With a little knowledge, and persistence, you could be driving away with a far better deal on your next new or used vehicle!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Refinance Overload?

October 19, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

This week I received an email from a reader regarding his mortgage, and I'd like to share it with you. Please keep the letters and emails coming, by the way! I enjoy using your questions, not only for this column, but also for my PlanStrongerTV™ show. I'll always modify the submission slightly and change the person's name to protect his/her anonymity . . . so here is "Hank's" question:

I am an avid reader and fan of your column. Your advice is always useful, easy to understand, and concise. Thank you and keep up the good work!

I am a single man in my mid 50s with a small business. My income fluctuates from year to year, and I am careful about my spending so that I can afford to contribute as much as possible to my IRA and also keep an emergency cash fund.

My question is this: I am 3 1/2 years into a home loan with a 30-year fixed mortgage at 3.75%. My mortgage payments are affordable and I always pay an additional 10-20% a year toward the principal, as my income allows. All of a sudden, however, it seems I have been getting heavily marketed to by financial institutions (including my mortgage holder) wanting me to refinance my home loan. Is there some coincidence to this timing (ie: after three years, are the bank's profits from my loan not where they'd like them to be? Perhaps they are not pleased with my additional principal payments?). I am also curious if a refinance would be of any benefit to me. I don't need extra cash to finance anything, and my priority is saving for my retirement. I am not inclined to extend the duration of my home loan, unless it is a good financial move.

I would appreciate your insight and expertise.

Thank you for your kind words, Hank. Here are my thoughts on your question:

1. There's no real correlation between refinance solicitations and the number of years you have had your current mortgage. More likely, you've become a "marketing target" because of the equity you have built up in your home by making extra payments.

2. You've locked in a great, long-term fixed rate. Good for you!!! There is absolutely no reason for you to refinance, based on the information you provided. Moreover, the rates are at least 1% higher today! I'd simply ignore the offers and relegate them to your shred bin.

3. If you'd like to have some flexibility and a "back up" emergency source of funds, you could consider a HELOC (Home Equity Line of Credit); these are tied to the Prime Rate. That being said, if you don't think you'll need the line of credit, then don't bother.

4. The extra payments you're making on your mortgage are great and will significantly accelerate your pay-off date! You are on the right track! Just make sure you continue to contribute to your emergency fund for unexpected home repairs or if there's a lull in your business.

Thanks for writing!

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Social Security and a Younger Spouse

October 12, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

People can, and do, meet, fall in love and get married – despite substantial age differences. Relationships like these are often called "May-December" romances. How does this disparity in ages affect a couple's finances in retirement? Keep these two points in mind:

Social Security (SS). Many times, couples (regardless of age) choose to defer one spouse's Social Security payments for as long as possible. This is because, if filing is delayed, SS benefits will increase until age 70. Another reason is, when the husband/wife who has deferred payments passes away, his/her spouse will be entitled to that person's larger benefit payment at full retirement (the couple must have been married for 9 months). If you are part of a May-December couple, you can see why this could be a very important planning option. Let's look at a fictitious example:

Jon is 64 and currently employed in a middle management position. He decided not to take an early retirement at age 62. Jon's wife of three years, Marie, is 48 and does not work; she has held a few short-term jobs over her lifetime, but was unemployed for many years while caring for her disabled mother. If Jon either continues to work, or has other income to sustain his and Marie's lifestyle through age 70, not only will his benefit increase, but, subsequently, Marie would get a much larger "survivor's benefit," should Jon pass away at, let's say, age 74. If Marie expects her Social Security payment to be low because of her sporadic work history, taking the SS survivor benefit, instead, could make a huge difference as she moves forward on her own.

Pensions. Now, one more thing to keep in mind for this May-December couple. If Jon were eligible for a pension through his employer, he could choose to designate his plan to be "single life" or "joint life." If Jon were to choose single life, he would receive pension benefits until he died, but Marie would not receive the pension after his death. Without proper survivorship planning for Marie, she could be left "in the lurch" with very little income as she enters into her golden years. On the other hand, if Jon were to designate his pension plan to be "joint life," payments would continue for Marie, even after Jon passed away. A drawback to joint life, however, is that monthly payments will be lower because the pension is extended for *both* Jon and Marie's lifetimes. Additionally, because of Marie's younger age, payments would, typically, be reduced even more.

Death is not a topic anyone likes to talk about. And, planning for retirement can be complicated – even more so for May-December couples. But, if you keep this information in mind when considering the future of a surviving husband or wife, you will not only PlanStronger™ for yourself, but for your spouse, as well.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Avoid Financial Exploitation!

October 5, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

PlanStronger™ readers, who pay close attention to local print advertising, might already know that my public television program, PlanStrongerTV™, has just entered a new season. There are several reasons why the filming of these most recent shows is so exciting: 1. We have a beautiful, new, modern set; 2. The program has an updated format, with shorter segments, audience interaction and more guests; And, 3. The program will now be offered to public broadcasting stations, nationwide! To watch one of the new shows, tune in to Channel 15 on Sunday night at 7 (*previous seasons' shows* will air at 7 pm Monday through Friday).

I tell you this as a lead-in to a subject inspired by one of my first guest interviews of the new season. Mr. Don Blandin joined me to talk about a very important topic – investor exploitation. Don is the CEO and President of Investor Protection Trust, a consumer advocacy organization that educates and informs consumers on investing.

Who Is Vulnerable? Financial exploitation is alive and well. Anyone, at any age, can be a victim, but those especially at risk are over age 65. Why? ***This age group has the most wealth!*** Also, scammers are well aware that some people may not be as "sharp" as when they were younger. This makes our senior population an appealing target.

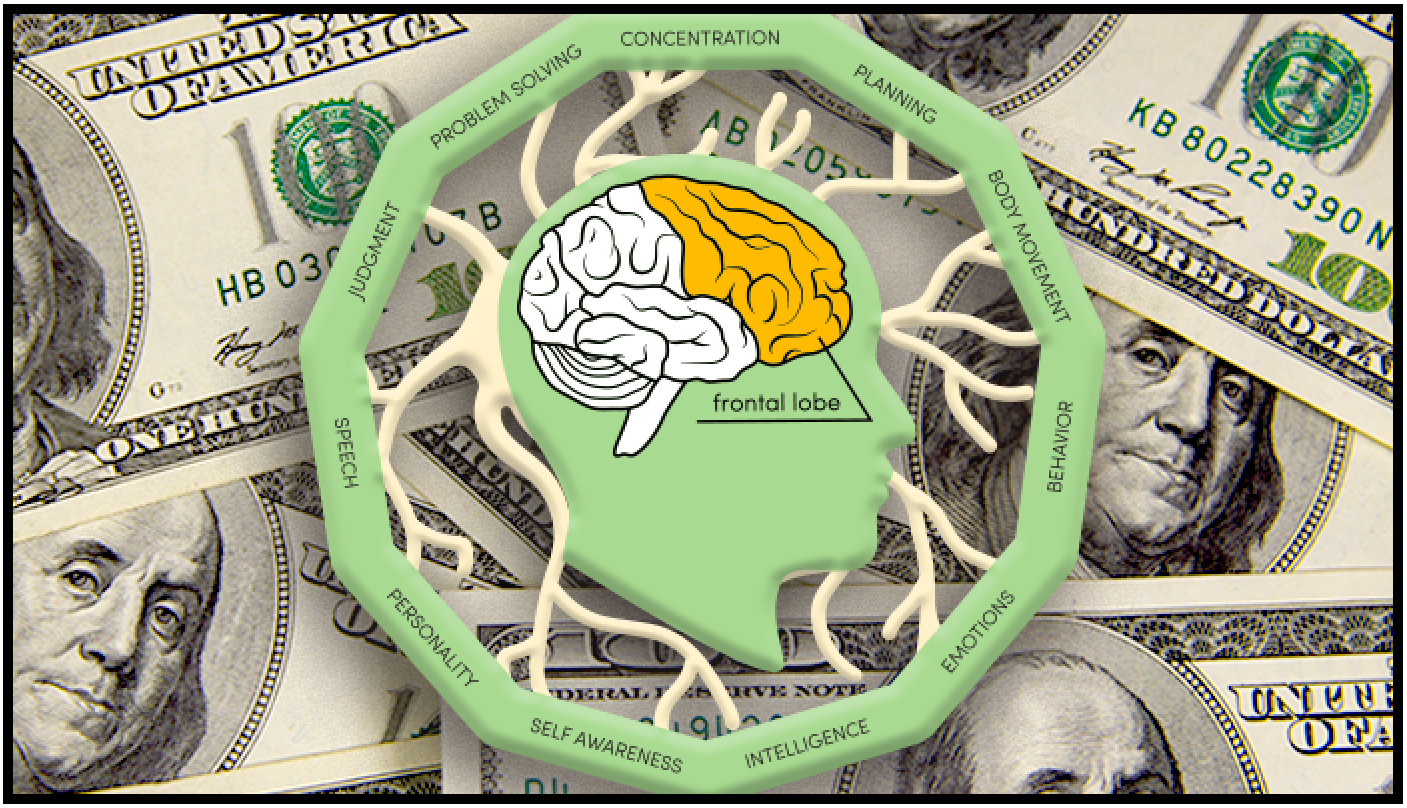
When Should Alarms Go Off? It's important to know some of the warning signs of a (potentially) bad investment/financial scam. Here are a few questions to ask yourself: 1. Is there a big rush to sell me the investment (is the offer time-sensitive)? Am I being pressured to make a quick decision? 2. Have I been promised a large return – much better than any return from a bank? 3. Am I being told there is no risk involved? If you answered "yes" to any, or all, of these questions, slow down, step back and do some investigative work before making any decisions.

What To Do? To help avoid scams, you need to check the background of the person offering the investment. And, don't drop your guard if the person is a relative. A very large percentage of financial exploitation cases are committed by family members! Research the product/investment, as well. Consider information provided by your State Securities Regulator (an agency that works to protect investors as it maintains the integrity of the securities industry). You might also consult with a trusted friend, or, better yet, get a second opinion from a financial professional.

Are You Concerned? If you think that an elderly neighbor or relative is being taken advantage of, financially, you might notice depression or a withdrawal from normal social activities. A conversation with his/her physician might be in order. Some doctors are now screening patients for signs of stress and duress (a possible indication of financial difficulties, manipulation or pressure from outside sources). You can also contact the aforementioned State Securities Regulator and/or Adult Protective Services.

This is a broad topic, and, unfortunately, I'm unable to cover everything in one column. For further information, as well as helpful educational resources, visit Don Blandin's website: investorprotection.org (http://www.investorprotection.org).

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)



Money is Weird!

September 28, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I recently conducted an interview with Dr. Art Markman, Professor of Psychology and Marketing at the University of Texas, Austin. Dr. Markman shared that, because we're often so busy with our everyday activities, we don't take the time to think about the driving forces in our lives. Two of the big ones are emotions and money.

As *Homo sapiens*, we have sophisticated abilities to reason. But, believe it or not, these abilities are built on top of the same "machinery" as other mammals! In other words, even as highly intelligent beings, we are motivated by the same basic instincts as mice and deer! . . . But, then enters this peculiar, abstract thing called "money." Unlike bartering systems used in the past, money is a very convenient, uniform currency that can be used for just about any transaction. However, despite how smart we are (or think we are), the "primitive" part of our human brains doesn't always do well with money decisions.

For example, when we are in a dangerous or stressful situation, one of our basic animal instincts is “fight or flight.” Think about it for a moment . . . when there is a huge downturn in the stock market, what is our immediate reaction? To flee? To “run” for safety? Our basic instincts can save us when a bear is chasing us, but those same instincts can lead us astray when it comes to money. And, what about “impulse buying”? Have you ever known someone who stopped at a car dealership “just to look,” but ended up driving away in a new automobile the same day? The purchase may have felt great for a short while, but was that car compatible with the person’s long-term goals for his money?

So, how do we override our brain and our most basic instincts? One way is to slooooow down in our decision-making. We need to give our frontal lobes a little more time to kick in! These are the areas of the brain that inhibit the impulse for fight or flight. Give yourself time to think a bit more about your actions. It is also a good idea to involve a second person when making any big decision that involves money. Seek out a spouse, friend, or, better yet, someone with financial expertise, like a financial adviser. Talk it over and give yourself time to process the decision. It will also help if you can keep an *open* mind and be willing to *change* your mind.

Equally important, when it comes to the stock market, be especially careful when reacting to what is happening “at the moment.” With the market, patience for growth over the long term is preferable – but, again, the primitive part of our brains isn’t so good with delayed gratification. Our tendency is to react and to jump in and out. Unless we are in retirement, or approaching it, we should be investing for long-term growth – not fleeing from the “bear” we think may be around any corner.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Questions on Social Security

September 21, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

When it comes to planning for retirement, it's no surprise that I get many questions about Social Security (SS). After all, for the majority of retirees, Social Security benefits account for a significant percentage of their income. The following are three of the questions that come up often when consulting with my clients:

1. At what age can you draw SS benefits without being taxed?

Though this is not going to be a popular answer, taxation of Social Security benefits has nothing to do with your age. There is a complicated formula used to figure *the portion* of your Social Security that will be taxed. It might be zero, 50%, or 85%, depending on your income level. The tax rate applied will also depend on your total income. And, by the way, your Medicare Part B premiums are also based on your income . . . higher income equals higher premiums. So, whether you draw it early, at full retirement, or at age 70, the taxation of Social Security benefits depends on your total income at that time and not the number of birthdays!

