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Money at work

Retirement saving: better late than never

In an ideal world, you would have started to save for retirement the day you began working. That should provide sufficient savings by the time you are ready to call it quits. But then you have to pay for mortgages, college educations, braces for the children and all those other expenses that siphon off money that might have been set aside for retirement.

Practical advice: Don't panic. Even if you get a late start, you may still be able to secure a comfortable retirement. Consider these ideas:

Invest wisely. It is important to keep a close watch on your investments as you near retirement age. For instance, inflation may have an impact on the income you will need in retirement. In addition, changing investment yields may be a significant factor. Also, you may be able to reduce your risk by diversifying within asset classes and sectors (although diversification does not ensure absolute protection). Of course, all investment decisions should be weighed carefully. Obtain professional guidance in this area.

Bulk up your plan. If you participate in a 401(k) or other plan at work, you still have time to build a sizable $18,000 nest egg. For instance, in 2016 you can defer a maximum to a 401(k), plus you are allowed an extra "catch-up" contribution if you are age 50 or older. For 2016, the maximum catch -up contribution is $6,000. Alternatively, you might use other devices, such a supplementing an employer plan with an IRA. The limit on IRA contributions for 2016 is $5,500, plus an additional $1,000 if you are age 50 or older.

Figure out your Social Security benefits. Obtain an estimate of what your Social Security benefits will be in retirement at www.ssa.gov/retire/estimator.html. This can help you determine if you might need to work past your full retirement age (FRA) or if you want to wait longer to apply for benefits. Benefits will increase by 8% for each year past FRA until you reach age 70.

Downsize your home. Selling your home—particularly if your children are grown and have moved away—may be an attractive option. The cost of maintaining a large home can be a financial burden, especially once you stop working or ease into retirement. When you sell a principal residence, you may be eligible for a tax exclusion on the first $250,000 of home sale gain ($500,000 if you are married and file jointly).

Don't try to do it all by yourself. Retirement planning is a complicated process, usually requiring some professional assistance. Because everyone's circumstances are different, the best idea is to sit down with your advisor to analyze your future needs and objectives.

With proper planning, you may be able to make up for lost time. At the very least, you will have devised a sound plan that fits your personal situation. ❖

Watch out for the latest scams

If there is one thing you can learn from the latest IRS list of the "Dirty Dozen" tax scams, it is that the swindlers are getting smarter every year. Here is a summary of the 12 notorious scams to watch out for in 2016.

1. Identity theft: A crook can steal your Social Security number and use it to file a fraudulent tax return or for some other nefarious purpose. Identity theft remains the top concern of individuals.

2. Telephone scams: You might receive telephone calls from someone impersonating an IRS agent. They could threaten you with arrest, deportation, license revocation or some other action.

3. Phishing: Beware of someone posing as a person from an organization or company you trust. They may contact you via e-mail purporting to be a bank, credit card company, tax software provider or government agency.

4. Tax preparer fraud: Of course, the vast majority of tax professionals provide honest, high-quality service. But there are some rotten apples in the barrel who perpetrate tax refund scams, identity theft and other schemes.

5. Offshore accounts: Individuals have tried to evade U.S. taxes by hiding income in offshore banks, brokerage accounts or nominee entities, then using debit cards, credit cards or wire transfers to access the funds.

6. Inflated refund claims: Don't be lured in by a tax professional who promises you a tax refund that is too good to be true. The scam may be spread by flyers, advertisements, phony storefronts or word of mouth—even through community groups or churches.

7. Fake charities: Following a disaster, scammers representing bogus charities may contact you to solicit money or financial information. They even go after the disaster victims.

8. Falsely padding deductions. The IRS warns taxpayers to avoid falsely inflating deductions or expenses on tax returns in an effort to reduce tax liability or increase a refund.

