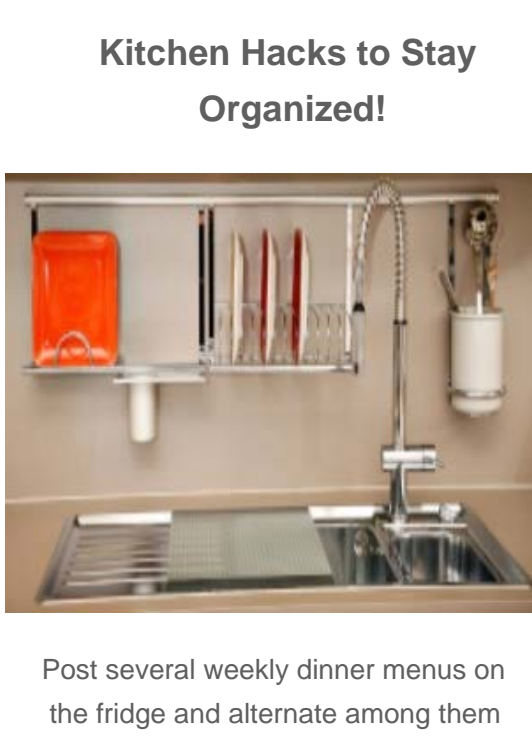




Financial Focus April 2016

Resolving Projected Income Shortfalls: Bridging the Gap

Savings Account for Emergencies

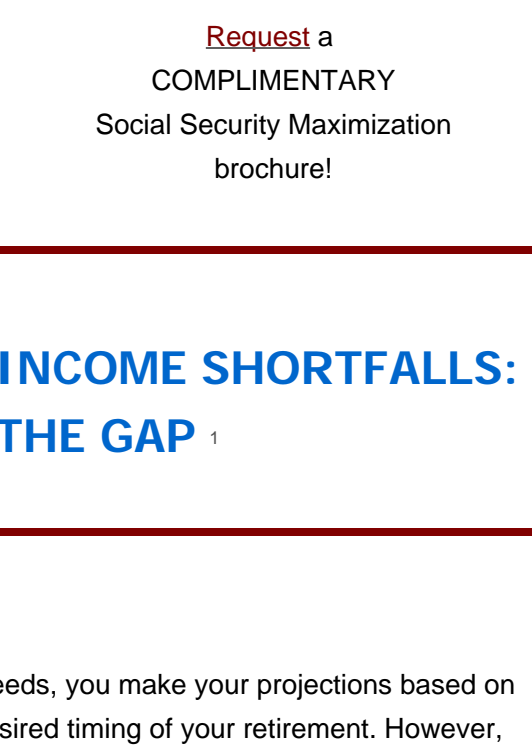
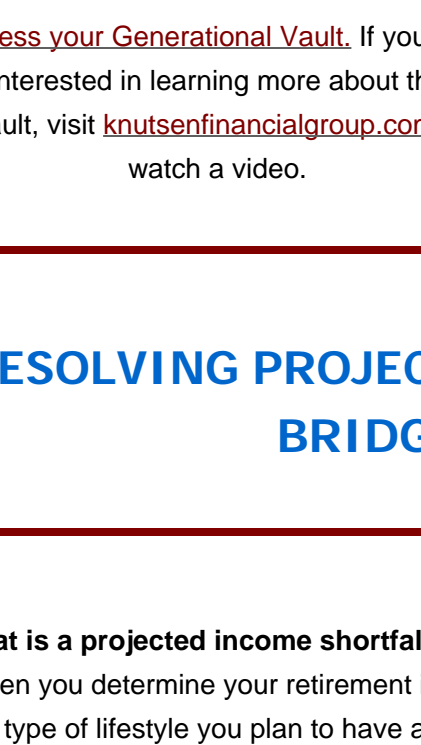


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How to Generate Income After Retirement

Kitchen Hacks to Stay Organized!



