Financial Fitness

Duncklee & Nott Monthly Newsletter

Duncklee & Nott
Kenneth Nott, CFP®, AIF®, CFS
19 Central Street
Hallowell, ME 04347
207-622-5222
877-582-2835
ken@dnretire.com
www.dnretire.com

Hi friends and clients!
The income tax deadline is here...make sure you get your taxes filed and paid by 4/15, or at least make sure you get your extension done! Also, there is still a week or two to get those last minute IRA and Roth IRA contributions in for 2013. As the snow melts and the mud dries up, we hope to start work completing our building this spring and summer. We will be paving the parking lot, replacing the windows, and re-siding the three "old" sides. Please accept our apologies in advance for any construction noise and parking inconveniences while the work is underway in the coming months!
Jim, Ken, Megan, Sharon, & Susie

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INVESTMENT & RETIREMENT PLANNING

What Baseball Can Teach You about Financial Planning

Spring training is a tradition that baseball teams and baseball fans look forward to every year. No matter how they did last year, teams in spring training are full of hope that a new season will bring a fresh start. As this year's baseball season gets under way, here are a few lessons from America's pastime that might help you reevaluate your finances.

Sometimes you need to proceed one base at a time

There's nothing like seeing a home run light up the scoreboard, but games are often won by singles and doubles that get runners in scoring position through a series of base hits. The one base at a time approach takes discipline, something that you can apply to your finances by putting together a financial plan. What are your financial goals? Do you know how much money comes in, and how much goes out? Are you saving regularly for retirement or for a child's college education? A financial plan will help you understand where you are now and help you decide where you want to go.

It's a good idea to cover your bases

Baseball players minimize the odds that a runner will safely reach a base by standing close to the base to protect it. What can you do to help protect your financial future? Try to prepare for life's "what-ifs." For example, buy the insurance coverage you need to make sure you and your family are protected--this could be life, health, disability, long-term care, or property and casualty insurance. And set up an emergency account that you can tap instead of dipping into your retirement funds or using a credit card when an unexpected expense arises.

You can strike out looking, or strike out swinging

Fans may have trouble seeing strikeouts in a positive light, but every baseball player knows that striking out is a big part of the game. In fact, striking out is much more common than getting hits. The record for the highest career batting average record is .366, held by Ty Cobb. Or, as Ted Williams once said, "Baseball is the only field of endeavor where a man can succeed three times out of ten and be considered a good performer."

In baseball, there's even more than one way to strike out. A batter can strike out looking by not swinging at a pitch, or strike out swinging by attempting, but failing, to hit a pitch. In both cases, the batter likely waited for the right pitch, which is sometimes the best course of action, even if it means striking out occasionally.

So how does this apply to your finances? First, accept the fact that you're going to have hits and misses, but that doesn't mean you should stop looking for financial opportunities. For example, when investing, you have no control over how the market is going to perform, but you can decide what to invest in and when to buy and sell, according to your investment goals and tolerance for risk.

Warren Buffett, who is a big fan of Ted Williams, strongly believes in waiting for the right pitch. "What's nice about investing is you don't have to swing at pitches," Buffett said. "You can watch pitches come in one inch above or one inch below your navel, and you don't have to swing. No umpire is going to call you out. You can wait for the pitch you want."

Note: *All investing involves risk, including the possible loss of principal.*

Every day is a brand-new ball game

When the trailing team ties the score (often unexpectedly), the announcer shouts, "It's a whole new ball game!" Or, as Yogi Berra famously put it, "It ain't over 'til it's over." Whether your investments haven't performed as expected, or you've spent too much money, or you haven't saved enough, there's always hope if you're willing to learn both from what you've done right and from what you've done wrong. Pitcher and hall-of-famer Bob Feller may have said it best. "Every day is a new opportunity. You can build on yesterday's success or put its failures behind and start over again. That's the way life is, with a new game every day, and that's the way baseball is."

Saving through Your Retirement Plan at Work? Don't Let These Five Risks Derail Your Progress

Keep in mind that no investment strategy can guarantee success. All investing involves risk, including the possible loss of your contribution dollars.

As a participant in your work-sponsored retirement savings plan, you've made a very important commitment to yourself and your family: to prepare for your future. Congratulations! Making that commitment is an important first step in your pursuit of a successful retirement. Now it's important to stay focused--and be aware of a few key risks that could derail your progress along the way.

1. Beginning with no end in mind

Setting out on a new journey without knowing your destination can be a welcome adventure, but when planning for retirement, it's generally best to know where you're going. According to the Employee Benefit Research Institute (EBRI), an independent research organization, workers who have calculated a savings goal tend to be more confident in their retirement prospects than those who have not. Unfortunately, EBRI also found that less than half of workers surveyed had actually crunched the numbers to determine their need (Source: 2013 Retirement Confidence Survey, March 2013).