2. Would you be penalized if you work and collect Social Security?

I've written about this many times before, but it is still a frequent question. This answer *does* depend on your age when drawing benefits. If you draw benefits earlier than your normal retirement age of 66 to 67, you are limited in how much work income you can receive without reducing your benefits. For 2018, that number is $17,040 in earned income. Once you reach your normal retirement age, there is no longer a limit. You can make as much money as you want without having it affect your SS benefit amount.

3. Would IRA withdrawals affect Social Security benefits?

The simple answer is "no." If someone takes Social Security early, only work income is counted. Dividends, capital gains, pensions, annuities, and IRA withdrawals will not affect whether your SS is reduced; however (and again), these income items *could cause more of your Social Security to be taxed.*

Social Security can be tricky! A key takeaway from today's column is that SS decisions need to be made with your overall tax, income and financial situation in mind. Please also remember that my answers here could become obsolete over time as tax laws and Social Security rules change. Always make sure to double-check with your financial planner, or tax professional, before taking any steps that could result in reduced benefit payments or negative tax consequences.

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Sad (and Expensive) Love Stories

September 14, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Today, I'll be discussing a financial scam that can be perpetrated by either a man or woman. In my opinion, people who commit this crime (and *it is* a crime) are some of the "lowest of the low." Con artists troll dating websites, bars, and countless other places (even grief counseling groups!) in search of the lonely and emotionally vulnerable. Maybe you've seen it happen, or felt helpless as a relative, or good friend, has had his/her money stolen.

“Maxie,” a widow, signed up for an online dating service to find a companion. There, she met “Franklin,” a seemingly well-to-do retiree, who was in the midst of a messy divorce. When his divorce was final, Franklin told Maxie he wanted to travel the U.S. with her in retirement. A dream come true, right? He convinced Maxie to use her savings to buy a new, and very expensive, recreational vehicle (RV). The “home on wheels” was huge, comfortable and had all the latest features and conveniences. Everything was fine for the first few weeks after the purchase, but, soon, Franklin’s affection for Maxie waned. They “broke up,” and not so amicably. Maxie made several attempts to get Franklin to pay back the money she had invested in the RV, but, as you may have already guessed . . . Franklin had the vehicle titled only in his name.

“Annie” met “Mel” in a café. Annie fell hard for the younger man who said he was an “actor.” Unfortunately, Mel had no money and couldn’t hold a job. So, Annie chose to support him, financially. Though Mel professed his “love” to Annie, her elderly father and grown daughter expressed their displeasure and concern over what appeared to be a one-sided affair. The more they complained, the more Annie pushed her family away in lieu of her relationship with Mel. The charade went on for a couple years before Mel finally moved on. What did he leave behind? Heartbreak and a large dent in Annie’s retirement savings.

Stories like these are not uncommon. Admittedly, it’s hard to make the right decision when you are engulfed in a whirlwind of emotion. “Love” can make a person blind to even the most obvious of deceptions. Scammers, however, know how to manipulate their victims by fulfilling this very basic human need.

I write this column as a warning. Scammers often target older individuals because they know they hold the most wealth. Approach potential relationships with great caution and keep your wits about you. Don’t rush into anything, especially when asked to lend financial assistance. Listen to family and friends, *without being defensive*. Discuss any and all major financial moves with your adviser. Please! If you’re having second thoughts about someone’s true intentions, remove yourself from the situation for a few weeks to gain some perspective. Con artists can, and do, live in our local communities. They will continue to lure the lonely. Don’t lose your money to them. Don’t become another victim.

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Wait a Year When a Spouse Dies?

September 7, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

You may have heard the recommendation not to do anything, financially, within a year of the death of your husband or wife. Is this really good advice? For the most part, yes – but it depends.

Many widows (and widowers) have made the wrong financial choices, or have been taken advantage of, during times of grief and sorrow. I believe the recommendation to "wait a year" is well-intended . . . but, it is also a general piece of advice. The key point is to ***not rush into decisions*** that can have significant long-term financial impact. Widows and widowers need to give themselves time to assess the realities of their new situation. With that said, if there are time-sensitive financial decisions that need to be made – *then they need to be made*.

However, it is not the best idea to "go it alone." If you are already working with a financial adviser, you should have been involved in planning and investing discussions. If so, then you can lean on him/her to guide you through any pressing financial decisions. If the planning you did when your spouse was alive included survivorship scenarios, those plans can be reviewed for the steps that should be taken next.

Additionally, if you have close family and friends, they can be great "sounding boards" for decisions. Even better, they can accompany you to meetings. Keep in mind, though, unless your well-intentioned helpers are trained extensively in finance, it is usually better to rely on the advice of professionals. For example, when one of my clients became a widow, her kids flew in and started moving all of her accounts around – even before my firm knew her husband had passed away! Fortunately, she thought to double check with me before it was too late. We were able to stop the transactions. I'm sure the kids meant well, but, had those changes gone through, they would have created significant tax, and financial, problems for my client.

So, you see, it all depends. When a lifelong partner dies, the emotions a person feels can be overwhelming, and many people experience significant memory issues during bereavement. It's not the time to make drastic, life-altering decisions, but, rather, to follow the plans you have, hopefully, made well in advance. Surround yourself only with those friends, family members and professionals who you know you can depend on and trust, and let them assist and guide you in the months to come.

A friend, and PlanStrongerTV™ guest, Kathleen Rehl, Ph.D., CFP®, wrote the book, *Moving Forward on Your Own*. If you are a recent widow/widower, or know someone who could benefit from this guide, I have a few copies available on a first-come-first-serve basis. Please give my office a call.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

More Money Needed in Retirement?

August 31, 2018 by Mike Peerless (http://hollandmortgageservices.com/mike.html)

Hello, my name is Mike Peerless (NMLS #1073735), and I am the Reverse Mortgage Loan Director at Holland Mortgage Services (NMLS #1432962), a subsidiary of Holland Financial. David Holland has asked me to step in this week and share a strategy with you on Reverse Mortgage Loans. So, here we go . . . !

Some retirees, and those who are about to retire, worry that their nest eggs won't last. They are concerned about the long-term viability of Social Security and Medicare, and/or they don't feel they've saved enough in their 401(k) plans. This leads many to ask, "Are there any other cash flow alternatives out there?" The answer is "yes" – one of them could be a reverse mortgage loan.

If you are 62 or older, and own your home with a small or no mortgage, you could establish a reverse mortgage line of credit (REVLOC). Although there are closing costs, once established, the line of credit grows at a pre-determined rate, can't be arbitrarily frozen or cancelled, and can be used, as needed, to meet cash flow needs. Once money is borrowed on the REVLOC (and this is a big distinction versus a regular Home Equity Line of Credit), *the borrower is not required to make any monthly payments*, as long as he/she lives in the residence, pays property taxes and homeowner's insurance, and maintains the property. Here's a strategy that can keep interest and mortgage insurance expenses low. Step 1: Establish the Reverse Mortgage Line of Credit; Step 2: Pay the upfront costs associated with establishing the line by making payments (even though they are not required); Step 3: Watch your REVLOC credit line increase each year (every month, the line of credit will *grow* at the same rate as you would be charged on any monies that are borrowed). This strategy reduces the overall cost, while providing the very important flexibility of having a line of credit you can draw on without having to make regular interest or principal payments.

Four Benefits: 1. A REVLOC can make more funds available for emergencies, as well as home improvements, travel, and the grandkids' education. 2. The REVLOC, if desired, can be used to take monthly payments over your lifetime, and that of a spouse, if he/she is also on the loan. 3. If you rely on your investments for regular income, you can switch your withdrawals to a REVLOC during a stock market decline (thereby avoiding the liquidation of investments while they are down in value). Doing so could help sustain your income during difficult financial times. And, 4. borrowing on a REVLOC can provide the funds needed for in-home care. *Why not* access some of your home's equity to pay for home care that lets you stay in your home as long as possible?

These are just a few examples of how a reverse mortgage loan may help those 62 and older maintain their financial independence and lifestyle!

Mike Peerless (NMLS #1073735), Reverse Mortgage Loan Director
Holland Mortgage Services, Inc. (NMLS #1432962)

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Withdrawing and Repositioning 401(k) Monies

August 24, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Did you know that you can take money from your 401(k) before retirement? The technical term for this withdrawal is an “in-service distribution.” When an employee turns 59½, most employer-sponsored retirement plans, like 401(k)s, allow a person to make withdrawals from his or her account while still being employed with, or “in the service” of, the company. Typically, this is done to roll all, or a part, of the 401(k) balance into an IRA before retirement – a financial move thatdoesn’t trigger income taxes when done properly. So, why would someone want to do a rollover? There are many reasons. For instance, they might want to gain access to:

1. A broader range of investment choices. Sometimes, the offerings of an employer’s 401(k) plan can be quite limited. An investment firm managing an IRA, on the other hand, may have access to a very large pool of investments from which to choose.

2. Professional investment advice. No one says that you can’t have an investment adviser guide you on your 401(k) holdings. However, hiring an adviser might not be a benefit to you if there are only a handful of choices. If you are paying for an adviser’s time, you may want to get the most bang for your buck.

3. More conservative and fixed investment options. You may be uncomfortable having all of your 401(k) money in stocks and bonds. By rolling the money into an IRA, you could exchange the uncertainty of the market for bank and insurance company products which may be more appropriate for your situation. This is especially important as you get closer to retirement (e.g. within five years).

4. More determinable income alternatives. As we approach retirement, our focus needs to shift from pure accumulation and growth to reliability of income. Rolling part of a 401(k) into a fixed annuity, for example, before you retire could mean that you have another source of income waiting for you when you stop working.

5. Ease and speed of distributions. It may take a lot longer to receive a requested distribution from the company that holds your 401(k) funds. There might be lots of “hoops” to jump through to get money quickly. On the other hand, an investment advisory firm, with a nimble and capable customer service department, can usually process a distribution check within two or three days.

Wait! Don’t call your plan provider to request your “in-service” distribution just yet! First, before you make any changes to your 401(k), get professional help. Errors in the process of an in-service distribution or IRA rollover can have very serious tax consequences. Make sure the transfer is carried out properly. And, secondly, don’t “gamble” with your retirement funds. Pulling these funds out of your 401(k) and transferring them to overly complicated, speculative or illiquid investments can result in a personal financial disaster! Don’t be in a rush. Get a second opinion on your plans if you are not confident. Be careful, and smart, with your hard-earned retirement dollars!

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Do You Have a Plan for a Balanced Life?

August 17, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I know it seems like the financial industry is constantly encouraging everyone to delay gratification: *Don't take Social Security early; don't draw from your IRAs; don't take money from your investments; maintain an emergency fund; buy long-term care insurance* . . .

In trying to help people, sometimes, financial advisers can go a little overboard. We try to protect our clients from every eventuality. Yes, there are certain things that you need to do to prepare yourself for the "bumps" along life's journey, but I don't need to remind my readers that "life is short."

Not long ago, I was on a cruise with my family. I had splurged on an upgraded cabin that gave us access to a specialty restaurant on the ship. I did this because I knew the smaller restaurant would be better able to accommodate my wife, Toni's, gluten-free dietary needs.

One evening, after the kids had run off to the ship's "Teen Room," Toni and I sat down at the restaurant to enjoy a glass of wine. As we were reveling in some "quiet time," I couldn't help but notice a woman and gentleman at a nearby table. The couple was well-dressed and probably in their seventies. They had, obviously, spent the extra money, just like we did, to have the upgraded cabin and access to the more intimate restaurant. The woman was cutting the man's steak for him. She looked fit and alert, but her husband moved slowly and gazed quizzically at his food. He picked up a vegetable, inspected it, then put it down. He pushed the steak pieces around on his plate – but I never saw him eat. The couple wasn't smiling, laughing or talking about what they saw at the port that day. They sat in silence . . . and . . . so did we. It was heartbreaking. I'm sure this wasn't the cruise experience they imagined during their working years – when they were younger and planning their retirement. Knowing what they do now, I'm sure their advice would be, "Live now. Don't wait."

So how do we "Live now. Don't wait?" It's not that complicated. Build a financial plan that:

1. **Provides dependable, reliable retirement income**
2. **Remains flexible for emergencies and planned large expenditures**
3. **Addresses the risks that can wreak havoc on your finances – like long-term care, high inflation or a stock market crash**

Once you have a plan in place, you'll feel much more comfortable spending some of the money you've worked so hard to obtain. Take a cruise! Buy a new car! Install a pool or hot tub! Update the kitchen! And, if you don't know how to put a plan together, consider working with an experienced, credentialed financial planner . . . if you do, you'll *PlanStronger*!

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Make Your Vacation Dollars Stretch Farther This Summer

August 10, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

It’s summer! And, for many, that means vacation time! I wanted to put together a few tips and money-saving suggestions for my readers, so, if you are planning a summer getaway, read on!

Check Early and Often. When booking a flight to your vacation destination, you might want to start checking the airlines early. Generally, eight-weeks-out seems to be a good starting point. Unfortunately, you never know if you are getting the “best deal” now, or if fares will go lower. Don’t forget to check multiple airlines and compare airports, as well. You might be surprised to find that fares are considerably cheaper departing from one location versus another. You can also use discount travel websites to book your flights, but my preference is to book directly through my airline of choice.