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Post several weekly dinner menus on the fridge and alternate among them for easier grocery shopping and meal planning. > [Read more...](#)

Plus:

- [Recipe of the Month: Quinoa Salad](#)

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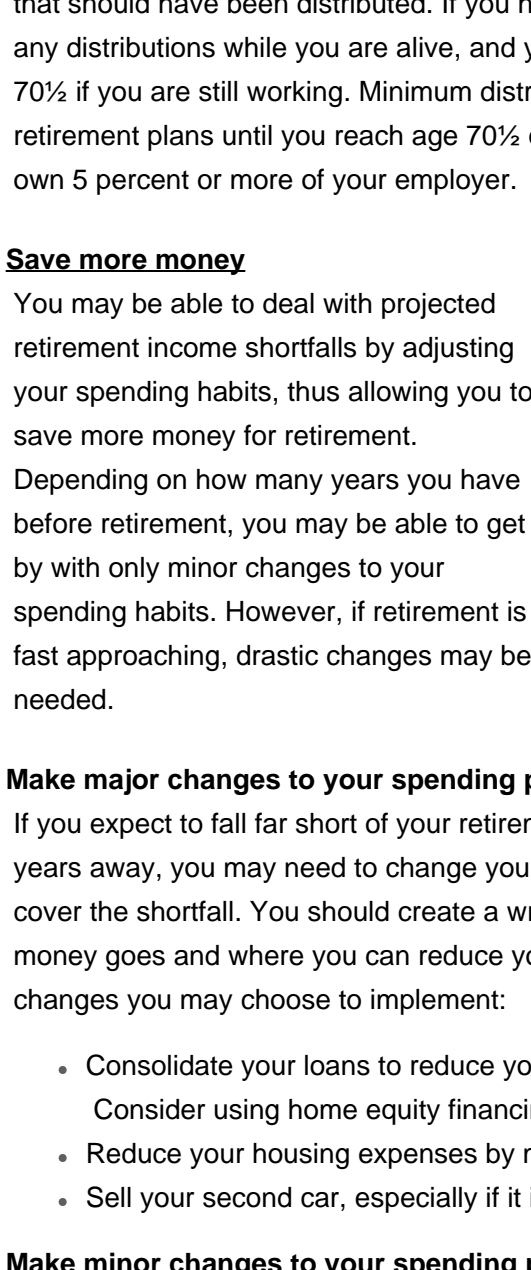
RESOLVING PROJECTED INCOME SHORTFALLS: BRIDGING THE GAP ¹

What is a projected income shortfall?

When you determine your retirement income needs, you make your projections based on the type of lifestyle you plan to have and the desired timing of your retirement. However, you may find that reality is not in sync with your projections and it looks like your retirement income will be insufficient for the rate you plan to spend it. This is called a projected income shortfall. If you find yourself in such a situation, finding the best solution will depend on several factors, including the following:

- The severity of your projected shortfall
- The length of time remaining before retirement
- How long you need your retirement income to last

Several methods of coping with projected income shortfalls are described in the following sections.



Delay retirement

One way of dealing with a projected income shortfall is to stay in the workforce longer than you had planned. This will allow you to continue supporting yourself with a salary rather than dipping into your retirement savings.

What it means

Delaying your retirement could mean that you continue to work longer than you had originally planned. Or it might mean finding a new full- or part-time job and living off the income from that job. By doing so, you can delay taking Social Security benefits or distributions from retirement accounts. The longer you delay tapping into these sources, the longer the money will last when you do begin taking it.

While you might hesitate to start on a new career path late in life, there may actually be certain unique opportunities that would not have been available earlier in life. For example, you might consider entering the consulting field, based on the expertise you have gained through a lifetime of employment. This decision may involve tax issues, so it may be beneficial to review its tax impact with a tax professional.

Effect on Social Security benefits

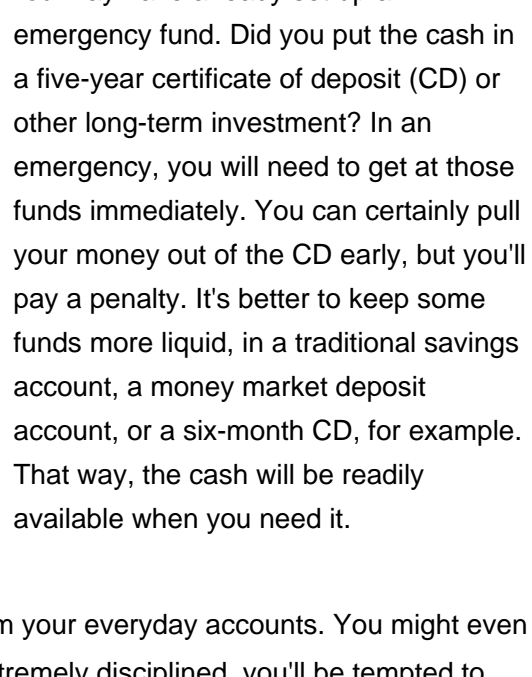
The Social Security Administration has set a "normal retirement age" which varies between 65 and 67, depending on your date of birth. You can elect to receive Social Security retirement benefits as early as age 62, but if you begin receiving benefits before your normal retirement age, your benefits will be decreased. Conversely, if you elect to delay retirement, you can increase your annual Social Security benefits. There are two reasons for this: First, each additional year that you work adds an additional year of earnings to your Social Security record, resulting in potentially higher retirement benefits. Second, the Social Security Administration gives you a credit for each month you delay retirement, up to age 70.

