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THE PROSPERITY® CONSULTING GROUP, LLC
A WEALTH MANAGEMENT COMPANY

THE WEALTH ADVISOR

Getting Ready To Retire? 7 Moves NOT To Make

If you're like most soon-to-be retirees, you're looking forward to leaving the rat race and moving into a comfortable lifestyle. But the golden years can lose their luster quickly if you don't consider all of the aspects of retirement. Here are seven things NOT to do when you retire:

1. DON'T live beyond your means. If you've been operating on a monthly budget while you've been working, there's no need to abandon this practice in retirement. You might need a budget now even more than you did before. After all, you won't have the same income from wages coming in. Rather, you're likely to be living on a fixed income that you draw from your investments, retirement plans, IRAs, and Social Security benefits. Splurging on things you really can't afford could do more damage than it would have before retirement.

2. DON'T cut things too closely. When you're fine-tuning your budget in retirement, give yourself some extra breathing room for unexpected expenses, such as repairs to your home or replacement of appliances. Try to save a little each month to build up a "rainy day" fund that you could use for emergencies. At the same time, just because you're retired doesn't mean you won't want to keep up with the latest technology or fashion trends. The trick is to create a budget that is generous enough to let you enjoy your retirement without putting your future at financial risk.

3. DON'T assume that you'll stay in good health. Even if you're in the pink of health now, there are no guarantees this will continue in retirement. To hedge your bets, make sure you have insurance that's able to provide plenty of protection. That includes health insurance, disability income insurance, and life insurance coverage that will cover your potential needs. Although Medicare can cover most regular health care costs, you'll also need supplemental coverage to avoid large out-of-pocket expenses. Factor the premiums for all of your coverage into your monthly budget.

4. DON'T become a couch potato. Once you no longer have to wake up and go to work every morning, it's easy to become sedentary, especially if you're not athletically inclined. But one of the keys to staying healthy is to remain active and vibrant. Find activities that interest you, and pursue your hobbies vigorously. And be sure to socialize with friends and family regularly. Spending your days watching TV and eating potato chips likely will shorten your life span.

5. DON'T leave investments on cruise-control. Maybe you've implemented an asset allocation strategy for the remainder of your

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The Psychology Of Investing

As investors, we are bombarded by financial news accompanied by an array of emotions that often make financial decisions difficult. Our psychological response to the market hinders our ability to be good investors and exposes us to bias. Identifying the reasons behind investment bias can help keep your emotions in check and it may make you a better investor!

A bias is a tendency or inclination that is unreasoned and often preconceived. Take *recency bias* for example; this happens when investors believe that current events will last forever and predict future events based on recent occurrences. If the market is performing poorly, investors might believe this will continue forever; when the market is doing well, they might naively believe it will continue doing well, ignoring signs of volatility. Consider this – you wouldn't drive while only looking through the rearview mirror. Investing is much the same, while it may be valuable to look into the rearview occasionally you need to keep your eyes on the road ahead to stay on track.

If you're interested in learning more, join us on May 4 for a seminar on The Psychology of Investing!

Visit www.prosperityconsult.com/upcoming-events for more details!

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What To Know About Social Security

The Social Security Administration (SSA) recently announced that there will be no increase in retiree benefits in 2016 because of the low inflation rate. Cost-of-living adjustments (COLAs), which are based on a consumer price index for urban wage-earners, have been standard fare and most retirees expect them. In fact, this is only the third time without a yearly increase in Social Security retirement benefits since COLAs were instituted in 1975. (The other two occurred in 2010 and 2011.)

It may be small consolation, but the Social Security wage base for payroll taxes also won't go up, remaining at $118,500 in 2016. This means the first $118,500 of wages you earn in 2016 is subject to a 6.2% tax (or twice that if you're self-employed). There's also a tax for Medicare of 1.45% on all earnings.

Furthermore, the SSA has announced that the limits under the "earnings test" (the amount you can earn from working without forfeiting Social Security benefits) also are unchanged.

Did this "freeze" for 2016 catch you by surprise? If so, you're not alone. People from all walks of life, including those who already have retired, often don't fully understand the rules for Social Security or are unaware of how complex the rules are. Use this quiz to test your personal knowledge of the subject:

1) The earliest age you can begin to receive Social Security retiree benefits is:

a) age 59½.
b) age 62.
c) age 65.
d) age 70.

2) The amount you will receive if you opt for early retirement may be reduced by as much as _____ for someone born in 1960 or later.

a) 5%
b) 10%
c) 20%
d) 30%

3) To get the maximum amount of Social Security benefits, you need to wait until ______ to begin receiving benefits.

a) age 59½
b) age 62
c) age 65
d) age 70

4) Spousal benefits are available to an unmarried ex-spouse if he or she was married to the beneficiary for at least:

a) 3 years.
b) 5 years.
c) 10 years.
d) 25 years.