Your Car’s Vacay. Parking at an airport can be *expensive!* I like the alternative of booking an airport hotel that offers a “stay and park” service. This won’t save you money over parking without a hotel stay, but you might find the peace of mind, and convenience (especially for early morning flights), to be worth the cost. Here’s how it works. Book an overnight accommodation and let the reservation agent know you want to park at the facility while you’re away (there’s usually a set number of days your vehicle can remain onsite). On the day of your flight, the hotel shuttle will drop you at the airline terminal. When you return, you can call the hotel for a shuttle back to its parking lot. Easy!

Home Away from Home. Like my flight arrangements, I prefer to directly book my lodging, as well. Oftentimes, hotels booked through their own websites will “guarantee” the lowest prices available. When you make a reservation, don’t forget, members of organizations like AAA or AARP are sometimes eligible for lower rates, and a category for “seniors” has also been added to some standard discount lists. A property that doesn’t offer rate reductions may have its own policy for rewarding repeat guests. Ask!

Keep in mind, too, some homeowners are now offering private rooms, condos, townhomes, or residences as vacation rentals. A popular online site allows you to search all available properties and view photos, pricing and reviews. The cost can be substantially lower than a traditional hotel. If you decide to give this a try, read all the reviews left by previous vacationers. The more, the better! Also, make sure you are aware of special requirements and/or conditions specified in the rental agreement.

Coupon Clipping. Once you’ve reached your destination, spend a few minutes going through the magazines and brochures at the registration desk or pamphlets placed in your room. You’ll often find a myriad of discount coupons for outdoor adventures, dining and entertainment.

Sometimes, all this effort to save money seems like a lot of work! However, if you’re on a budget, you could find that you are able to squeeze a little more fun into your vacation by saving few dollars along the way!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Have You Ever Told a Computer How You Really Feel?

August 3, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

A former PlanStrongerTV™ guest, Dennis Miller, posed a question to me for his newsletter, *Miller on the Money*. Dennis wanted to have my thoughts on “robo-advisers” – computer programs that take human beings out of the investing equation. Robos make financial, or even Social Security timeline, recommendations based on general information that is plugged into their software programs. What many people fail to realize is that robo-advice is based on mathematical formulas and rules written by humans. This means the recommendations can be subject to error or to the prejudices of the individuals who wrote the programs. Some large investment companies have gotten on the robo-bandwagon and are now giving their investors the option of using this type of platform as a low-cost, low-minimum-balance-account alternative.

So, what is my personal opinion? I strongly believe that technology is an invaluable tool. Every day, my firm uses computers to perform certain tasks and analyses. Software can also help build a portfolio, but we never tell the computer to “go ahead and manage John Doe’s portfolio.” That is a job that requires human judgment. I’m comfortable with computers “crunching the numbers,” but it’s my team of professionals who will determine how to manage the investments.

To date, there are no programs on the planet that can factor in all the details that should be considered when making financial decisions. I mentioned, above, that there is software available for establishing optimal timelines for taking Social Security benefits. But, what it can’t do is factor in: 1. The longevity of your siblings, parents and grandparents. 2. Your current health and your outlook on your future health and well-being. And, 3. Your view on Social Security, and whether you believe it will still be a viable federal program 10, 15 or 20 years from now.

Here's another thing a "robo" can't do. A robo can't evaluate all the financial products in the marketplace and how they might be used to benefit your particular situation. Let's use Social Security for an example, again. A good financial adviser can weave together stocks, mutual funds, bonds, annuities, a reverse mortgage loan, cash, etc., to help determine the ideal time to take Social Security. A computer can't do that. Maybe, eventually, it will be able to . . . but not in 2018.

In conclusion, is there a place for specialized computer software in the world of finance? Yes! Do I think a robo-adviser can replace a human adviser? Nope. A computer can't listen to your feelings, concerns and goals, and factor that essential data into its recommendations. It's my belief that *people* still need *people* to help make important financial decisions. Maybe the big investment companies are realizing that, as well; some are now offering their robo-platform with an "active management component" – which means a degree of *human* assistanceis also available or being utilized. That strikes me as funny! Why not just let the human adviser do the work and decide what technology to use?

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$21,203,252,989,829 and Counting

July 27, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

At the time I am writing this, the number in the headline of this column is the total of our national debt. In fact, the last several numbers were spinning so fast on the "debt clock" (http://www.usdebtclock.org) that the figure changed by over $100,000 by the time I was able to jot it down.

With that astronomical number in mind, "Richard," asked my personal opinion on our country's debt situation:

"[Your recent PlanStronger column] . . . does not mention the increasing federal cost for servicing the 20-trillion-dollar debt as interest rates rise. Eventually many federal programs will probably receive significant cuts as the amount of interest on treasury bonds, notes and bills increases. What do we do about all of that?"

I'm going to tread lightly on this subject because a question, like this one, can be a political "landmine," and this is not a political column. That being said, I'm an eternal optimist. I believe there are ways to work through, and out of, debt. Maybe slowing it down first and then reducing it over time. What I know for certain is, if we choose to do nothing about the problem, interest costs will continue to increase. Why? Because, each year, our country borrows more and more money to make up the difference between the revenue it takes in and the expenses it pays out. Every year, interest is added to the debt. Eventually, it's difficult to pay the interest because it becomes a larger and larger part of the total budget. Just ask Greece.

There are no easy answers, but here are a few options:

1. **Increase revenue** to exceed expenses. Translation: Raise taxes – nobody's favorite solution. And, in light of the recent income tax overhaul, it's probably unlikely there will be additional reform, at least for individuals, in the near future.

2. **Reduce expenses** so money is available to start paying down the debt (or so we can stop borrowing the money which is added to the debt each year). This is where governmental programs and excesses might have to be trimmed. It sounds like common sense . . . but, this requires votes by our elected representatives – most of whom want to get reelected.

3. My personal favorite is the ***optimistic*** solution: **Grow our way out**! Government needs to be "pro-business" and stimulate the economy! A vibrant, strong and growing economy can significantly reduce, or totally eradicate, debt without causing a financial hardship to the American people or to the programs and services on which some citizens rely.

Maybe the answer is a combination of the suggestions above. I don't claim to have a solution to this dilemma. It's a very big problem, and it didn't happen overnight. I do believe we can turn the situation around so this enormous debt is not our legacy to future generations.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Six Good Reasons to Take Social Security Early

July 20, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

You've probably heard me, and other financial advisers, tout the benefits of postponing Social Security (SS). The biggest reason, of course, is … more money! If you take Social Security as early as possible, at age 62, you will get far less in your monthly benefit check than if you collect at your full retirement age, or continue to wait, and file at age 70. However, if you wait to collect later, you "miss out" on all the checks you could have received over the years. It will take time, probably many years (I estimate 12 to 14 years), to "catch up" to the total money you could have had if you collected sooner. Here are six more reasons for taking Social Security before full retirement.

1. Job loss. Whether you were laid off, fired, or "downsized," a job loss at age 62 or older can be a significant blow. Finding employment at an older age can be difficult. If you've tried to re-enter the workforce without success, you might want to consider collecting Social Security early.

2. Health reasons. No surprises here. As we age, we tend to have more health issues. If your job consisted of heavy lifting, for example, your body might not be up to the task anymore. Standing or sitting for eight hours a day may be a challenge, or you might have other ailments that limit your ability to work.

3. Part-time work. Maybe you have not been able to find full-time employment, you are phasing out of a full-time career, or you are caring for an elderly parent. You might need extra money to supplement your part-time income.

4. Awaiting other assets. For those who expect income from another source "down the road," taking Social Security early can bridge the gap between a previous career and a future pension or inheritance, for example.

5. Family history. This could possibly be the best reason of all for taking Social Security early. Maybe your family doesn't have the "longevity gene," and everyone in your family passes away in their sixties or seventies. If that were true in my family, I would take my benefits as soon as possible!

6. Will it be there? For many years, you may have heard about Social Security "running out of money." I doubt this will happen; too many people rely on these benefits for a major portion of their income in retirement. If you, however, are concerned that the funds you paid into the system for 40 or more years won't be there in the future, it might be better for you to collect your benefits now, rather than to continue to wait and worry.

All six of these scenarios are legitimate reasons to collect SS benefits early. A good way to find out what is right for your situation would be to sit down with an experienced adviser. Make sure to ask if the adviser uses software to help determine the most appropriate age for you to collect Social Security benefits. With that information, he or she can help guide you.

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What You’re Not Hearing Could Hurt You, Financially

July 13, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Unfortunately, many people who need hearing aids refrain from buying them. Why? Some people are reluctant to face the fact that they are hearing impaired. Other people are concerned with the cost. Either way, not being able to hear well can lead to irritable exchanges with your loved ones, less social interaction (including feelings of isolation and depression), and even financial problems. Financial problems, you might ask? Well, as an adviser, I spend much of my time meeting with clients, many of whom are retirees. Yes, I do use various visual aids to supplement my analyses and recommendations, but it is very important that my clients clearly hear what I am presenting. Misunderstandings can occur in a variety of situations, if someone only hears parts of a conversation and is too embarrassed to ask another person to repeat himself/herself. (Don’t worry about that with me, though; I want my clients to fully understand everything discussed in our meetings, and to that end, I’ll happily repeat myself as many times as it takes! And, my wife tells me I do that at home, too!)

Even those with substantial assets sometimes refrain from buying an auditory device. Hearing aids can be expensive, and unfortunately, most insurance policies, including Medicare, won’t pay for them. The bigger problem, though, is what are you missing? Bank transactions, doctors’ appointments, even driving, require a person to hear well to make the right decisions.

Is there a solution? Well, I’m not an Ear Nose and Throat Specialist (ENT) or audiologist, and I don’t play one on TV (I’m sorry, have I used that joke one too many times?), but here is an option. If cost is your major concern, you might consider buying a hearing aid “direct-to-the-consumer” online. Some sites even provide hearing tests, or you can send the one performed in your ENT's office. Now, granted, you may still need to go to a local hearing professional for a fitting, but by effectively "unbundling" the hearing aid from the service, you may be able to save several hundred dollars, if not more.

Another option, especially for those experiencing mild hearing impairment, is a personal sound amplification product (PSAP). PSAPs are not approved as medical devices by the FDA, but if all you need is a moderate amplification of sound, these can be ordered online for a fraction of the price of a hearing aid.

In summary, if you are starting to notice that you are saying "what?" or "huh?" each time your husband, wife, co-worker, friend or adviser talks to you, don't fear a diagnosis of hearing impairment. It doesn't necessarily mean you will need hearing aids. I encourage you to get tested, talk candidly with your ENT and audiologist, and then do your own research. Your home life, social life and *financial life* may reap the benefits of your clearer hearing! The source for some of the helpful information used for this article was the aarp.org website.

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Celebrities, Nightclubs and Accredited Investors

July 6, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

When an item, or a destination, is made available to only a certain group of people, it seems very exclusive, so everyone wants the item – or to visit that particular location. Back in the 1970s, when disco was the rage, there was a wild, and *wildly popular*, nightclub in New York City. Its patrons were famous actors, actresses, singers, musicians and artists. Unless you "*were* someone" or "*knew* someone," you didn't get in the door. I'm sure there are still places like that today, but none rival the notoriety this particular club attained. Still, when morning came, and the cleaning crew turned on the lights, wasn't this "just another nightclub?" In this instance, the "restrictive entry policy" of this club serves as a good analogy for stocks/securities that are only offered to certain individuals, namely, "accredited investors." I had someone ask me if those investments are any "better" than the ones offered to the general public. You might be surprised by the answer.

First, we'll start by defining an accredited investor. According to investor.gov, "[an] *accredited investor*, in the context of a natural person, includes anyone who:
• earned income that exceeded $200,000 (or $300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, ***OR***
• has a net worth over $1 million, either alone or together with a spouse (excluding the value of the person's primary residence)."

When a company makes an investment available to the general public, there are duties and responsibilities that the company has to the investors, and certain prescribed disclosures must be provided. The investment needs to be "suitable" and appropriate for each customer. When someone is an *accredited investor*, however, the rules and requirements are lessened for the company offering the investment opportunity. Why? Because it is believed that accredited investors are able to bear the risk that accompanies investment in these securities. Accredited investors are aware, or should be aware, that these particular offerings contain unique risks, and their entire investment could be lost.

So, when you hear that an investment is only available to accredited investors, now you know that the offering really isn't "special" in any way, just because it is reserved for certain people. It's not necessarily of any higher value, nor is it any better than any other investment. (It's probably serving the same drinks and spinning the same disco tunes as the club down the street!) The difference is that the company offering the security simply doesn't have to follow rules and regulations that are as strict, when making it available to accredited investors.

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Should I, or Shouldn’t I, Liquidate My ROTH?

June 29, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I’d like to remind my readers that I love to get your questions, so keep them coming!

I heard from “Susan,” a woman in New Smyrna Beach, who is trying to decide whether or not to liquidate her ROTH IRA. This is what I know about Susan. She is 65, recently retired, married, has Individual Retirement Accounts (IRAs) and a $20,000 ROTH IRA (which she’s owned for over 5 years); she and her husband own a home worth $250,000 and they have a mortgage of $100,000. Her problem, however, is that she doesn’t have any cash in case of emergencies.

I commend Susan for planning ahead! You might know from my previous columns that I am a big believer in maintaining a hardy emergency account. You never know when the car will break down, the refrigerator will quit, or you’ll be required to meet large deductibles not covered by your insurance policies.