Your savings goal will depend on a number of factors--your desired lifestyle, preretirement income, health, Social Security benefits, any traditional pension benefits you or your spouse may be entitled to, and others. By examining your personal situation both now and in the future, you can determine how much you may need to accumulate to provide the income you'll need during retirement.

Luckily, you don't have to do it alone. Your employer-sponsored plan likely offers tools to help you set a savings goal. In addition, a financial professional can help you further refine your target, breaking it down to answer the all-important question, "How much should I contribute each pay period?"

2. Investing too conservatively...

Another key to determining how much you may need to save on a regular basis is targeting an appropriate rate of return, or how much your contribution dollars may earn on an ongoing basis. Afraid of losing money, some retirement investors choose only the most conservative investments, hoping to preserve their hard-earned assets. However, investing too conservatively can be risky, too. If your contribution dollars do not earn enough, you may end up with a far different retirement lifestyle than you had originally planned.

3. ...Or aggressively

On the other hand, retirement investors striving for the highest possible returns might select investments that are too risky for their overall situation. Although it's a generally accepted principle to invest at least some of your money in more aggressive investments to pursue your goals and help protect against inflation, the amount you invest should be based on a number of factors.

The best investments for your retirement savings mix are those that take into consideration your total savings goal, your time horizon (or how much time you have until retirement), and your ability to withstand changes in your account's value. Again, your employer's plan likely offers tools to help you choose wisely. And a financial professional can also provide an objective, third-party view.

4. Giving in to temptation

Many retirement savings plans permit plan participants to borrow from their own accounts. If you need a sizable amount of cash quickly, this option may sound appealing at first; after all, you're typically borrowing from yourself and paying yourself back, usually with interest. However, consider these points:

- Any dollars you borrow will no longer be working for your future
- The amount of interest you'll be required to pay yourself could potentially be less than what you might earn should you leave the money untouched
- If you leave your job for whatever reason, any unpaid balance may be treated as a taxable distribution

For these reasons, it's best to carefully consider all of your options before choosing to borrow from your retirement savings plan.

5. Cashing out too soon

If you leave your current job or retire, you will need to make a decision about your retirement savings plan money. You may have several options, including leaving the money where it is, rolling it over into another employer-sponsored plan or an individual retirement account, or taking a cash distribution. Although receiving a potential windfall may sound appealing, you may want to think carefully before taking the cash. In addition to the fact that your retirement money will no longer be working for you, you will have to pay taxes on any pretax contributions, vested employer contributions, and earnings on both. And if you're under age 55, you will be subject to a 10% penalty tax as well. When it's all added up, the amount left in your pocket after Uncle Sam claims his share could be a lot less than you expected.

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Home Staging: Getting Your Home Ready to Sell

In today's competitive housing market, your home's appearance plays an important role in determining how quickly it will sell. Before you put your home on the market, many real estate professionals recommend doing at least some form of home staging.

Fortunately, there are a number of things you can do to stage your home for selling that take only a little time and effort, and more importantly, won't break the bank.

Be sure to make a good first impression

When it comes to selling your home, first impressions are important. A yard that is overgrown and poorly maintained can turn off a potential buyer before he or she even walks through your front door.

But keep in mind that you don't have to have a green thumb or hire an expensive landscape designer to make a difference. You can make the outside of your home more welcoming by:

- Cutting grassy areas that are overgrown
- Trimming trees and shrubbery--especially those that are near or next to the house
- Clearing walkways and paths so visitors can easily enter/exit your home
- Giving your front door a fresh coat of paint
- Making sure outdoor lighting is adequate/updated

Create a welcoming environment

When potential buyers first walk through your front door, you'll want them to feel comfortable and at ease. You can create a welcoming environment with a few minor touches such as fresh flowers in the entryway or the smell of freshly baked cookies.

Give your home a thorough cleaning

Never underestimate the impact a clean home can have on a potential buyer. Dust on shelves, mildew in the bathroom, and dirty carpets can be huge deterrents when selling a home.

Before you put your home on the market, you'll want to give it a thorough cleaning from top to bottom. If it's a big enough job, you may even want to enlist the services of a professional cleaning company to assist you with the cleanup.

Remove clutter

Removing clutter from your home will make it seem more functional, spacious, and organized--all important features for a potential homebuyer.

While it can sometimes seem overwhelming to have to sift through and organize all of your personal belongings, you can get started with these simple tips:

- Clean out closets and install closet organizers
- If home office space is limited, add shelves and storage bins to hide office clutter
- Remove any personal effects, such as photos, mementos, and even toiletries
- In addition to main living spaces, be sure to clean out attic, basement, and garage spaces
- Rent a dumpster or hire a waste disposal company to make it easier to get rid of larger, unwanted items or consider donating unwanted items that are in good condition to a charitable organization
- If necessary, hire a professional organizer

Invest in a fresh coat of paint

Dated wall treatments, such as wallpaper borders and faux finishes, can deter a potential buyer. A fresh coat of paint is a cost effective way to give your home an updated appearance.