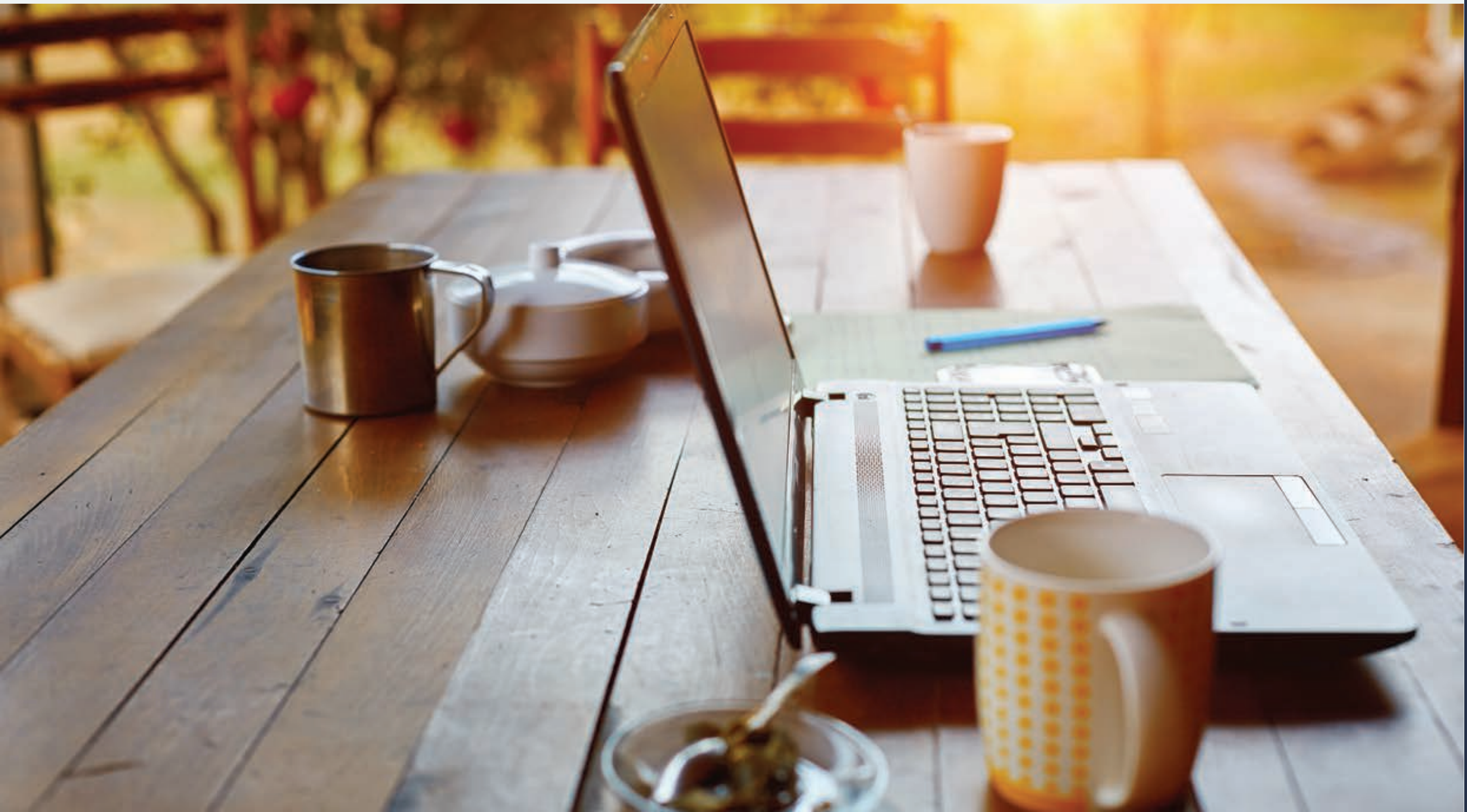
9. Business credits: Con artists may promote scams involving business credits, such as the fuel credit or research credit, where such credits are not available.

10. Falsified income: Some people falsely increase the income they report to the IRS to maximize refundable credits, such as the earned income tax credit and child tax credit.

11. Abusive tax shelters: Tax schemes have evolved from simple structuring of abusive domestic and foreign trust arrangements into sophisticated strategies that often benefit from financial secrecy laws in foreign jurisdictions.

12. Frivolous tax arguments: The IRS continues to come across individuals who use frivolous arguments that taxes should not have to be paid, including objections to taxes on moral, religious or ethical grounds.