My recommendation could be for, or against, liquidation of Susan’s ROTH account. A ROTH can serve as a supplemental emergency fund *without* liquidating it, as long as the cash is not needed immediately. Should an emergency arise, and Susan can wait a week or two to receive her funds, the ROTH doesn’t really have to be converted to cash beforehand. However, and this is a big however, if the ROTH monies are invested in the stock market, the value of the ROTH account can, and will, fluctuate. It wasn’t too many years ago that the stock market plunged 40%. If that were to happen when Susan needed money from her ROTH account, the current $20,000 value could sink to just $12,000! If this potential volatility is a concern to Susan, I would recommend that she liquidate part or all of the account and deposit the money in her bank. She won't be earning much interest, but she will feel more confident that the full amount will be there if she needs it. Plus, she will have quick and easy access to the funds.

Another option for Susan might be to consider the equity in her home for potential cash. She could apply for a traditional refinance, a reverse mortgage loan or reverse mortgage line of credit. She would still have to pay homeowners insurance, property taxes and home maintenance, but she would gain access to the additional cash these products could afford. What's great about Susan's situation is that she doesn't have to take money from her regular IRAs because she has other options available. Those IRA accounts can continue to work hard for her until she absolutely needs to pull from them, or until she has to take required minimum distributions at age 70 1/2.

It was good to hear from Susan. She's taking stock of what she has, thinking about the future and asking great questions. Do these things and you, too, will PlanStronger™!

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Ten Things Smart Investors Never Say

June 22, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I'm a big fan of the social media site, LinkedIn. It's a good way to connect with other professionals, both in finance and in other related fields. Recently, I was online and saw a post from Daniel Crosby, Ph.D., President of Nocturne Capital. His *Ten Things That Smart Investors Never Say* was so good that I just had to share it with my readers! (The numbered quotes are Dr. Crosby's, but the comments that follow are mine.)

1. "I got a great stock tip from a friend of a friend."
Did your mom ever say, "If Jimmy jumped off a bridge, would you do it too?" Do you act as an individual, or do you go along with the crowd? Following the actions and emotions of a group of people *could* be dangerous to you – and your finances.

2. "This time is different."
Nope. It probably isn't. A tiger is still a tiger, no matter how many times you feed it.

3. "I should have seen the crisis coming."
I have four crystal balls in my office, but none of them work! *The best way to avoid a "crisis" is to plan for it ahead of time!*

4. "I check my account on the hour."
Are you more sensitive to losses than gains, and so stressed by the fear of loss that you have to keep checking your investments? Again, I believe good planning and proper diversification of your assets can keep a person from becoming obsessed with every movement of the market.

5. "This is a can't miss!"
Yes, it *can* miss. Ask 20,000 ex-Enron employees.

6. "It just feels right."
Maybe it's just me, but I prefer well-thought-out financial decision-making versus quick decisions influenced by emotions. Don't you?

7. "… but [the TV expert] said …"
I've said it before; just because someone is on television or radio does not mean they are an expert or that they are privy to inside information. (And, even experts can be wrong.)

8. "Rebalance? Why bother?"
Keeping your investments static over many years could be a mistake. Mutual fund holdings change. So do their ratings and performance. You may be too heavily allocated in one industry or sector. It might be time for a review.

9. "I'm on a hot streak right now!"
It's hard to get up from the blackjack table when you are winning. Past performance is not indicative of future results! Why not walk away with gains rather than risk it all and lose everything?

10. "I can always start saving later."
You can choose a smaller reward now (buying unnecessary items today), or a larger reward later (a well-funded retirement account for the future). Which should you choose?

These were insightful quotes, don't you think? Have you ever thought, or said, any of them yourself? I bet many of us have! My thanks to Dr. Crosby for permitting me to print the contents of his social media post in my PlanStronger™ column.

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Credit Card Debt: The Elephant in the Room

June 15, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Today's question is from a gentleman who came to my financial planning office with his wife for a consultation. They were working through a touchy situation that probably isn't too uncommon. "Phil's" question to me was: *What's the best credit card to have if you want to maintain good financial accountability between spouses?*

The question, alone, says a lot, doesn't it? Phil and his wife weren't immune to credit card problems. One of them had run up a sizable amount of debt, unbeknownst to the other. But, before discussing credit cards, let me say, the problem this couple was facing did not have to do with the debt, but with a deeper issue within the marriage. I am not qualified to counsel clients on marital matters, but I did recommend that the couple spend time uncovering the real issue at hand, either with introspection and open communication or with the help of a professional counselor.

During the appointment, I helped establish a plan to start paying off the debt. Now, for Phil's question:

The best solution for Phil and his wife is probably ***not*** another credit card with a revolving line of credit. This is a credit card with which you can make purchases and submit a *partial* payment on the card balance at the end of the month. The remainder of the balance rolls over to the next month with interest charges. This is what got them into trouble in the first place. There are also credit cards that require you to pay the balance off, in full, at the end of each month. This is a possible solution, but I suggested another route.

For Phil and his wife's situation, I thought that replacing their credit card with a debit card would be a viable option. With a debit card, the money at your disposal is only the amount in your account. When you make a purchase, the purchase amount is withdrawn from the bank account immediately. If you don't have enough funds – no purchase. The couple could establish a joint debit card account with a certain, agreed upon, balance, and keep the rest of their liquid assets in savings, money market, etc. I encouraged them to set a limit for the amount in the debit account (so all their eggs aren't in one basket) because, if a debit card is lost, stolen, or compromised online, the thief can steal all the money from the account. Though banks will usually reimburse the victim, it will take time to rectify the situation.

Look at different types of cards if you are in a similar quandary about credit card debt and spousal responsibility. And, if you are having trust issues with your husband or wife because of past spending, act now to get to the heart of the problem. As I stated above, issues like these are usually not about the money, and the sooner you resolve the real problem, the sooner you'll be able to move forward with your finances and your relationship.

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What the Heck Is Bitcoin?

June 8, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I was watching the news the other night and was surprised to hear that one of our Florida tax collection offices is now accepting Bitcoin for the payment of auto tags and licenses. Predictably, the reporter asked some everyday people what Bitcoin was and they didn't have a clue!

Honestly, it's a hard concept to grasp. Bitcoin isn't a physical, tangible item. It is a form of electronic cash – specifically, "cryptocurrency" – created on the Internet. There are other cryptocurrencies, like Ethereum and Litecoin, but Bitcoin is probably the most recognized. It's actually been around for several years now. You can buy, sell or trade Bitcoin, and, of course, in some situations, you can use it to make purchases. Bitcoin's "value" has fluctuated wildly since its inception. At the time I am writing this column, the cost of one Bitcoin is $8,261!

Another important concept to understand when talking about cryptocurrencies is what's called "blockchain." I'm going to rely on Wikipedia for a little help on the definition. "A blockchain . . . is a continuously growing list of records, called *blocks*, which are linked and secured using cryptography. Each block typically contains a cryptographic hash of the previous block, a timestamp and transaction data. By design, a blockchain is inherently resistant to modification of the data." Simply stated, the blockchain is like a high-tech computer-based ledger that records all transactions with no bank involvement. What are the benefits? Supposedly, unalterable information that can be transparent or restricted in accessibility, better security, and much faster transaction times. (An example: a check might take 3 days to clear at a bank, but only seconds to clear using Blockchain technology.)

Cryptocurrency has its proponents and opponents. Personally, I remain skeptical. Because it's still in its infancy, there are inherent dangers. I mentioned that there are several cryptocurrencies that have been created. This opens the door to fraudsters who could create, and market, a new type of currency only to close shop and "take the 'real' money and run." Volatility is something we mentioned earlier, also. The value of a cryptocurrency could be $1,000 at purchase, but $600 when you go to use, sell or trade it. Lastly, there are security issues to consider. People who have purchased cryptocurrency need to "store" it somewhere. That "somewhere," of course, is online. It is certainly possible for hackers to compromise accounts and steal a person's cryptocurrency; in fact, it has already happened.

Because all of this is so new, governments, financial institutions, regulators and taxing authorities are still scrambling to adjust their processes and procedures. Regulators, of course, do not want the public to be taken advantage of, and taxing authorities, as you would expect, want to assure that they get their fair share when the values of cryptocurrencies surge and profits are realized.

Will Bitcoin thrive and become *the only currency* used globally? It's anyone's guess. I doubt it. Blockchain, however, once fully trusted and integrated by the business community, could be "a keeper." That being said, its integration is probably still several years away.

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Too Much Rain Is Not Good for a Pool or a Portfolio

June 1, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I had an inground pool installed in my backyard last summer. We also added a heater so we can swim most of the year. Since I really don't understand pool chemistry (and have no desire to learn it), I was quite happy to hire a pool company to keep "my investment" in good shape. If a problem arises, they fix it. I like that. So, aside from the weekly badgering required to get my teenage son to brush the tile and scoop out the leaves, the pool takes up very little of my time. I already have enough responsibilities. I just want to enjoy it.

The deluge of rain we've had in the last three weeks has thrown my pool chemicals off balance. The heater is also running more frequently to warm the cold rain water, and I've had to drain the pool several times to keep it from overflowing. Don't get me wrong, I'm not complaining about the rain; my yard has never looked greener. But, here's my point – all the rain would have been a much bigger problem if I hadn't been prepared ahead of time with a: 1. pool service company, 2. heater, and 3. drainage system.

As you have probably already figured out, I am a setting up an analogy. Just like my backyard pool, we need to be prepared for too much "rainfall" – or even potential flooding – in our investment portfolios. When there is a lot of economic "rain," the stock market doesn't grow evenly. Some areas grow fast, while others shrink. Technology, demographics, government policies, taxes, inflation – there is a long list of things that can potentially affect a portfolio. Because higher-than-average "rainfall amounts" can throw a portfolio's "chemicals" off balance, it needs to be checked and adjusted on a regular basis, preferably by someone who understands the science of keeping a portfolio healthy. Sometimes, a portfolio will even need to be "drained" so the extra water can be funneled somewhere else.

As I have guided investors over the last twenty-five years, I've noted an interesting (and sometimes counterproductive) tendency . . . when the stock market is going up, investors say, "Yay! Don't touch anything; it is working!" Then, when the stock market is falling, they change their tunes to, "What's happening?! Hurry, do something!" What's ironic is that the job of a professional investment manager/adviser is essentially the same, whether the market is up 10% or down 10%. Rain or shine, a portfolio needs to be kept in balance and diversified. If you have the time, like the process, and know how to do this job, that's great; you can balance and maintain your portfolio yourself. Alternatively, if you are lacking in the time, interest, or skill, then consider hiring an adviser to maintain your investments. Let them do the worrying for you, while you enjoy the benefits of your investments and focus on other things that are important to you.

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What Should I Do about My 401(k)s?

May 25, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

As many of you know, I have a weekly public television show on WDSC Channel 15. One of the best things about doing the television program is working with the "crew" who helps put the broadcast together each week. Even for a "smaller-budget" program like ours, the TV production team includes several people: a production manager, an assistant producer, a director, a floor director, a technical director, an audio person, 3 camera operators and a make-up artist! Several members of the crew are in their twenties, and here's what's great – they are all inquisitive and eager to learn about their finances! Not only is the group highly skilled in their individual roles, but they are always anxious to interact with me and my guests between segments. I truly enjoy sharing my financial knowledge and advice with them. So, one morning, one of the camera operators asked me this question, and I thought it was a relevant topic for this week's column. I'll paraphrase her thoughts:

"I've got 401(k)s and IRAs from previous employers and they are just floating around in 'limbo' in a couple of different locations. What should I do? Should I leave them alone or is there something better I should be doing with them?"

Personally, I like the idea of consolidating those “orphaned” 401(k) accounts (or other pre-tax, employer-sponsored retirement plans) into one IRA. The reason is twofold: 1. A single IRA account will be much easier to manage. 2. More money in one account (instead of several) can open up additional investment choices to you. What do I mean by that? Well, if you are investing in mutual funds, for example, there is usually a minimum investment to buy into the fund. Some have greater minimum investment requirements than others. More money means you have a larger pool of investment funds to choose from. You can think of it like a casino, where there are $5 tables, $10 tables, $50 tables and $100 tables. You can’t play at a $100 table if you only have $5. I think it’s better to be able to “play” at more tables, not fewer.

And, here is another suggestion. Should there be a year when you earn less money, and you have already consolidated your IRA, you might consider converting some of the IRA into a ROTH IRA. You will have to pay taxes on the money you roll over into the ROTH (since no taxes have been paid thus far), so you might not want do it when your salary is at its peak. One of the benefits of a ROTH IRA is that, once you pay taxes, future growth and withdrawals are tax free, as long as you meet and comply with the IRS’s rules.