5) Social Security retiree benefits are partially taxable if your income exceeds ________ if you're a single tax filer and ________ if you're a joint filer.

a) $10,000/$25,000
b) $25,000/$32,000
c) $50,000/$100,000
d) $200,000/$250,000

6) The age when a Baby Boomer born between 1943 and 1954 is able to receive full retirement benefits is:

a) age 62.
b) age 65.
c) age 66.
d) age 70.

7) For 2016, the maximum amount you're allowed to earn in the year you reach full retirement age—but before the month of your birthday—without forfeiting any benefits is:

a) $15,480.
b) $26,480.
c) $41,880
d) $55,880.

Answers: 1-b; 2-d; 3-d; 4-c; 5-b; 6-c; 7-c

5 Reasons To Amend Your Estate Plan

It's 2016...do you know where your estate plan is? If you're like most busy people, you may have made a will, perhaps when your children were born, and it's possible you've taken other steps to lay out what will happen after you're gone. But frequently those plans are just gathering dust.

Now's a good time to crack open the vault and take a closer look. Typically, your estate plan will need a minor update, and in some cases a complete overhaul may be in order. Consider these five reasons to revise your plan:

1. Family changes: Your personal situation may have shifted because of a divorce, a separation, or the death of a spouse. You might want to add or subtract beneficiaries to trusts or estates if children or grandchildren have been born since you created your estate plan or if a beneficiary has died. Or your intended heirs may have married or divorced, further complicating matters.

2. Financial changes: When you created your estate plan, you probably owned fewer assets or different assets than you have now. You may need to revise your will or trust documents, especially if the value has changed dramatically. Or perhaps you've acquired a business interest or sold one—another potentially big change to your financial status. A job loss or change also could have an impact on your plan.

3. Tax law changes: It seems like the federal estate tax law is amended every other year, so it's important to keep abreast of the latest developments. For instance, your estate plan may not reflect the ever-increasing federal estate tax exemption. The exemption, which was $650,000 a decade and a half ago, has ballooned to $5.45 million for someone who dies in 2016. Other tax law provisions, such as the "portability" of exemptions between

Balancing The Three Big Saving Priorities

Going back to ancient times, elders preached about the wisdom of saving money. In the modern era, three primary saving objectives have emerged for most people: (1) saving for retirement; (2) saving for your children's college educations; and (3) saving for emergencies. This "big three" hasn't changed much over the past century.

But plenty of things have shifted. Few companies still provide the sort of pension plan that can ensure a comfortable retirement without eroding your current salary. The cost of higher education continues to skyrocket. And with numerous other competing interests, not to mention other rising costs, it's getting harder and harder to set aside money for a rainy day.

Nevertheless, it's important to plan ahead. That usually means setting priorities for your various saving goals and remaining committed to your plan. It also requires finding the proper balance without focusing on one objective to the exclusion of the others. Keeping that in mind, here are some practical suggestions for addressing the "big three":

1. Retirement planning: This is generally the top priority because it encompasses the most people – including those with or without children – and it is critical for virtually everyone. Just think that you're likely to live about one-quarter to one-third of your life in retirement on a fixed income. With the latest medical advances, early retirees might even live close to half of their lives in retirement!

Typically, savings will come from a variety of sources, including tax-qualified retirement plans, taxable investments, and Social Security benefits. When possible, take advantage of employer-provided plans, like a 401(k) plan or pension plan, and IRAs. For 2016, you can defer up to $18,000 of salary to a 401(k) or $24,000 if you're age 50 or over and you may benefit from matching contributions from your employer. The limit for IRA contributions in 2016 is $5,500 or $6,500 if you're age 50 or over. With a Roth IRA, future payouts are generally tax-free.

Finally, the Social Security Administration (SSA) can project your future Social Security benefits based on your earnings history. But those benefits alone probably won't be enough to support you in retirement.

2. College planning: While retirement planning is essential, saving for college might appear even more crucial if your children are approaching the age at which they'll head off to school. Yet despite the timing – your kids' college years usually precede your retirement – don't forget that it's much easier to save while you're still in your prime earning years. Furthermore, there are a number of ways to boost your college savings funds.

One key vehicle is the Section 529 plan. Under these state-run plans, you can set aside money in an account where it's invested on a tax-deferred basis. When you withdraw funds to pay for qualified higher education expenses, the distributions are exempt from current tax. Although the details vary from state to state, the limits for contributions are generous, usually well into six figures.