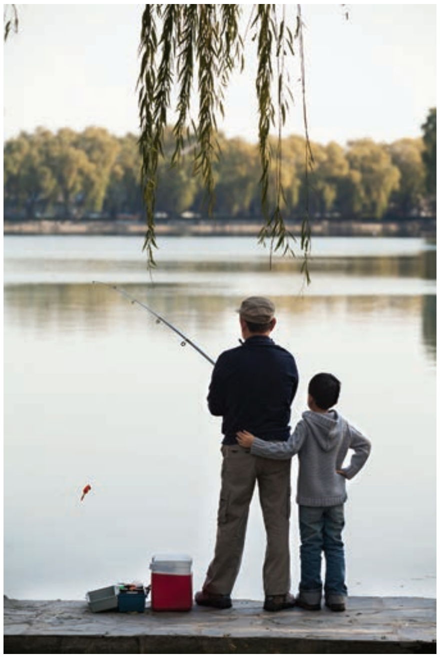
Don't be overly proud or foolish. If you have questions about legitimacy, contact a trusted professional adviser for assistance. ❖



IT IS IMPORTANT TO TAKE TIME TO DESIGNATE BENEFICIARIES FOR ALL YOUR ASSETS. IN FACT, DESIGNATIONS FOR RETIREMENT PLANS AND LIFE INSURANCE POLICIES SUPERSEDE BENEFICIARY DISPOSITIONS IN YOUR WILL. KEEPING THAT IN MIND, HERE ARE SEVEN PRACTICAL SUGGESTIONS.

Seven tips for designating beneficiaries

1. Do not leave the beneficiary lines blank. If you don't name specific beneficiaries for your accounts, or if you name your estate as the beneficiary, your heirs will likely end up in probate court. This can be both time-consuming and costly. If assets go to your estate, they are subject to creditors. A better option is to choose individual beneficiaries and list them on the forms.



2. Use trusts for beneficiaries who are minors. In some states, minors face restrictions until they turn age 18 or 21. If you designate a minor as a beneficiary, a court will appoint a guardian to manage the funds until the child reaches the age of majority. Alternatively, you might establish a trust to handle the funds and name the trust as the beneficiary. Thus, you maintain control now and provide asset protection for minors when you're gone.

3. Understand the key rules. Other than your spouse, beneficiary designations on retirement accounts and insurance contracts will override your will. If you want someone besides your spouse to inherit assets, your spouse must sign a written waiver. Without the waiver, a non-spouse beneficiary designation will be invalid upon your death.

4. Inform your beneficiaries. Do not keep your designations a secret. Also, let beneficiaries know where to find important documents and contact information for your professional advisers. In addition, make sure your advisers have the vital contact information.

5. Double-check names and numbers. Make sure that names are spelled correctly and figures are accurate. This is particularly important when listing Social Security numbers, telephone numbers, and addresses.

6. Use percentages instead of dollar amounts. For example, suppose you have an IRA worth $100,000, and you designate a niece as beneficiary of $75,000 of that amount. If the IRA drops in value to $75,000 or below at your death, your niece gets the entire amount—any remainder beneficiaries receive zero. Perhaps a better way to meet your objectives is to give your niece 75% of the overall account value.

7. Name contingent beneficiaries. If your primary beneficiary has died and you have named a replacement, the assets would go to your contingent (or "secondary") beneficiaries. Without a contingent beneficiary the assets are transferred to your estate (see number 1). Avoid potential problems by indicating contingent beneficiaries in appropriate places.

Finally, don't stuff all the paperwork in a desk or drawer somewhere and forget about it. Review your beneficiary designations periodically to ensure that they remain up to date. Make revisions when needed. ❖

How to postpone estate tax

Do you own a valuable small-business interest? Although you may have spent years building a successful enterprise, your family may be forced to sell it soon after your death to pay the federal estate-tax bill. The full amount of estate tax is due nine months after an individual's death. Depending on the situation, this can be a hefty amount.

Fortunately, there is some tax relief for a family that inherits a small business.

Timely tax break: If the estate qualifies, the family can elect to pay no tax on the business interest for five years. And subsequent payments can be stretched out over 10 years. **Result:** Your family can take up to 15 years to pay the tax. (Actually, it's 14 years, since the due date for the last installment of interest coincides with the first installment of tax.) There is, however, one catch. Interest must be paid each year on the unpaid portion of the tax. But the estate pays only 2% on the tax attributable to the first $1 million of the business interest. The interest rate for tax underpayments applies to any amount above $1 million (subject to inflation indexing). The threshold for 2016 is $1.48 million.