That was a great question from the PlanStronger™ crew, and I’m sure there will be many more when we start our fifth season of production this summer! If you have an opportunity to watch, please tune in!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Consider These 5 Things When Meeting with a Financial Adviser

May 18, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

As you well know, I often encourage my readers to meet with an experienced adviser if they need financial products or services. But, what are some of the things you should consider before, and during, that first appointment? Here is a short list:

1. **Think about what you want.** Give some serious thought to ***why*** you are going to see the adviser. Are you looking for "growth," or "protection," of your money? Do you need income? Do you want an estate plan? Are you concerned about long-term care?
   Let me tell you a quick story. Several years ago, my wife, Toni, and I stopped at a music store. One of us had decided to learn an instrument – specifically – the guitar. We strolled around the store and talked extensively with the salesperson. An hour later, when we finally walked out of the music store, guess what we had purchased? A PIANO! You can avoid this same fate when you meet with an adviser. Listen to suggestions, recommendations and options, but make sure you leave with the product, service, or solution you went in for!
2. **No office?** Personally, I'd be skeptical of an adviser who asks to meet at your home and doesn't have a brick-and-mortar office. How committed (or successful) is the person who has no physical business location? How secure will your personal information be . . . in his/her car!?
3. **Keep your guard up.** It doesn't matter how you found out about the adviser, even if he/she was highly recommended by a close friend or relative; remain skeptical and treat the encounter like the person was picked randomly online or from the phone book.
4. **Bring a friend.** When you go to the adviser's office, make sure to bring your spouse, or, if you are single, bring a relative or good friend. It's helpful to have another set of eyes and ears to catch any details you might miss. Also, an objective third-party can critique the adviser, and be a valuable sounding board for proposed products and recommendations.
5. **Ask questions.** There are literally dozens of questions to ask during an initial meeting. Here, however, I'll narrow it down to the top five: 1. Which licenses and credentials do you hold? 2. Who is your supervisor and regulator? 3. How long have you been in the business and how long do you plan to continue? 4. Will your recommendations be in writing (including fees, expenses and what you're paid)? 5. Will you act as my fiduciary/advocate?

I know that meeting with an adviser for the first time can be bit intimidating. You're entrusting this person with your financial information, as well as your goals for the future. Just be cautious. Don't be afraid to ask questions. Bring another person with you. And, lastly, know exactly what you want to accomplish *before* your scheduled appointment . . . that way, you'll walk out of the office with the products and services you really want – *and not a piano*!

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Will the "Real" Financial Planner Please Stand Up?

May 11, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Sharing helpful financial information is why I host a weekly public television show and write these columns. My grandmother and parents were educators, so I think teaching must be in my blood. Just like a teacher, I am "hooked" on turning "the lightbulbs" on for my "pupils." It is very rewarding when clients "get it" and they understand the steps they need to take to achieve their financial goals. That's what financial planning is all about. With that said, I'm going to let you in on a little-known fact about financial planners: ***There are no requirements to be a financial planner.*** Most people are surprised to learn this. Accountants, insurance agents and securities brokers *might* call themselves "financial planners" *without any specialized financial training or any credentials.* Of course, this has created a lot of confusion for investors.

The BIG distinction comes when a "planner" uses a credential after his/her name. There are a variety of financial designations. Some are harder to obtain than others. For example, the CERTIFIED FINANCIAL PLANNER™ (CFP®) certification is often recognized as a top-level financial planning credential. Just 70,000 or so professionals hold it, nationally. It requires a tremendous amount of studying, a long and rigorous final exam, and continuing education. I know, because we have four CFP® practitioners in my office. Other widely-respected "financial planning" designations include the Personal Financial Specialist and the Chartered Financial Consultant®. Of course, there are caveats: 1. These are not the only financial credentials; you can learn more about financial credentials at www.finra.org/investors/professional-designations (http://www.finra.org/investors/professional-designations). 2. Working with a planner who has credentials doesn't guarantee a good experience or success; you'll need to screen and interview them. Go to CFP.net if you'd like to find a CERTIFIED FINANCIAL PLANNER™ professional in your area. 3. Some very knowledgeable and capable advisers never obtain professional credentials. They should not be dismissed out of hand. It is important, therefore, to consider other factors when selecting advisers, such as, where they work, their experience, and whether they've had regulatory problems or customer complaints; you can check this information at www.brokercheck.org (http://www.brokercheck.org) (http://www.brokercheck.org/) for securities brokers and www.sec.gov/reportspubs/investor-publications/investor-brokershtm.html (http://www.sec.gov/reportspubs/investor-publications/investor-brokershtm.html) (http://www.sec.gov/reportspubs/investor-publications/investor-brokershtm.html) for investment advisers.

If you are considering a new financial relationship, you are not alone. It happens frequently. Investors change advisers for a variety of reasons, including when they have: a loss of confidence in the adviser, a loss of money, a change in geographic location, or a change in their financial needs. A new relationship might also be considered when the adviser you work with changes geographic location or employer affiliation, retires or dies. Before hiring a new adviser, ask around; do some research; and think about what you are looking for from an adviser. Do you want most of your services "under one roof," or do you want to work with multiple advisers? Most importantly, take the time to interview a few advisers before making a decision. And, if someone tells you that they are a "financial planner," you can say, "Oh, that's great! Which credentials do you hold?" Then, go look them up!

Have a financial question you'd like answered here? Email: Questions@PlanStronger.com (mailto:questions@planstronger.com)

Buying a Home with a Reverse Mortgage Loan

May 4, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

As many of my regular readers know, my financial services company added reverse mortgage loan (HECM) origination a few years back. Clients had asked for it, so we investigated this “financial instrument” thoroughly before adding it to our services. Since that time, we’ve helped dozens of people leverage Home Equity Conversion Mortgage (HECM) loans to meet their needs. I recently sat down with Mike Peerless (NMLS #1073735), Director of Reverse Mortgages at Holland Mortgage Services, Inc. (NMLS #1432962), to discuss our firm’s progress and industry trends.

While these loans have been typically used to access home equity for cash, or to refinance an existing mortgage to eliminate required mortgage payments, Mike shared that an increasingly popular use of reverse mortgage loans is the HECM for Purchase. Instead of using it to get cash or refinance an existing home mortgage, the transaction order is, ironically, “reversed.” The loan is taken out and used, along with the borrower’s down payment, to purchase a new home.

Here’s an example: A 68-year-old woman has $200,000 cash available to purchase a new home, but does not want an ongoing mortgage payment in retirement. She shops around, but doesn’t find anything she likes for $200,000. Then, she finds exactly what she is looking for . . . but the price tag is $330,000. She realizes she wants a nicer home than she could afford with her $200,000 cash. **With the HECM for Purchase, our 68-year-old could buy the $330,000 home and not have an ongoing mortgage payment.** However, she would still be required to pay property taxes, insurance, homeowner’s association dues, and maintenance expenses. She would borrow $152,000 from the reverse mortgage lender and write a check at closing for

$196,000. (My numbers are rounded to the nearest $1,000). When the HECM for Purchase transaction is complete, she has the home she wants, a loan, and no required mortgage payments. As with any loan, there are fees and expenses that would add to her purchase price. There is also interest on the loan and an ongoing Mortgage Insurance Premium that will grow unless she opts to make payments – which she can do at any time. And, just like a traditional home mortgage, she can sell the home and pay off the loan.

Part of the job of a loan originator, of course, is to walk the borrower through the process of getting a reverse mortgage loan, compare lenders, and explain all the fees and expenses involved. For anyone who is interested in a reverse mortgage loan, it is important to remember that there are different kinds and uses. Fees will vary among lenders and originators. These loans are not for everyone, but we can say the same for just about every financial product available: mutual funds, annuities, Long-term Care insurance, REITs, hedge funds, bonds . . . none of them are appropriate for every person and situation.

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This Tax Question on Stocks Gave Me a Workout!

April 27, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

"I've got a stock that has grown from $10 a share to $50 a share. I don't need the money. Is it better to sell it, give it to my kids now, or leave it to them when I die?"

This excellent question was posed to me by "Jack" between dumbbell curls at the gym. It provides a great example of how taxes and investing can be interrelated. The "correct" answer will depend on each person's individual situation, but here are some options for Jack to consider:

#1 – Sell it. There'd be a $40 per share capital gain. I don't know the specifics of the stock transaction, but let's assume Jack purchased 1,000 shares, at $10 a share, five years ago. That would mean a $40,000 long-term capital gain to report on the sale. The amount of tax due would depend on a variety of factors, including: Jack's other income, his marital status, and whether he has any capital losses to offset the gain. For example, if Jack is married, has no losses to offset the gain, and has at least $77,201 of taxable income for 2018, he'd owe 15% tax ($6,000) on the $40,000 of capital gain.

#2 – Gift it. Now, if you give an appreciated asset to someone else during your lifetime, the recipient will use your basis (what you paid for it) when it comes time to figure what they owe in income taxes (like in option #1). So, if Jack gives the stock to his son, who later sells it for $100 a share, the son will have a $90 capital gain per share. He'd still use the initial purchase price of $10 per share when he figures his gain and how much tax he owes.

#3 – Leave it. An interesting "wrinkle" in the U.S. tax code is that, if you die owning an asset (like stock, per this example), the basis gets "stepped-up" to the value of the stock *on the date of your death*, not what you paid for it. So, if Jack kept the stock, died, left it to his son, and then the son sold it, the son would only pay tax on the gain above what the stock was worth on the day Jack died. In effect, both Jack and his son escape the capital gains tax.

Please note that federal income taxes and federal gift and estate taxes are two separate taxes. Some people pay one or the other or both. However, most people are no longer affected by gift and estate taxes since the exemption for 2018 is now $11,200,000 per person. That means you can either give $11,200,000 to someone during your lifetime, or leave him/her that amount at your death, and there'd be no gift or estate taxes (also known as "death" and "inheritance" taxes).

Good to know, right? Got a financial question you'd like answered here? Just drop me a note . . . or, you can always try to catch me at the gym!

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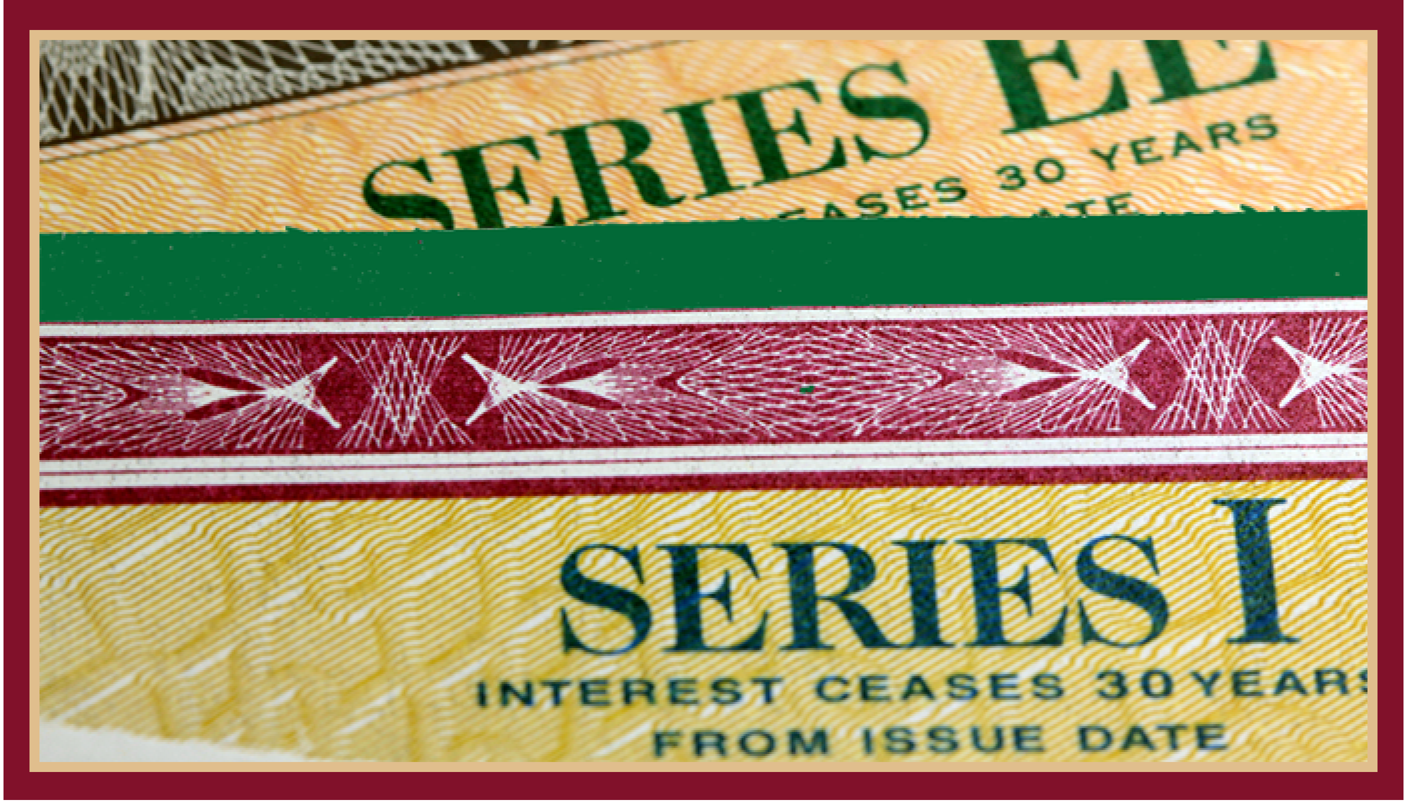

Q and A on Bonds . . . *Savings* Bonds

April 20, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I received a very good question recently from a PlanStrongerTV™ viewer. It's a subject we haven't spent much time talking about, but if you own savings bonds, you might be wondering about this topic, just like "Theodore Wood" (name changed). Theodore's question is summarized below:

Question: ***I am age 77, and my wife is age 81. We have $85,000 in savings bonds, most of which have matured. Should I cash these in and pay the taxes, or just leave them alone?***

First, for readers who are unfamiliar with savings bonds, they are securities issued by the U.S. Treasury. Some of the most commonly held bonds are E Bonds, EE Bonds and I Bonds. Introduced in 1941, E Bonds have stopped earning interest as of 2010. They were issued at 75% of their face value, which means, if you bought a $100 E Bond, you only paid $75 at the time of purchase. EE Bonds are currently sold at their face value, and as of May 2005, earn a fixed rate of return. I Bonds are issued at face value and earn a combined rate, made up of a "fixed rate" (at purchase) and an "inflation rate" based on the CPI-U. Both EE Bonds and I Bonds earn interest for up to 30 years, at which point they "mature."

