ClientLine®

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RETIREMENT REVISITED

If you have unsuccessfully tried to ignore the flood of warnings about how much healthcare, long term care and increased longevity will cost in retirement, you have company. While you shouldn't ignore any information that can help you prepare, you need to examine the aspects of retirement that are most likely to affect your savings. Here are some common warnings, and ways you might want to respond to fit your situation.

LONGER LIVES

Longer lives require greater savings, but even with an average life expectancy increasing to around age 79, this number is an average and not your number. If you are relatively healthy and have good genes, you may live beyond the average. Healthier older people might also want to work longer, which helps to close any savings gap.

INADEQUATE SAVINGS

Working beyond the normal retirement age of between 66 and 67 and contributing to a workplace 401(k) plan can increase your retirement funds in two ways: First, you add to, rather than deplete, your retirement balance while you work. And if you delay taking Social Security past normal retirement age, this benefit will grow significantly.

EXPENSIVE HEALTHCARE

Yes, healthcare can be expensive. No, it won't devour all retirees' savings. Healthier lives can lead to fewer medical conditions. The federal government offsets some medical costs for most, and subsidizes other medical care. Plus, there's always hope that a solution to expensive healthcare is on the horizon. In the interim, plan and save for future costs based on your unique medical history.

OTHER STRATEGIES

When you understand your financial risks, you can plan accordingly. If you haven't saved enough and you don't want to continue working, you might downsize your home. Or consider a reverse mortgage if you want to age in place. If you live in a high-tax area, consider moving. Most importantly, talk to your financial and tax professionals to learn how different risks may affect your financial resources in retirement.

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Passing Through

The IRS issued final regulations and more guidance for the new qualified business income (QBI) deduction available to some business owners. Also known as the pass-through deduction, this benefit allows many sole proprietors and owners of partnerships, S corporations, trusts and estates and some real estate investment trusts to deduct up to 20% of their QBI on their tax returns.

The QBI deduction is generally available to taxpayers with 2018 taxable income at or below $315,000 for joint returns and $157,500 for other filers. Taxpayers with incomes above these levels may still be eligible for a full or partial deduction subject to limits, including the type of trade or business, the amount of W-2 wages paid in the trade or business and the unadjusted basis immediately after acquisition of a qualified property.

These are among the most complicated of the new tax provisions, so consult your tax professional to learn more.

NEXT UP: GENERATION Z

The first of the youngest group of workers — Generation Z — is making its way into the workplace. How will they differ from previous generations and what should employers know to communicate best with them, whether about company culture or employee benefits? If you have a business you hope to take far into the future, you should get to know Gen Z.

THE NEXT WAVE

Who comprises Generation Z? The Pew Research Center notes members who were born after 1996, making the oldest 22 years old — old enough to have completed four years of college and begun a career. Others estimate the generation beginning a year or two before.

Either way, Generation Z is the most diverse workforce ever. They are fluent in the use of mobile devices and have shown a willingness to become involved in social issues. While few were old enough then to remember the September 11, 2001, terrorist attacks, a defining event for most Americans, they are typically aware and active both socially and politically.

YOUR FUTURE WORKFORCE

Generation Z will look the same and different than previous generations in the workplace. Companies looking to communicate effectively with them must be mobile-friendly to match Gen Z's preferred means of communicating. Firms may also attract job candidates by emphasizing their community outreach initiatives, which many in Gen Z value.

Like Millennials, Gen Z members are preoccupied with their higher education debt, so companies addressing this need may have an advantage. And, like generations before them, the youngest workers will want to see tangible and intangible rewards for their good efforts. Companies would do well to survey their workforce to learn which benefits Generation Z believes have the most value. Ultimately, companies with the right mix of compensation and benefits will attract and retain the workers of tomorrow.

Client PROFILE ••••

Lisa has a special-needs adult child and wants to ensure the child has the money necessary for care after she is no longer here to provide it herself. Can a special-needs trust help, and how does she get one started?

A special needs trust can help. When drawn up properly with the help of an estate planning attorney, this type of trust can hold and manage the assets necessary to care for special-needs children throughout their lives.

Trusts are complicated, but the short description of one is a vehicle that takes ownership of assets for the benefit of a beneficiary — in this case, a special-needs child. A trustee, who can be a family member or trusted advisor, would manage this trust.

Lisa will need to decide whether she will make this trust revocable, which wouldn't remove assets from her estate, or irrevocable, which would. This can be an important question, as the wrong move could disqualify Lisa's child from receiving government benefits, for which qualifying is based on a very low threshold of assets owned by the child.

Client Profile is based on a hypothetical situation. The solutions discussed here may or may not be appropriate for you.

ADVICE FROM THE MASTER

Legendary mutual fund pioneer John Bogle died in January, but his legacy lives on. The inventor of the first mutual index fund more than 40 years ago, Bogle was a huge believer in the power of numbers and low investing costs. His beliefs are as valid today as they were decades ago. Here are three pieces of wisdom that still apply:

STRENGTH IN NUMBERS

Bogle believed in mutual funds' ability to spread risk by diversifying their holdings. Mutual funds that hold many equities potentially reduce risk because the expected positive performance of some may mute the negative returns of others.