Other techniques may be used alongside or even in lieu of a Section 529 plan. Those might include custodial accounts, Coverdell Education Savings Accounts (CESAs), loans, scholarships, and various types of trusts.

3. Emergency planning: This is generally the most difficult goal to achieve because, on its face, it doesn't appear as vital as the other two. Yet you should recognize the need to have cash reserves you can draw on in the event of an unexpected event such as a catastrophic medical condition or a job loss. This rainy day fund can help sustain your family in times of need. No one can foresee the future, so you need to plan for the worst and hope for the best.

The conventional thinking is to set aside enough to get you through about six months of hard times, but the exact amount will differ, depending on your personal circumstances and your ability to save. Don't try to do it all in one fell swoop. Instead, as part of a monthly budget, try to deposit a regular amount in a separate fund and add in any windfalls, such as an inheritance or an unexpected insurance check that may come your way.

Reminder: There's no need to sacrifice any one of these three goals. They are all important to your financial being, but there are times when you likely will prioritize one over the other. Strike the balance needed for your situation. ●

the estates of you and your spouse, also may need to be addressed.

4. Geographic changes: If you've pulled up stakes and moved the homestead, maybe downsizing to a place in a warmer climate, this significant change also probably needs to be reflected in your estate plan—especially if you've moved to a state with substantially different tax laws.

5. Personal changes: Finally, you may have had a change of heart about beneficiaries or developed different priorities or preferences. For example, you might decide to cut a daughter-in-law or son-in-law out of your will or decide to attach conditions to particular gifts or bequests. It's your estate plan, so you can "fix" it however you like.

Of course, you don't have to undertake all of this on your own. Rely on your financial, tax, and legal advisers for guidance. ●

Retirement Plan Choices For The Self-Employed

If you are self-employed, have no employees, and have not yet started a retirement plan for yourself, you have several choices.

1. Traditional or Roth IRAs. You don't have to be self-employed to set up and contribute to these IRAs. For 2016, you can put up to $5,500 into a traditional or Roth IRA if you're under age 50. Contributions to a traditional IRA may be tax-deductible, depending on your income and whether you also contribute to a plan at work, and earnings in your account grow tax-deferred. A Roth is funded with after-tax dollars but withdrawals during retirement are normally tax-free. You can't contribute to a Roth if you're single and earn more than $117,000 in 2016 or are married and earn more than $184,000. But there are no income limits on converting a traditional IRA to a Roth; you just have to pay income tax on the amount you convert.

2. Simplified Employee Pension (SEP) IRA. If you can put more than $5,500 into a retirement plan for 2016, this may be the vehicle for you. You can put up to 25% of your self-employment income, up to a maximum of $53,000 in 2016, into a SEP. Contributions are tax-deductible and earnings grow tax-deferred.

3. SOLO 401(k). With this kind of plan, you may be able to contribute more than you can put into a SEP IRA. As an employee, you're able to contribute 100% of your earnings up to a maximum of $18,000, or $24,000 if you're 50 or older. Then, as your own employer, you can add up to 25% of your earned income—your net earnings from self-employment minus one-half of your self-employment tax and the amount you already contributed to the retirement plan—up to a maximum of $53,000 for 2016.

We can help with any of these plans. ●

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7 Retirement Moves NOT To Make

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working years and transitioning into retirement. If the plan was designed properly, it should be suitable for your situation and reflect your personal tolerance for risk. However, your situation and your preferences are likely to evolve, requiring an update. That's why it's important to revisit your portfolio holdings and strategies on a regular basis.

6. DON'T forget about taxes. When you're counting on your income to sustain you through retirement, keep in mind how much of your projected earnings will be eroded by taxes. For example, if you sell securities to raise cash, your capital gains will be taxable, although you may benefit from a preferential tax rate of 15% on net long-term gains (20% if you're in the top regular income tax bracket). Most distributions from retirement plans are taxable as ordinary income and even Social Security benefits are subject to taxation. However, qualified distributions from a Roth IRA at least five years old are completely tax-free.

7. DON'T stop saving for retirement. Just because you're retiring doesn't mean that you should stop saving for retirement. In fact, with life expectancies continuing to expand, the opposite is true. You can continue to take advantage of tax-favored savings vehicles, including employer-sponsored retirement plans and IRAs if you work at least part-time. For instance, if you quit your main job but work as a freelance consultant, you could set up a Simplified Employee Pension (SEP) or another plan for your self-employed business. Note that plans such as 401(k)s and SEPs allow older workers to add "catch-up contributions" on top of the usual limits.

It takes a long time to build up sufficient savings for retirement but this can be undone quickly through a few costly missteps. DON'T make these mistakes. ●