So, back to the question. The answer is, "*Theodore, it all depends*." Do you need the money, or do you think you may leave it as an inheritance to your heir(s)? If you need the money, the interest will be taxable (i.e. federal income taxes, but not state or local) when you cash in the bonds. Now, nothing requires you to cash in all your bonds at one time. You can certainly spread out the process over a few years (or more). If you plan to leave the money to your heir(s), you might want to contemplate the tax implications even more carefully. *Who will have the lower tax rate when the bonds are cashed in*, you or your heir(s)? To make sure the most money is retained, the person with the lower tax rate should probably be the one to cash in the bonds.

With up to 30 years to accumulate interest, bonds make a great gift for a newborn baby or young child. Some of the "perks" of bonds, include: 1. They are a conservative investment; 2. They are easy to purchase; and 3. You don't pay tax on them until you cash them in. Remember, though, "risk and reward" travel together. Because EE and I Bonds are low-risk, their interest rates are also low, relative to other investment choices.

My source for some of the information here was savingsbonds.gov (http://www.savingsbonds.gov). The website offers a plethora of interesting information, and, if you own savings bonds, there is even a calculator to estimate their current worth. Thank you, "Theodore" for the question!

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Bridging the Gap When Retiring Early

April 13, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Ready to retire? Many people can hardly wait! Maybe you are in your late 50s and know that retirement is just around the corner. If you’ve been a good “saver” and/or investor, you could be asking yourself if retiring at age 62, instead of waiting until your full retirement age, is a possibility. (The earliest you can take Social Security (SS) is age 62, but if you wait, your monthly benefit will continue to increase through age 70). If you’ve already made the decision to retire early, there is an important thing to keep in mind: health insurance is a major expense and rates continue to rise. So, how do you bridge the health-insurance-gap between an early retirement and applying for Medicare at age 65? There are several strategies; here are just a few:

Spouse’s Plan: If your spouse is still working, you may be able to obtain health coverage as a dependent under his/her employer-sponsored plan. Make sure to find out the details and cost ahead of time. Depending on the plan, the size of the group, and other factors, this could still be an expensive option.

Look to the ACA: Regardless of your opinion of “Obamacare,” the Affordable Care Act is still in effect and it could provide the answer to your short-term health insurance needs. You can log on to healthcare.gov to compare rates and plans.

Semi-retire: Many people equate receiving Social Security benefits with a total discontinuation of employment. But you don’t have to quit completely! If you take SS benefits at age 62, you could opt to work just enough hours to qualify for a company’s health insurance plan. Then, at age 65, you could file for Medicare and move into retirement. This could be a great transitional step between full-time work and full-time retirement. The only catch, however, is that if you are younger than your full retirement age, and earn more than $17,040 (in 2018), your SS benefit will be reduced by $1 for every $2 you earn over that annual limit. (Beginning in the month you reach full retirement age, there will no longer be a reduction in SS benefits.)

Line of Credit: If you are age 62, or older, and own a home, you could consider a reverse mortgage line of credit loan (HECM). The borrower must continue to pay homeowners insurance, property taxes and home maintenance, but a HECM could provide the money to pay for expenses, like health insurance, prior to applying for Medicare at age 65. You could also use it to meet your cash flow needs in order to delay taking Social Security payments. (Again, the longer you wait to take Social Security, the larger your monthly benefit will be.)

Whether you decide to retire in your 50s, at 62, at your full retirement age, or beyond, it’s important to have a sound financial strategy. Sit down with an experienced financial planner. With careful planning, he or she can help you achieve your goal of an early retirement.

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Do You Need an Umbrella?

April 6, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

A married couple, "Bob" and "Betty" (names changed), sent me a question recently about "Umbrella Policies," so, for those of you who are unfamiliar with this insurance product, here's the scoop.

An Umbrella Policy, also known as a PUP (Personal Umbrella Policy), is used to protect your assets from a lawsuit or substantial liability claim. As the term implies, umbrella insurance is an added layer of protection over and above homeowners and automobile insurance products. Therefore, to be eligible for a PUP, you must already have a certain amount of auto and homeowners insurance in place.

Here's a simple scenario. Let's say Bob's auto policy covers him for $300,000 in personal liability, and someone brings a lawsuit against him for an accident that was his fault. If the claimant is awarded $500,000, Bob's auto insurance would pay $300,000 and his Umbrella Policy would kick in the additional $200,000. With the PUP, he would not be out-of-pocket the amount (in this case, $200,000) over and above the auto insurance policy's limit.

Umbrella Policies can be purchased from a property and casualty insurance agent or from a personal line insurance agent. Coverage limits are usually quite high – one million dollars is the low end of the spectrum and, generally, coverage amounts go up in million dollar increments. The premium cost increases with the coverage amount, as you would expect.

If you don't have an automobile, or any property, this type of insurance probably isn't a fit for you. However, if you do have a home and vehicle, and you *were* to lose a large liability lawsuit, it is always possible that your wages could be garnished, if you don't have enough money to cover the judgment.

Umbrella insurance can also pay for legal defense. Keep in mind that some of your assets can have a level of protection inherently “built in.” An IRA account or a life insurance policy can have greater protection from a claim than cash in a bank account. Protection varies by state, too. In Florida, for example, homesteaded property carries a greater level of protection from claims.

If you are concerned that a liability claim could ravage your life’s savings, added PUP insurance might be a good solution. Or, you may want to work with an attorney and financial planner to restructure your assets to afford the most protection possible. Of course, nothing is bulletproof, but Umbrella insurance, along with good planning, can certainly make you feel less vulnerable, should the threat of rain turn into a downpour or even hail!

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Who’s the Captain of Your Financial Boat?

March 30, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Your husband loves boating. You aren't really interested in it, so you haven't taken the time to learn the fundamentals of operating the boat. Nevertheless, you go along for the ride. Late one afternoon, the two of you are out on the ocean when tragedy strikes! A sudden wind gust catches your husband off guard. He loses his balance, slips and hits his head on the deck. You try talking to him, but he's out cold. You fumble for the marine radio handset, trying to remember how it works. You're not sure if anyone can hear your cries for help. Nervously, you grab the boat's steering wheel and throttle, and stare at all the instruments and buttons. In desperation, you yell out, "West! Which way is West?!" That's got to be the way back to the dock. The floating compass seems like a toy and only spins and bounces around with the ocean swells. You're lost, alone, and have no idea what you are going to do. You start to feel faint. Cold. Dizzy. You sit down, but then everything goes black.

Voices and bright, blurry lights wake you. Someone is asking if you can get up. It is your husband! He's got a bandage around his head, but you can only see the terror in his eyes. Slowly, you stand. It's night and a Coast Guard boat is tied to yours. Within minutes, you're on the way to a hospital.

In the sterile stillness of the examining room, you mutter, "We both could have died." The terror that filled your husband's eyes has been replaced with a blank, distant gaze. "Yes," he admits, and then thinks to himself, "And, what if I had?"

After returning home, and pondering the seriousness of the recent event, your husband realizes that his death, whether at sea or on dry land, could leave you adrift – not knowing which way to turn or what to do. It's then that he initiates a very important conversation."This isn't just about boating," he says. "You really don't know enough about our finances. If I died, how would you manage our investments, insurance policies or IRA accounts? You've never even met with our financial adviser!" "That's true," you reply. You admit to him that you never really cared to learn about the finances because he always handled everything. "I guess, then, there are TWO things that need to be done immediately," you declare with new-found determination. "First, we need to make an appointment to meet with our financial adviser – *together."* Your husband nods his head in agreement and adds, "From now on, you and I are going to be *co-captains* of our *financial* boat. We're in this together, and it shouldn't have taken a bump on the head for me to realize it! So, what's the second thing that needs to be done?" he asks. "Well, tomorrow morning I'm signing up for *boating lessons!"* you say through a grin.

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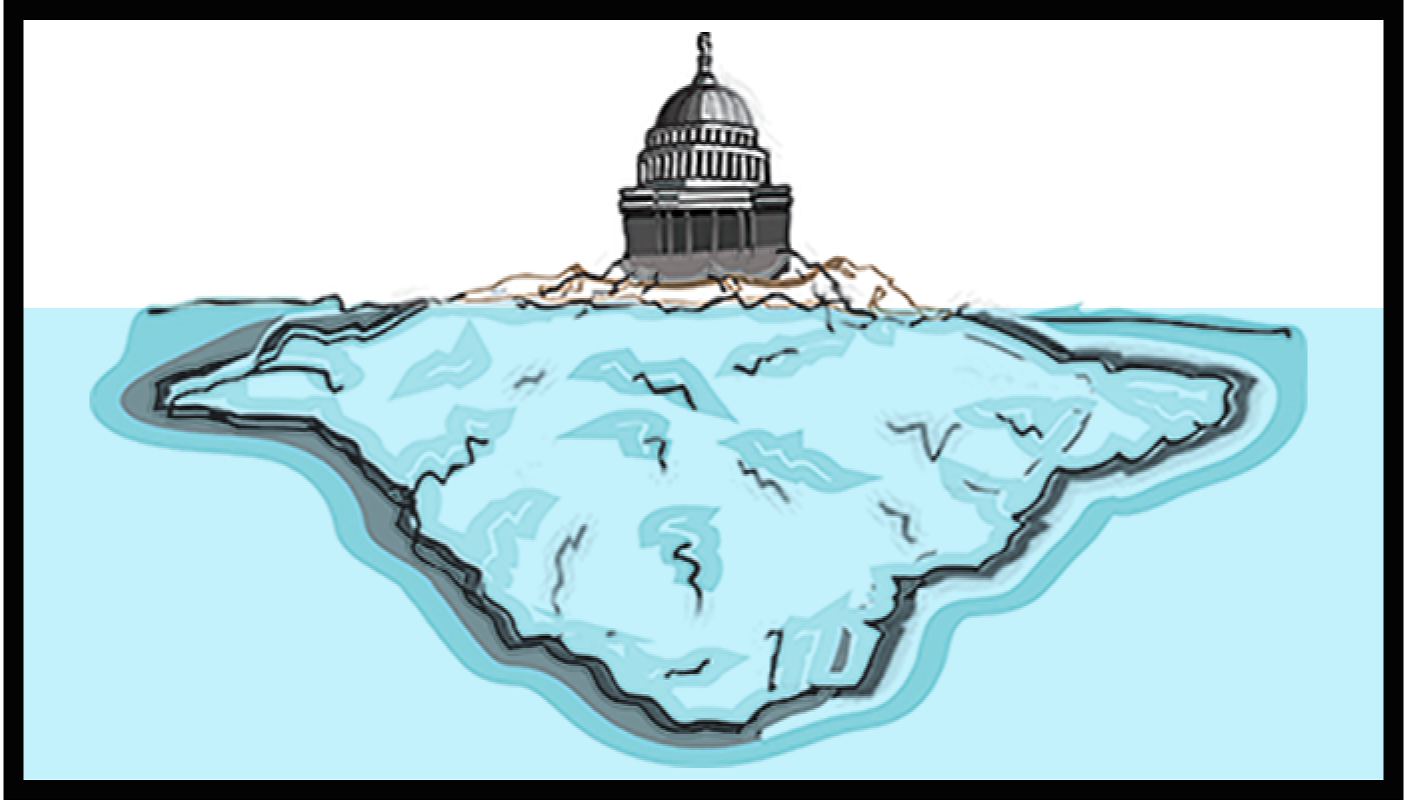

Political Bombardment and Financial Decision-making

March 23, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I held one of my Financial Forums, recently. A member of the audience raised his hand and asked me if the stock market is being influenced by Russia. My response was, “Which news story are you referring to?” He replied (and I paraphrase), “Well, President Trump, and his campaign’s involvement with …” Respectfully, I had to stop him and explain that I don’t talk politics at my Forums. Are politics important? Yes, of course! Here are my thoughts on the subject.

There is an unending bombardment of political “news” from the media, so you should carefully filter out the noise. Keep in mind that the media sells everyone’s ears and eyes to the advertisers that pay for their TV programs, radio shows, newspapers and magazines. When it comes to politics, in particular, there is just so much we don’t know. It’s kind of like an iceberg. Only 10% of the iceberg is above the water; it’s all we see; the other 90% is below the surface. We don’t have all the facts most of the time.

Let’s say the economy is doing well, the jobs report is good, companies are prospering, inflation is tame, but there’s some sort of political upheaval that concerns you. You get nervous and want to pull your money out of the market. You could be making a big mistake by reacting to the political “news of the day,” instead of using sound, well-thought-out decision-making about your money. I encourage my clients to look at the economic data. What is happening with interest rates? The Fed? The stock market? Small, mid-sized and large corporations? *Read financial data, not headlines*.

How does this translate to the adviser you choose? Ask yourself, are the political views of my adviser important to me? Is politics something I want to talk about with my adviser? Is it something he/she wants to discuss? You probably don't want an adviser who is oblivious or apathetic to politics, right? But, on the other hand, do you want a zealot? Will current political news cloud the adviser's judgement or logical thought processes? I'll be happy to sit down with any of my clients to discuss my views on politics, if that is, indeed, something they want to know. I won't, however, bring a divisive topic into a public discussion because it can quickly derail the subject at hand.