Effect on IRA and employer-sponsored retirement plan distributions

The longer you delay retirement, the longer you can contribute to your IRA or employer-sponsored retirement plan. However, if you have a traditional IRA, you must start taking required minimum distributions (and stop contributing) when you reach age 70½. If you fail to take the minimum distribution, you will be subject to a 50 percent penalty on the amount that should have been distributed. If you have a Roth IRA, you are not required to take any distributions while you are alive, and you can continue to make contributions after age 70½ if you are still working. Minimum distribution rules do not apply to money in qualified retirement plans until you reach age 70½ or retire (whichever occurs later), unless you own 5 percent or more of your employer.

Save more money

You may be able to deal with projected retirement income shortfalls by adjusting your spending habits, thus allowing you to save more money for retirement. Depending on how many years you have before retirement, you may be able to get by with only minor changes to your spending habits. However, if retirement is fast approaching, drastic changes may be needed.



Make major changes to your spending patterns

If you expect to fall far short of your retirement income needs or if retirement is only a few years away, you may need to change your spending patterns drastically to save enough to cover the shortfall. You should create a written budget so you can easily see where your money goes and where you can reduce your spending. The following are some suggested changes you may choose to implement:

- Consolidate your loans to reduce your interest rate and/or monthly payment. Consider using home equity financing for this purpose.
- Reduce your housing expenses by moving to a less expensive home or apartment.
- Sell your second car, especially if it is only used occasionally.

Make minor changes to your spending patterns

Minor changes can also make a difference. You'd be surprised how quickly your savings add up when you implement several small changes to your spending patterns. The following are several areas you might consider when adjusting your spending patterns:

- Consider buying a well-maintained used car instead of a new car.
- Get books and movies from your local library instead of buying or renting them.
- Plan your expenditures and avoid impulse buying.

Continue saving during your retirement

Don't think of your retirement date as your deadline for saving. Instead, continue to save money throughout your retirement years. Saving may become more difficult after retirement as a result of reduced income and potentially increased medical expenses. Putting away just a little each month can make a significant difference in how long your money will last.

Note that some of the powerful tax-deferred savings vehicles you took advantage of while working may no longer be available to you during retirement. To participate in a 401(k), for example, you must be employed by a company that offers such a plan and must meet the employer's eligibility requirements (e.g., length of service). IRAs only allow you to contribute earned income (i.e., job earnings) and generally don't permit any contributions after age 70½ (except in the case of Roth IRAs).

Re-evaluate your standard of living in retirement

If your projected income shortfall is severe enough or if time is too tight, you may realize that no matter what measures you take, you will not be able to afford the lifestyle you want during your retirement years. You may simply have to accept the fact that your retirement will not be the jet-setting, luxurious, permanent vacation you had envisioned. Recognize the difference between the things you want and the things you need and you'll have an easier time deciding where you can make adjustments. Here are a few suggestions:

- Reduce your housing expectations
- Cut down on travel plans
- Consider a less expensive automobile

HOW MUCH MONEY SHOULD I KEEP IN A SAVINGS ACCOUNT FOR EMERGENCIES? ²

Answer: You might consider putting away three to six months' worth of living expenses for emergencies. If you lose your job, or become disabled and don't have adequate disability insurance, you'll need that money to pay your regular monthly expenses, such as mortgage payments, insurance premiums, groceries, and car payments, until you can find another job. Similarly, if your car breaks down or your spouse has a medical emergency, you'll want to have the necessary cash to pay the bills. You don't want to have with an immediate need for cash, only to discover that you don't have any.