When picking out paint colors, be sure to stick to neutral color schemes, which tend to have a broader appeal. In addition, remember that darker colors often make rooms seem smaller and more intimate, while lighter colors can make a room appear larger and more spacious.

Hold off on major improvements/upgrades

Except in certain circumstances, most home staging projects should only involve minor improvements to your home that won't take up much of your time or cost you a lot of money. As a result, you should hold off on major improvements or upgrades, such as renovating an entire kitchen or putting on a new addition.

Get professional help if needed

If you feel that you need assistance staging your home before you put it on the market, there are staging professionals and companies that assist homeowners during the home-staging process.

The cost of professional home staging varies, depending on the types of services provided. Basic staging services usually offer simple advice and tips for organizing and cleaning your home. Other, more involved staging services provide full home redesigns along with specially staged furnishings and accessories.

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Is there a new way to calculate my home office deduction?

Yes, but first it's important to understand what hasn't changed. To qualify for an income tax deduction for home office expenses, the IRS still requires that you meet two tests--the place of business test and the exclusive and regular use test.

To pass the place of business test, you must show that you use a portion of your home as the principal place of business for your trade or business, or a place where you regularly meet with clients, customers, or patients. In the case of a separate structure that isn't attached to your dwelling unit, you must show that you use it in connection with your trade or business (i.e., it needn't be your principal place of business).

The exclusive and regular use test requires that you use that portion of your home both exclusively for business and on a regular basis.

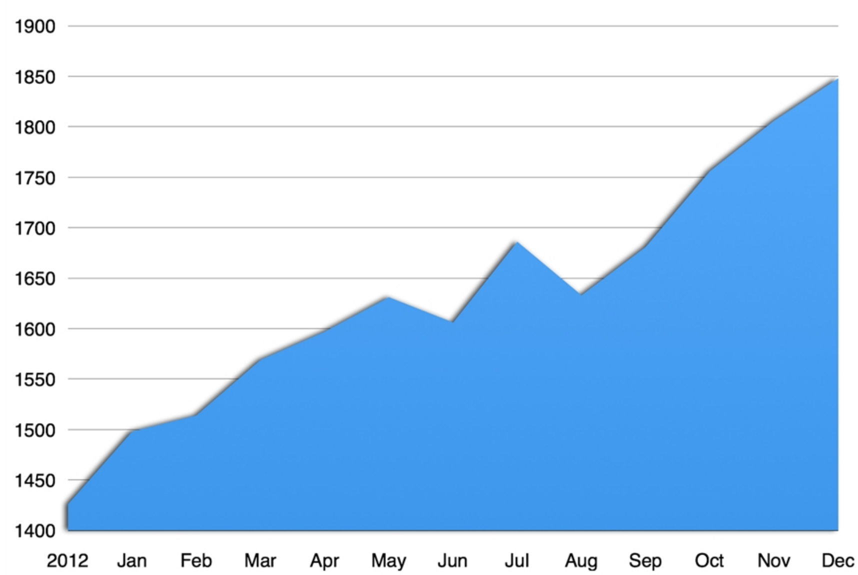
Prior to 2013, in order to claim the home office deduction, you also needed to determine the actual expenses you incurred in maintaining your home office (for example, mortgage interest, insurance, utilities, repairs, and depreciation).

However, beginning with the 2013 tax year, you're able to use an optional "safe harbor" method of calculating your home office deduction. Instead of determining and allocating actual expenses, under the safe harbor method you calculate your deduction by multiplying the square footage of your home office (up to a maximum of 300 square feet) by $5. Since square footage is capped at 300, the maximum deduction available under the safe harbor method is $1,500.

Each year, you can choose whether to use the safe harbor method of calculating the deduction or to use actual expenses. If you use the new safe harbor method:

- You'll still be able to deduct mortgage interest and real estate taxes on Schedule A if you itemize deductions.
- You cannot depreciate the part of your home you use for business. (If you use the safe harbor method in one year, and in a later year use actual expenses, special rules will apply in calculating depreciation.)

Graph: The S&P 500 Month by Month in 2013



Past performance is no guarantee of future results, but stocks had an extraordinary run in 2013. The Standard & Poor's 500 set 45 new all-time closing records during the year and by November had surpassed 1,800 for the first time ever. Despite some stumbles during the summer, by the end of 2013 the index had nearly tripled since its March 2009 financial-crisis low. ***Note:*** *All investing involves risk, including the possible loss of principal.*