To sum up, take care when listening to the 24/7 news machine. Be aware of what the media is "selling." Know that we, the public, are just seeing the top part of the iceberg, especially when it comes to politics. If you are strongly opinionated, you could choose an adviser whose views align with your own, but make sure he/she can remain clear-headed in his/her decision-making. And, finally, do your due diligence. Take some time to look at the economic data, yourself, so as not to base financial moves on political headlines. If you do that – you guessed it – *you'll plan stronger*!

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Just One More Reason Women Are Amazing

March 16, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Many times, it's the daughter who becomes responsible for the care of parents as they age. Over the years, I've seen this scenario play out with many clients, and with several of my employees, as well. Is the daughter's fate sealed because women are considered more maternal and compassionate? Maybe, maybe not. According to a study by a gerontologist and sociologist (source: *New York Times* online), the child who will become the caregiver is a mixture of *both gender and location*. A daughter was more than *twice* as likely to become a caregiver, and, children who lived within a 2-hour drive were *six times* more likely to take on the role. Sorry, Mom and Dad, you are stuck with Jason and me (but we're both local, and Jason is in the medical field, so you luck out after all)!

Caring for a parent, or parents, can be emotionally stressful, physically demanding, and many times, financially burdensome. Of course, the type and extent of assistance required will vary. A spouse is often the primary caregiver, but he/she might require substantial emotional support from a daughter. Or, if one parent has passed, all the care duties and decisions may fall on the daughter. These responsibilities may be less overwhelming for a child who is single, or not employed, but imagine the life of a daughter who works full-time, rushes home to cook and clean for her family, and then drives to her mother and father's home for daily caregiving.

When a parent becomes physically dependent, a daughter's chores may include preparing food, housecleaning, washing laundry, running errands (grocery shopping, picking up prescriptions, providing transportation to doctors' appointments), dressing and personal hygiene needs. And, if the elder has a dog or cat, maintenance of the pet may also be relegated to the daughter. If the parent develops dementia, banking, bill-paying and dispensing of medication could also be added to the daughter's long list of responsibilities.

For elders with enough savings, or for children with significant income, these tasks may be of little concern. There are many ways to provide assistance when resources are readily available. Aides can be hired to provide part-time or around-the-clock help in the home. Specialized communities are available for assisted living or for a continuum of care. But, for middle-class retirees, added longevity means the dollars they've saved need to stretch even farther.

So, what should parents do? First and foremost, talk to your kids! If a daughter lives close by, or is an only child, ask her if she is willing to provide support, if necessary. Or, if you have several children, could you rotate amongst them, living part of the year with each? If you choose to remain in your own home, how will you pay for assistance? Have you considered a reverse mortgage loan, or line of credit, to pay for services? How about Long-term Care insurance? These are just some of the questions that should be asked, and answered, before health care services are ever needed.

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Protecting the Elderly: Everybody's Responsibility

March 9, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

When I started to write this column, it was going to be about the ways relatives can be instrumental in protecting older family members from online financial abuse. But, the more I thought about it, the more I realized it was the responsibility of *each one of us* to help protect the elder members of our society from fraud, scams, financial manipulation and deception.

A story told to me by one of my employees comes to mind. Years ago, she worked with an older gentleman; we'll call him "Vic." Vic loved expensive things, but, to put it bluntly, he was extraordinarily frugal. A "newbie" to the world of computers, Vic discovered a popular Internet auction site full of potential "deals." He spent hours combing through the listings, deciding, eventually, that he wanted to buy a luxury-brand watch. He found a merchant selling the timepiece he desired, but the seller would only discount the price if Vic were willing to circumvent the established payment system of the Internet auction site. A red flag should have gone up right then and there. For details on the deal, Vic called the merchant, who said he lived in an eastern European country and who spoke with a strong accent. My employee warned Vic that the transaction sounded "shady," but her warning fell on deaf ears. Vic's excitement over the perceived "bargain" made him vulnerable. He had conversed with the seller extensively by telephone, so he was convinced that "*he was a really good guy*." (With one phone call, the scammer had earned Vic's trust.) The smooth-talking stranger instructed Vic to wire him $1,400 cash, which he did. (Red flag! Red flag!) Vic then waited patiently, day after day, for a watch that never arrived. Eventually, he called the seller's overseas phone number. No surprise. The line had been disconnected.

What's the takeaway from this story? Speak up! Get involved! Even if you might not be successful, make an effort to save someone from what could be a huge financial misstep. You might encourage older friends and relatives to check with you, or another trusted person, before responding to any offer or entering personal information online. Warn them of the dangers, and tell them not to click on links embedded in emails, and not to open documents that are unsolicited or the least bit suspicious. An unfortunate click could even cause a personal computer to be locked and held for ransom! This can happen to anyone, of course, but the elderly tend to be more vulnerable because they can be less tech-savvy and more trusting. Lastly, if the person has a relationship with a financial adviser, encourage a quick call to him/her before executing *any* substantial financial transaction, especially those made online.

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Reader Question on Continuing Care Retirement Communities

March 2, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

You may remember that a few weeks ago we talked about Continuing Care Retirement Communities (CCRCs). Since then, I've received some positive feedback, about the information shared, and this great question:

***"I enjoyed your article about CCRCs in Hometown News this week. A question that immediately came to mind was how Long-term Care (LTC) insurance works with CCRCs . . . whether LTC insurance can be applied if you need to move to the assisted living or skilled nursing parts of the CCRC."* – M.D.**

For this question, I defer to the website of my friend, Brad Breeding, who has appeared on my ***PlanStrongerTV***™ show a couple of times. Brad is an expert on CCRCs and you can find good information on his site: mylifesite.net (http://www.mylifesite.net) (tip: click on the tab "Resources" for helpful videos).

A contract, an "entry fee" and a monthly fee are generally required when moving into a CCRC. It's very important that you read, and thoroughly understand, the contract. There are three different kinds: Type A, B and C. **1. Type C contract:** When a resident moves from independent living to assisted living, or to the skilled nursing residence, his/her monthly fee will increase to reflect the current market rate. **2. Type A contract:** The resident will pay a higher monthly fee for independent living from the start, but additional costs for assisted living or health care *do not* get added to the monthly fee when, and if, those services are required. **3. Modified Type B contract** (sort of a hybrid of A and C)**:** When Long-term Care assistance is needed, the costs are usually added to the monthly fee, but at a reduced rate. Alternatively, the resident may get an allotted number of days in the nursing center before having to pay extra fees.

LTC insurance can be quite compatible with a **Type C** contract, and might also be compatible with **Type B**. So, if a CCRC resident needs extra help, Long-term Care insurance can be there to offset the cost increase. But, and I stress this, talk to your insurance agent to see *exactly* what is required to qualify for a claim. Also, speak to someone in the finance department of the CCRC and ask how its residents have utilized Long-term Care insurance. Ask: "*Is there a limit on the amount the community will submit to the insurance company to offset additional monthly costs?*" If you sign a Type A contract, you might want to call your insurance company to see about scaling back your coverage so you're not double-paying for the same service.

Holding on to Long-term Care insurance may be a good idea for a couple other reasons. If you choose to hire a caregiver while you are living independently, that expense may be paid partially, or totally, by LTC insurance under "home care" coverage. Also, though entering into a CCRC is supposed to be a final move, if you *were* to leave the CCRC, you'd want to continue to have your Long-term Care policy in place for care outside of the community.

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If You’re in This Battle, Tell Your Adviser

February 23, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

There is an epidemic in our country. Maybe the citizens of Volusia and Flagler Counties haven’t experienced it to the same degree as other areas, but we are not immune. You may have heard President Donald Trump mention it during the *State of the Union Address*. Regrettably, I’m talking about the opioid crisis.

The following drugs are prescription opioids: oxycodone, hydrocodone, morphine and methadone. A synthetic opioid, fentanyl, is much more powerful than the others; it can be prescribed by a physician (often for cancer patients) or can be illegally produced. Heroin is an illegal opioid synthesized from morphine.

I first realized the severity of this problem when I heard the story of a local real estate agent. He had moved to our area from a midwestern, agricultural community. Farming was his life, but he sold all his animals and land. Why? In his town, the drug problem was totally out of control. He recalled trips to the department store where he would see customers plodding slowly through the aisles with glazed eyes – like zombies. Some had tremors or twitched uncontrollably. That sounds like a horror movie but, in that small farm town, it was “real life.”

You'll be shocked by these statistics from CDC.gov: There were **42,249 opioid deaths in 2016**. **42,249!** *That's the approximate population of Salem, Massachusetts!* **115 people die of overdoses every day** (the number of deaths has increased 500% since 1999). The states with the highest rates of death include: West Virginia, Ohio, New Hampshire, Pennsylvania and Kentucky.

The amount of prescription opioids sold to pharmacies, hospitals and doctors' office nearly quadrupled from 1999-2010. Many addicts aren't "thugs" or criminals. They can be teachers, accountants, lawyers, and pastors – normal everyday people. They become addicted after being prescribed these drugs for chronic pain, or after injuries or surgeries. If not carefully administered and monitored, addiction can be one of an opioid's worst side effects.

How does addiction tie in to your money? Consider what retirement looks like for parents who must pay tens of thousands of dollars for treatment and recovery programs for their children (or for themselves). For addicts, the drugs often rob them of their savings (not to mention, their families, friends, jobs, and homes). Some resort to crime to support their addiction. Our tax dollars funnel into government drug programs, and support the users and traffickers who now call jail their "home."

If there is an addiction problem in your family, *please tell your financial planner* so he/she can help you take precautions to protect your assets. Obtaining a life insurance policy, for example, could be a smart move. Employing special language in trusts to mandate drug testing of heirs before inheritance distribution, or reserving monies for treatment and recovery, are other options. If you are not open and honest about these issues, however, a trusted adviser can't be of assistance. There are no easy answers to this crisis, but we can "fight the good fight" with the tools and strategies we have at hand.

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Family: The Ties That (Don't Always) Bind

February 16, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Family can provide a sense of belonging, as well as joy, comfort, and support . . . but not always.

Let's take the case of two brothers, "Paul" and "Tony." As kids, Tony was given "new" clothes, while Paul was forced to wear hand-me-downs. As young adults, Tony accepted "loans" from his parents on a regular basis. He launched a business and purchased a large home in an exclusive neighborhood. Tony was constantly praised by his parents for his entrepreneurship, picture-perfect family and community service – while Paul worked several jobs, simultaneously, "just to scrape by." Years passed. When the men's mother was moved to a nursing home, their father went to live with Paul. But, before relocating, the father entrusted Tony with money and valuables that were to be kept in a safe. When the parents died, and the safe was opened, many of the items had mysteriously "disappeared," causing a feud between the two brothers that would span their lifetimes.

In another instance, "Janice" (a beloved daughter, sister, aunt and cousin), chose to cut ties with her entire family after her mother died. Without explanation, she simply ended all communication – would not attend family gatherings – stopped answering the telephone. Though many family members tried to reconnect with Janice, she refused all interaction.

Does either story sound familiar? Has something similar happened in your family?

Of course, there are dozens of reasons for estrangement amongst family members. A child might make a choice between a parent and a partner. There can be incompatibilities because of differences in religion, lifestyle or moral values. Shattered relationships can be the result of physical or mental abuse, or dependence on drugs or alcohol. Issues between the children of first and second marriages can cause tension and discord.

With such a prevalence of torn and segmented families, shouldn't ***you*** decide the fate of your money and belongings? I can't emphasize enough the importance of an estate plan. The death of a loved one is emotional enough, without the added stress of managing assets and liabilities, and dealing with attorneys, accountants, and realtors. Believe me, I've seen *utter chaos* when there has been no planning. In fact, it's one of the reasons I started providing personal trustee services to my clients.

When you employ a professional to serve as your trustee and/or executor, you alleviate the burden of financial decision-making for your loved ones. Adult children have their own busy lives, and many times can't handle the added responsibility of estate and trust administration. As we've illustrated, there can be conflict, *or potential for conflict*, within the family; so, putting certain individuals in charge may be a bad idea. With the proper legal documents, and careful selection of an independent trustee, you can reduce the risk of family in-fighting and help ensure your assets *go to whom* you choose, *when* you choose. Your advanced planning can make your wishes clear and help hold your family together during their time of grief. Let ***that*** be your legacy – not strife, fracturing and isolation.

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Inside Scoop on Continuing Care Retirement Communities, Part II

February 9, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Last week, we began a discussion on Continuing Care Retirement Communities (CCRCs), and I called on the father-in-law of one of my employees, Eldon, for his insight on this retirement lifestyle. He has lived in a CCRC in western Pennsylvania for several years. We touched on the three levels of care available – independent living, assisted living and skilled nursing care. Today, we'll talk about the latter of the three, as well as some of the other "perks" of CCRC living.

At Eldon's CCRC, the nursing facility is referred to as the "Health Care Center." Residents who are recovering from a hospital stay, and/or who can't manage the activities of daily living, can enter the Health Care Center and be cared for in a private or semi-private room. If Eldon were to need these services, he would pay an additional fee (provisions of which should be spelled out in the CCRC's contract), but he would not lose his living quarters when a temporary Health Care Center stay was necessary.

Eldon, you may remember, had lived in his home alone and, after retirement, sorely missed social interaction. His wish was more than fulfilled with his choice to move to a Continuing Care Retirement Community. In fact, there are times he feels that there is *too much* interaction with other people! But, he always has a choice either to participate, or to retreat to the solitude of his apartment.