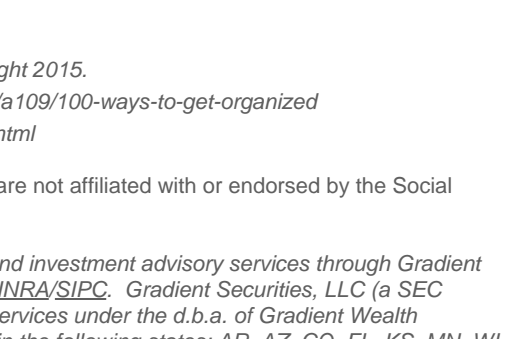


You may have already set up an emergency fund. Did you put the cash in a five-year certificate of deposit (CD) or other long-term investment? In an emergency, you will need to get at those funds immediately. You can certainly pull your money out of the CD early, but you'll pay a penalty. It's better to keep some funds more liquid, in a traditional savings account, a money market deposit account, or a six-month CD, for example. That way, the cash will be readily available when you need it.

Finally, keep your emergency fund separate from your everyday accounts. You might even want to use a different bank. Unless you are extremely disciplined, you'll be tempted to spend those extra funds if you keep them in your checking account. Remember, if you can put off an expense until next week, it is probably not an emergency.

HOW TO GENERATE INCOME AFTER RETIREMENT ³

Many people that I talk to are worried about generating enough money to maintain their lifestyle after retirement.



You have spent your entire life working and saving for retirement, and most likely you have some policies and financial tools in place to help reach your retirement goals, and help generate income after retirement.

While you may be steadfast in striving towards retirement, you may not realize that a proper review of your assets is a huge part of your retirement process, and may provide the difference between maintaining your lifestyle after retirement and having to make some adjustments.

Your financial tools you used in the past may be outdated. At one time, they probably made sense, but since you purchased them, your needs may have changed significantly. We will not only point out adjustments you may want to take, but also give you peace of mind – knowing you have the right financial tools for today's market.

Call us at (651) 209-1907 to request your Compass Report, which will help position your assets to create income in retirement.

KITCHEN HACKS TO STAY ORGANIZED ⁴

- Post several weekly dinner menus on the fridge and alternate among them for easier grocery shopping and meal planning.
- Don't keep space-hogging cookbooks. Photocopy favorite recipes and slip them into plastic sheet protectors inside a binder.
- Tape an envelope for pizza and other takeout food coupons inside the cabinet door near the phone.
- Use a mini flower pot with drip tray near the sink to stash sponges, steel wool and food scrapers.
- A crock with a wide mouth keeps favorite stove-side utensils from tangling.
- Put countertop flour and sugar canisters on a lower slide-out cabinet shelf. Or use a double baking sheet or plastic tray as a slide-out.
- Doubly cabinet space with two-tiered turntables.
- Trade round storage containers for more efficient square and rectangular ones.

RECIPE OF THE MONTH:

QUINOA SALAD ⁵

Quinoa is nicknamed the "wonder grain" because it cooks more quickly than rice and is lighter and more nutritious than other grains!

- Ingredients**
- 12 cups water
 - 1 1/2 cups quinoa, rinsed
 - 5 pickling cucumbers, peeled, ends trimmed, and cut into 1/4-inch cubes
 - 1 small red onion, cut into 1/4-inch cubes
 - 1 large tomato, cored, seeded, and diced
 - 1 bunch Italian parsley leaves, chopped
 - 2 bunches mint leaves, chopped
 - 1/2 cup extra-virgin olive oil
 - 1/4 cup red wine vinegar
 - 1 lemon, juiced
 - 1 1/2 teaspoons salt
 - 3/4 teaspoon freshly ground black pepper
 - 4 heads endive, trimmed and separated into individual spears
 - 1 avocado, peeled, seeded and diced, for garnish

Directions
Bring the water to a boil in a large saucepan. Add the quinoa, stir once, and return to a boil. Cook uncovered, over medium heat for 12 minutes. Strain and rinse well with cold water, shaking the sieve well to remove all moisture.

When dry, transfer the quinoa to a large bowl. Add the cucumbers, onion, tomato, parsley, mint, olive oil, vinegar, lemon juice, salt, and pepper and toss well. Spoon onto endive spears, top with avocado, and serve.

¹ Broadridge Investor Communication Solutions, Inc. Copyright 2015.

² <http://www.womansday.com/home/organizing-cleaning/tips/a109/100-ways-to-get-organized>

⁴ <http://www.foodnetwork.com/recipes/quinoa-salad-recipe0.html>

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