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Hi friends and clients!
After relatively little snow in December and early January, we certainly got our share in the past week! Thankfully, March and hopefully some melting is only one short month away. In the meantime, we can all look forward to a month that will bring us the Patriots playing in Super Bowl XLIX, February vacation for teachers and students, and the Maine high school basketball tournaments.
Enjoy this February and the articles as well!

Jim, Ken, Megan, Sharon, & Susie

February 2015 Financial Fitness

Duncklee & Nott
INVESTMENT & RETIREMENT PLANNING

Financial Fitness

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Key Numbers for 2015

Every year, the Internal Revenue Service (IRS) announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2015.

Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $18,000 in compensation in 2015 (up from $17,500 in 2014); employees age 50 and older can defer up to an additional $6,000 in 2015 (up from $5,500 in 2014)
- Employees participating in a SIMPLE retirement plan can defer up to $12,500 in 2015 (up from $12,000 in 2014), and employees age 50 and older will be able to defer up to an additional $3,000 in 2015 (up from $2,500 in 2014)

IRAs

The limit on annual contributions to an IRA remains unchanged at $5,500 in 2015, with individuals age 50 and older able to contribute an additional $1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2014	2015
Single / head of household (HOH)	$60,000 - $70,000	$61,000 - $71,000
Married filing jointly (MFJ)	$96,000 - $116,000	$98,000 - $118,000
Married filing separately (MFS)	$0 - $10,000	$0 - $10,000

Note: *The 2015 phaseout range is $183,000 - $193,000 when the individual making the IRA contribution is not covered by a workplace retirement plan, but is filing jointly with a spouse who is covered.*

The modified AGI phaseout ranges for individuals making contributions to a Roth IRA are:

	2014	2015
Single / HOH	$114,000 - $129,000	$116,000 - $131,000
MFJ	$181,000 - $191,000	$183,000 - $193,000
MFS	$0 - $10,000	$0 - $10,000

Estate and gift tax

- The annual gift tax exclusion remains $14,000
- The gift and estate tax basic exclusion amount for 2015 is $5,430,000, up from $5,340,000 in 2014

Personal exemption

The personal exemption amount has increased to $4,000 (up from $3,950 in 2014). For 2015, personal exemptions begin to phase out once AGI exceeds $258,250 (Single), $309,900 (MFJ), $284,050 (HOH), or $154,950 (MFS).

Note: *These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2014 threshold amounts were $254,200 (single), $305,050 (MFJ), $279,650 (HOH), and $152,525 (MFS).*

Standard deduction

The standard deduction amounts have been adjusted as follows:

	2014	2015
Single	$6,200	$6,300
HOH	$9,100	$9,250
MFJ	$12,400	$12,600
MFS	$6,200	$6,300

Note: *The 2015 additional standard deduction amount (age 65 or older, or blind) is $1,550 if filing as single or HOH (unchanged from 2014) or $1,250 (up from $1,200 in 2014) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.*

See disclaimer on final page

10 Financial Terms Everyone Should Know

Understanding financial matters can be difficult if you don't understand the jargon. Becoming familiar with these 10 financial terms may help make things clearer.

1. Time value of money

The time value of money is the concept that money on hand today is worth more than the same amount of money in the future, because the money you have today could be invested to earn interest and increase in value.

Why is it important? Understanding that money today is worth more than the same amount in the future can help you evaluate investments that offer different potential rates of return.

2. Inflation

Inflation reflects any overall upward movement in the price of consumer goods and services and is usually associated with the loss of purchasing power over time.

Why is it important? Because inflation generally pushes the cost of goods and services higher, any estimate of how much you'll need in the future--for example, how much you'll need to save for retirement--should take into account the potential impact of inflation.

3. Volatility

Volatility is a measure of the rate at which the price of a security moves up and down. If the price of a security historically changes rapidly over a short period of time, its volatility is high. Conversely, if the price rarely changes, its volatility is low.

Why is it important? Understanding volatility can help you evaluate whether a particular investment is suited to your investing style and risk tolerance.

4. Asset allocation

Asset allocation means spreading investments over a variety of asset categories, such as equities, cash, bonds, etc.

Why is it important? How you allocate your assets depends on a number of factors, including your risk tolerance and your desired return. Diversifying your investments among a variety of asset classes can help you manage volatility and investment risk. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

5. Net worth

Net worth is what your total holdings are worth after subtracting all of your financial obligations.

Why is it important? Your net worth may fund most of your retirement years. So the faster and higher your net worth grows, the more it may help you in retirement. For retirees, a typical goal is to preserve net worth to last through the retirement years.

6. Five C's of credit

These are character, capacity, capital, collateral, and conditions. They're the primary elements lenders evaluate to determine whether to make you a loan.

Why is it important? With a better understanding of how your banker is going to view and assess your creditworthiness, you will be better prepared to qualify for the loan you want and obtain a better interest rate.

7. Sustainable withdrawal rate

Sustainable withdrawal rate is the maximum percentage that you can withdraw from an investment portfolio each year to provide income that will last, with reasonable certainty, as long as you need it.

Why is it important? Your retirement lifestyle will depend not only on your assets and investment choices, but also on how quickly you draw down your retirement portfolio.