Eldon spends many hours each day in the community's fully-equipped woodshop. He has even taught other people woodworking! The complex also has a large "art studio," where residents can draw, paint and do crafts (their artwork adorns the hallways). For those who love to read, there is a library, as well as a game room and gym. Eldon says, "*There's always something going on*." People get together to play cards and, in the warmer months, bocce ball. In addition to woodworking and artistic pursuits, an outdoor gardening facility gives residents the opportunity to sow vegetable or flower seeds! Bus trips to museums, the theater, and sporting events are frequently scheduled.

I don't know about you, but all this sounds great to me! Eldon even told me that the food prepared at the on-site restaurant is quite good! So, I asked him to list the "negatives" of CCRC living. He said that, in his opinion, "*there really aren't any.*" Unfortunately, though, *affordability* is one downside which can't be overlooked. The entry fee for CCRC living can be rather substantial and, typically, is only refundable for a short period of time. Also, the monthly fee(s) can easily be twice that of a regular apartment. For these reasons, the choice of a CCRC should be made very carefully and the contract should be meticulously reviewed.

Thank you, Eldon, for your input on the subject of CCRCs! Again, all Continuing Care Retirement Communities are not created equal. Contracts, monetary requirements, amenities and housing options vary widely. If you think a Continuing Care Retirement Community might be a good choice for you, meet with a financial planner to assess your situation and compare your options.

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Inside Scoop on Continuing Care Retirement Communities, Part I

February 2, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

I thought that this week, and next, we'd take a closer look at Continuing Care Retirement Community (CCRC) living, from the perspective of someone who has resided in such a setting for several years. I called on the experience of Eldon, the father-in-law of one of my longtime employees, for his insight on this retirement lifestyle choice.

For those not familiar with the term CCRC, it is a housing community that provides three levels of care to its residents – independent living, assisted living and skilled nursing care. With these three stages along a "continuum of care," residents can progress through the different levels as their health warrants. Within the community, there are usually a variety of housing options, depending on a person's preference and budget.

In most cases, this is a resident's last housing choice. They enter the community living independently and stay within the community for life. Therefore, picking a well-run and financially stable community is imperative.

Before entering a CCRC, Eldon owned a home in western Pennsylvania. As he approached his 80s, the upkeep of his property became increasingly difficult. Outside help had to be hired for what used to be everyday chores, like, mowing the lawn, raking leaves and shoveling snow. But, even more concerning to Eldon than home maintenance, was the amount of time he spent alone. Though he was never a social person, even before retirement, living in total solitude was taking a toll. Eventually, he came to the conclusion that living in a community with people his own age, and with similar interests, would be his best option. Even though it wasn't his primary reason for the move, Eldon also liked the idea that there was assistance, and facilities available, if he were to become ill or if his health were to decline.

Eldon researched a nearby CCRC which had been in existence for many years. It seemed to be well-run, well-maintained and financially sound. When he felt the time was right, Eldon signed the paperwork (CCRCs require a legal contract), paid an "entry fee," and moved into a comfortable, 2-bedroom apartment. From that point on, a simple monthly payment would cover Eldon's residence and its maintenance, one meal a day, and his utilities (note: Various meal plans are available. TV and internet services are extra).

Eldon now had at his disposal, what this particular CCRC calls, "Assistants in Living" – a group of CCRC employees who help with everyday chores or errands. A modest (additional) fee is charged for these services. For Eldon, still a very independent individual, the "Assistants" are only utilized once a week to clean his apartment. Other tasks they can perform include: delivering daily meals, shopping and running errands, washing and ironing laundry, transporting residents for doctors' appointments, etc.

Keep in mind that all CCRCs are different, and this is just an example of one community. Join me next week when we'll talk about some more of the "perks" you might find in a Continuing Care Retirement Community.

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Need a Lawyer? Here Are Some Tips!

January 26, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Disclaimer: *No, no, **I'm** not a lawyer, and I don't play one on TV* (sorry, I know . . . it's an *old* joke). But, I *did* have an interview with Daytona Beach attorney, Paul Rice, for ***PlanStrongerTV***™, and, you guessed it; we talked about how to find and choose a *good* attorney. The financial and legal ramifications of choosing a *bad* lawyer can be enormous because, once a judgement is made on a case, it's very hard to get a "do-over" – you can't go back and "fix it" with another attorney. That's why this topic is so important.

How Do You Find a Lawyer? Ask around! Question your friends, family, co-workers and members of your church. Ask financial advisers. We often work with attorneys on mutual clients. Compile a list of names from the responses you receive.

Next: Web-based Research. Use an Internet search engine to look up the recommendations you've accumulated. Read reviews, but remain skeptical. It is not unheard of for some firms to pay their employees' friends for favorable reviews. Be cautious, and, just like everything posted on the Internet, take what you read with a grain of salt.

Be Careful of the Word "Free." Though the best things in life are free, consultations with a seasoned lawyer usually aren't. Paul Rice warns that if a lawyer is giving away his time, the demand for his services might be low. In many cases, top attorneys charge a consultation fee.

What's Important? Consider education and credentials. Does the lawyer specialize in one area? Is he/she board certified in the specific discipline you need (example: Board Certified in Divorce and Family Law)? How long has the attorney been in practice?

What Comes Next? By now, you should have narrowed your list down to 2-3 top picks. It's time for interviews! As mentioned above, this may be an out-of-pocket expense, but consider it an investment. When you arrive at the law firm, what is your impression? Is the office clean, orderly, and professional? Is the receptionist or assistant courteous and pleasant, or stressed and irritated? When the phone rings, how are the callers treated? When you sit down with the attorney, make sure you "like, trust and believe" in him/her. Do you have good "chemistry"? You will be working together as a team, so you need to be able to get along and communicate well. Once you have conducted two or three interviews, you will probably know which person to choose.

Coincidentally, several of the tips Paul shared on interviewing an attorney, can also be applied to choosing a financial adviser. In either case, you want to find a good "fit" for your personality, situation, needs, and goals. Please ask questions and be picky! Good luck!

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Where's the Postcard?!

January 19, 2018 by Steve Tacinelli, CPA (http://planstronger.com/steve.html)

Hello. I'm Steve Tacinelli, CPA and Vice President of Tax Services for Holland Financial. David asked me if I would share a few words with his PlanStronger™ readers regarding the federal income tax overhaul.

I'm sure you know by now that the *Tax Cuts and Jobs Act of 2017* passed when it was signed into law by President Trump on December 22, 2017, drastically changing a big chunk of the tax code. I am not going to debate the pros and cons of these changes. Unless you've lived in a cave for the last few weeks, you've seen enough of that already! It seems, based on numerous reports from *non-partisan* think tanks (again, we are not here to debate), that the Act will benefit a large portion of the tax-paying public. Many Americans will see their tax bills decrease due to the passage of this law – at least for the foreseeable future.

However, it bears mentioning that one of the original and chief purposes of the push for tax reform was to *simplify the tax code and eliminate the complexities* encountered when preparing tax returns. In short, taxes were supposed to be easier to understand and complete. I've had more than a few clients ask me in the last year, "*When are we going to start using postcards*" (instead of lengthy and complicated tax forms)? No doubt, they saw politicians waving "tax return postcards" in front of the media's cameras and shouting about the need for simplified taxes. Although the *Tax Cuts and Jobs Act* may lower your taxes, does the Act accomplish the goal of *simpler* taxes? In this respect, there can be no debate; *it does not*.

One of the more popular ideas to reduce complexity was to decrease the number of tax brackets. For individuals, the old system had seven tax brackets. The new system? Seven tax brackets. It must be noted that these new rates represent an almost across-the-board reduction, but they do not accomplish the goal of simplifying the tax code. Another major change is the doubling of the standard deduction and the elimination of the personal exemption. This exponentially increases the amount of people taking the standard deduction as opposed to tracking and reporting itemized deductions. Simple, right? Not based on the feedback I've gotten from my clients. They have questions about medical expenses, real estate taxes, mortgage interest and charitable contributions. The new law did not eliminate these deductions; it just changed the amounts allowed. That doesn't simplify the process!

This is not an endorsement or condemnation of the new law, just an observation that, if you thought you would be able to file your taxes on a postcard, you might have to wait a little longer. Ironically, the *Tax Cuts and Jobs Act of 2017* is not its official name. The law's official title is *The Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018*. The title, alone, would take up half the postcard!

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Even in a Nursing Home, Caregiving for a Loved One Continues
Part III of III

January 12, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

In the previous two columns, we touched on topics like: what to bring to a nursing facility, the importance of listening and observing when you visit your relative, and how to communicate concerns. Today, we will focus on cleanliness, mealtime, staffing and volunteerism.

Next to Godliness. Cleanliness is of the utmost importance! When you enter a nursing home, there should be no unpleasant smells. If you detect an odor in your relative’s room, make a thorough check of his/her skin for any open areas or sores. An infection can cause a foul odor. Take special note of the pressure points on the body, including the heels, elbows and back. (There are special mattresses that can help alleviate the breakdown of skin. You can request that one be ordered.) Keep in mind that infections and viruses can happen in the cleanest of nursing homes. When there is an outbreak in the surrounding community, influenza can be transmitted to the home’s residents. Shingles, yeast infections, and pneumonia are just a few conditions that can also develop. If an outbreak occurs, ask the facility what they are doing to reduce the spread.

Mealtime and Staffing. If your loved one is on a special diet, ask to assist at mealtime. Generally, there is a flurry of activity during serving and feeding. This is a good time to observe the interaction between the staff and residents. Is there an adequate staff to feed everyone while the food is still hot, or are trays left sitting for long periods? Are the nursing assistants feeding two people at once? Do they speak to the residents with animated tones and have pleasant expressions, or are they quiet and simply going through the motions?

The attitudes of the staff can directly affect the well-being of your loved one! Do they appear to be committed, concerned and compassionate, or uninvolved, distant and uncaring? Nurses, and nursing assistants, undergo intense questioning and background checks before being hired, but, occasionally, an employee has to be dismissed because he/she is not qualified to provide loving care to long-term residents.

Volunteer. I mentioned the wonderful work done by volunteers in Part I of this series. If your schedule permits, volunteering is an excellent way to gather information about a nursing facility: Are medications being delivered in a timely manner? Does the maintenance staff respond to “clean-ups” quickly? You’ll be there, so you will know! If you can’t volunteer, or visit very often, remember, other visitors can be a great source of information on past and present quality of life, and care, at the nursing facility. Strike up a conversation!

Again, my thanks to Joanne Meshinsky for assisting with this series. Joanne spent three decades as an R.N. in long-term care, and assessed medical records for quality of care at nursing homes in Maryland. In the early 1990s, she authored the book, *How to Choose a Nursing Home*. She is now retired from medicine and resides in Scottsdale, Arizona with her husband, John.

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Even in a Nursing Home, Caregiving for a Loved One Continues
Part II of III

January 5, 2018 by David D. Holland (http://planstronger.com/davidholland.html)

Last week, we started the conversation about nursing homes, the costs, concerns and what you should, and shouldn't, bring when you visit a resident. Today, we will discuss some of the things to look out for, and what to do, if you encounter a problem with the care your loved one is receiving.

Listen. When you talk to the nursing home resident, take special note of what is said about the nursing staff and their level of concern about any problems that arise. If the resident doesn't feel that his/her physical needs are being met, don't hesitate to direct your concerns to the nurse in charge.

Observe. Sometimes, a resident will experience symptoms unrelated to any medication. He/she may be having a physical problem (like constipation or urinary difficulty) and cannot tell you what is wrong. An increase in thirst, fidgety behavior, listlessness, jerky body movements, unsteady gait, or a change in facial features and expressions are all things to watch out for.

Pain. Do not accept that your loved one is not experiencing pain, even if you are told that by a staff member. Only the individual can relay such information, and sometimes he/she is unable. Pain has become a hot-button topic because of the abuse of opioid medications. Psychotropic drug usage in nursing homes has also declined in prevalence due to the side effects, which included falls. Nurses often know ways to reduce certain types of pain without medication. Discomfort can be caused by poor body alignment. Arthritis is also common amongst the elderly. Sometimes, pain issues can be corrected with neck braces, pressure-relieving mattresses, special pillows, massage or whirlpool therapy, or the use of electrical nerve stimulators. Keep in mind that if a resident is coherent, he/she has the right to accept or refuse any medication or treatment.

Speak Out. If there is a problem or concern, make sure to speak with a "charge nurse" or supervisor. When the need arises, many nursing homes employ agency nurses who may not be as familiar with your loved one's particular requirements or condition. If a supervisor is not available, or doesn't provide the assistance you seek, go directly to the facility administrator. If a problem is not urgent in nature, nursing homes usually have staff/family care planning meetings, and most issues can be addressed at that time. If you have made several attempts to communicate a problem, and your concern is still not being addressed, the ombudsman for your area can act as a liaison between the nursing home staff and family. If all else fails, the problem should be documented with your state's Office on Aging and the Department of Licensing and Certification.

For our final installment, we will address meals, facility cleanliness and staffing. Once again, I want to thank Joanne Meshinsky for assisting me with this three-part series. Before her retirement, Joanne spent three decades as an R.N. in long-term care and assessed medical records for quality of care at nursing homes in the state of Maryland.

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About the Author

David D. Holland, CFP®, CPA/PFS, CLU, ChFC®, is the owner of *Holland Financial, Inc.*, an independent, privately-held, financial firm. Holland Financial and its subsidiaries offer a diversified portfolio of services including:

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