When does an estate qualify for the 5-year deferral? Generally speaking, the business must constitute at least 35% of the adjusted gross estate. Your adjusted gross estate is the gross estate less any expenses, debts and losses.

In addition, for the business interest being included in your taxable estate, you must have operated the business as one of the following:

- A sole proprietor
- A partner with an interest of 20% or more in the partnership, or with an interest in a partnership that has no more than 45 partners
- A corporate stockholder owning 20% or more of the voting stock, or owning stock in a corporation with no more than 45 shareholders.

Finally, a proper notice of election must be attached to a timely estate-tax return. Make sure you adhere to all the formalities in the law.

The benefit of this special provision may be lost if all the i's aren't dotted and the t's aren't crossed. Don't hesitate to ask your professional advisors for assistance. ❖

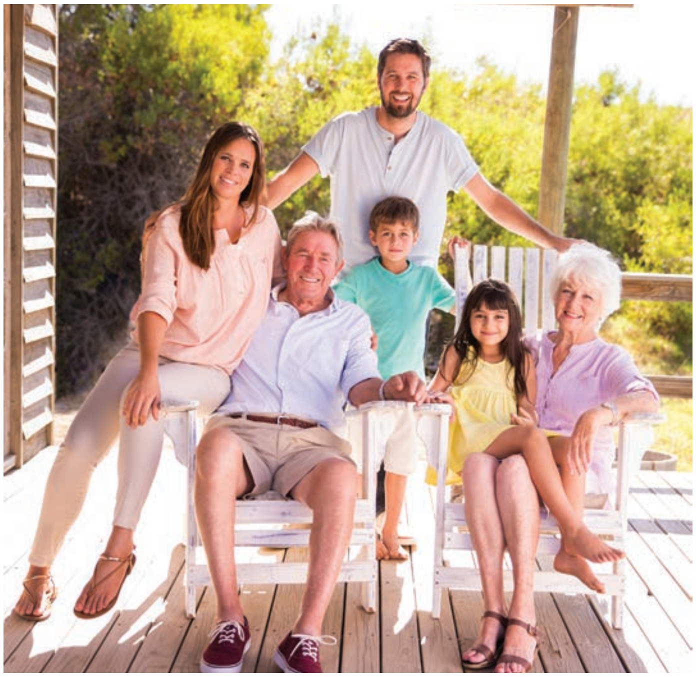
ESTATE-TAX EXCLUSION NUDGES UP IN 2016

Under the American Taxpayer Relief Act (ATRA) of 2012, the federal estate-tax exemption is permanently set at $5 million with a top 40% rate. ATRA also provides for inflation indexing of the exemption, beginning in 2013. The figures for the last four years, which show a modest increase for 2016, are as follows:

YEAR	EXEMPTION AMOUNT
2013	$5.25 MILLION
2014	$5.34 MILLION
2015	$5.43 MILLION
2016	$5.45 MILLION

This estate-tax exemption provides protection for many, but not all, upper-income individuals. In any event overall estate planning is still necessary.

A Window of Opportunity



If you own a vacation home you mostly use personally, you may be in line for a unique tax break.

How it works: When you rent out the home for 14 days or less, there are no tax consequences. In other words, you do not have to pay tax on the rental income, nor do you claim any deductions. For instance, say you rent out your summer cottage or cabin for two weeks in September at $2,500 per week.

Result: You can pocket the entire $5,500 with no questions asked. ❖

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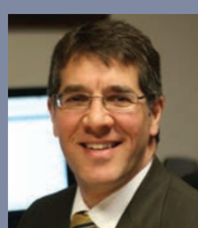

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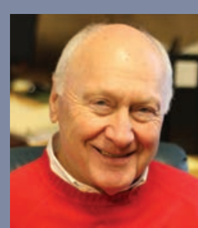

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ANY QUESTIONS?
PLEASE CONTACT US. WE ARE GLAD TO SERVE YOU IN ANY WAY THAT WE CAN.