8. Tax deferral

Tax deferral refers to the opportunity to defer current taxes until sometime in the future.

Why is it important? Contributions and any earnings produced in tax-deferred vehicles like 401(k)s and IRAs are not taxed until withdrawn. This allows those earnings to compound, further adding to potential investment growth.

9. Risk/return trade-off

This concept holds that you must be willing to accept greater risk in order to achieve a higher potential return.

Why is it important? When considering your investments, the goal is to get the greatest return for the level of risk you're willing to take, or to minimize the risk involved in trying for a given return. All investing involves risk, including the loss of principal, and there can be no assurance that any investing strategy will be successful.

10. The Fed

The Federal Reserve, or "the Fed" as it's commonly called for short, is the central bank of the United States.

Why is it important? The Fed has three main objectives: maximum employment, stable prices, and moderate long-term interest rates. The Fed sets U.S. monetary policy to further these objectives, and over the years its duties have expanded to include maintaining the stability of the entire U.S. financial system.

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Taking a Career Break? Consider These Helpful Tips

According to the U.S. Census Bureau, there were 5 million stay-at-home moms in married-couple family groups in 2013 (Source: U.S. Census Bureau News, U.S. Census Bureau, April 2014).

Balancing the commitments of both work and family can be a struggle for many women. As a result, you may have to take a break from your career to stay home and raise a family or care for an elderly parent or relative.

Whether you are taking a break for just a few months or many years, there are things you can do now to help make it a bit easier to jump back on the career track later.

Stay connected

When taking a career break, it's important to stay connected. Having relationships with former co-workers and colleagues allows you to maintain your networking connections and stay on top of developments in your former workplace or industry.

The following are some simple ways to stay connected while on a career break:

- Make sure that you have a presence on professional social media sites such as LinkedIn
- Enroll or become a member of relevant professional associations
- Attend industry events and trade shows that are open to the general public
- Consider part-time/consultant work within your particular industry or field of expertise

Keep up-to-date on your job skills

If you plan on re-entering the workforce at some point in the future, you'll need to keep up-to-date on skills that are necessary for your particular field or industry.

You can avoid letting your skills fall by the wayside by:

- Reading industry trade journals and publications
- Taking continuing education classes or enrolling in relevant courses at your local college or university
- Keeping abreast of the latest technology developments relevant to your field or industry

Look for alternative resume builders

While you're out of the workforce and staying at home, it's important to find alternative ways to build your resume.

Nontraditional work environments that demonstrate your skills and draw upon your previous work experiences can be used to fill in any significant gaps in your resume. They can also provide you with a source of contacts when you want to re-enter the workforce.

Some examples of alternative resume builders include:

- Teaching a class at a local community college on a subject in your field of expertise
- Joining a nonprofit board (e.g., library or charitable foundation)
- Staying active in local volunteer organizations (e.g., parent/teacher groups and sport associations)

Consider easing back into the workforce with an internship

Today, employers recognize the value of hiring women who want to work after taking a career break. These women often have family obligations behind them, along with prior professional experience.

As a result, some companies are offering internship or "returnship" opportunities that provide women with an opportunity to ease back into the workforce. These internships allow employers to test the waters before determining whether someone would be a good fit for a permanent position.

If you are interested in an internship opportunity, many options are available, from informal arrangements with an employer to high-structured returning professional programs that are part of a company's larger recruiting efforts.

Seek out others in your situation

If you are on a career break, it's important to remember that you are not alone in choosing to stay at home to focus on family obligations. Consider seeking out support and guidance from other women who have chosen to veer off the traditional career path for family reasons.

Whether you have just made the decision to take a career break or are looking to reenter the workforce, there are numerous resources available to assist you, ranging from local stay-at-home mom networks to nationwide career relaunching services.

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How can college students save and spend money wisely?

College is a pivotal time in a young adult's life. Students gain a sense of independence that is accompanied by responsibility--especially when it comes to finances. If you're a new college student, it can be overwhelming to figure out how to save and spend money wisely. However, if you take time to plan, you won't have to worry about spending money carelessly. And your parents will be glad to avoid desperate pleas for cash over the phone.

It may be helpful to review campus resources ahead of time so you can eliminate items that you don't necessarily need to bring with you to school. Why bring your car and pay for an expensive parking pass if you can use free public transportation? Similarly, it might make more sense to borrow textbooks from your university's library or rent them rather than fork over the dough to buy pricey books you'll use for a single semester.

Next, establish a monthly budget. Track your expenses for a month to determine where most of your money is going, then look for the areas where you need to reevaluate your spending.

For example, you may be spending too much on take-out when you already have a prepaid meal plan at your school. Take advantage of your plan and put that money toward something else in your budget like clothing or entertainment.

What if you have excess cash? Set aside a few dollars each week to create an emergency fund. Over time, that money could accumulate, and you never know when it might come in handy.

But if you still find yourself strapped for cash, most college campuses offer a variety of part-time jobs that are designed to fit into a student's busy schedule. Ask about a job the next time you go to the gym for a workout or the dining hall for a meal. Or you can use your school's career service website to browse work-study options available on campus. As long as you're aware of what's available to you, you'll be better informed to make wise money decisions, which enables you to focus on making the most of this chapter in your academic career.