MORE NUMBERS, PLEASE

Bogle took the numbers concept to its next logical conclusion: If holding many stocks could reduce risk, owning shares of every stock in a given index would reduce it even more. In 1976 he introduced what became the Vanguard 500 Index Fund, and followed that up with other stock and bond index funds.

MIND YOUR EXPENSES

A proponent of low-cost investing early on, Bogle's index funds reduced expenses to levels not typically seen in the mutual fund world. To this day, expenses can have an outsized effect on investment performance, potentially having a greater effect than market performance itself.

FILLING THE GAPS

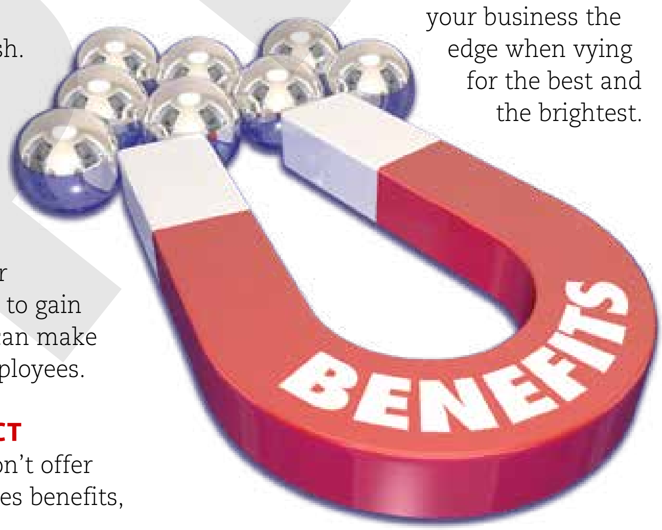
If you're like most business owners, you offer vacation time to your employees. And if your employees are like most workers, they'll take some time off during the summer when the kids are out of school and the weather is nice. For many business owners, temporary workers help fill the gaps during this time. If your business is considering a temporary staffing solution, consider this:

EXPERIENCE MATTERS

Older workers have the experience businesses want, and many retirees willingly return to the workforce for a few months of extra cash. Tap this source of expertise through groups like AARP and your local business organizations. Conversely, younger workers are hungry to gain experience, which can make them dedicated employees.

BENEFITS ATTRACT

Many businesses don't offer temporary employees benefits, although some temporary staffing agencies that place temps may. If you hire temps directly, offering some level of benefits can give your business the edge when vying for the best and the brightest.



....Q&A

Q **A competitor of mine claims that he bought a disability income insurance policy that reimburses him for business expenses if he becomes disabled. Is that a thing?**

A Yes it is. Think of it as a disability income insurance policy for your business to alleviate the difficulty of paying company bills if you became temporarily disabled. Business Overhead Expense Insurance, or BOE, helps defray a company's regular bills including rent or mortgage, utilities, loan payments and other fixed expenses. This differs from a typical disability income insurance policy, which pays a portion of lost income in the event of disability. An insurance professional can help you decide if BOE is appropriate for your business.

Q **My daughter will attend college next year and most colleges suggest we file something called a FAFSA to qualify for aid. What is this and when does she need to file it?**

A Most colleges and the federal government require students' families to file the Free Application for Federal Student Aid — FAFSA — as a way to determine financial aid eligibility. You should hurry if your daughter is attending college this fall. The filing deadline began on October 1, 2018 and generally funds are awarded until depleted, but typically no later than the federal deadline of June 30. Check out *https://studentaid.ed.gov/sa/fafsa* for more info.

ClientLine SHORT BITS

> UNEMPLOYMENT DOWN. The national unemployment rate was historically low in 2018 at 3.7%, but rates differed across the country, according to the Bureau of Labor Statistics (BLS). The lowest unemployment rates were 1.4% in Ames, IA and 2.3% in the Nashville, TN metro area. El Centro, CA at 17.3% and Yuma, AZ at 15.4% had among the highest unemployment.

> DANGER AHEAD. BLS compiled statistics on work-related fatalities from 2003 to 2017 and, not surprisingly, found jobs entailing physical labor were among the most hazardous. Tractor trailer drivers, ranchers and farmers, and public safety officers experienced the highest number of deaths. Logging and commercial fishing had the highest rates of fatalities per 100,000 full-time equivalent workers. Those who worked in retail, finance and other office jobs had among the lowest rates of deaths.

> TIME OUT. More from the BLS: The agency looked at consolidated leave plans in 2018 and found the average paid time off for those with these combo plans (sick, personal and vacation) was 14 days after one year of service and 24 days after 20 years. Those who had paid vacation days, not consolidated time, averaged nine days at one year of service and 18 days after 20 years.

> MORE UNINSURED. A Gallup Poll found that the rate of Americans without health insurance rose to a four-year high. One reason could be the repeal of the individual mandate, but the rate has been rising since 2016 before the mandate was repealed. The U.S. adult uninsured rate was at 13.7% in the fourth quarter of 2018, up 2.8 percentage points from its 2016 low. Gallup reports that's an increase of 7 million uninsured adults.