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January 2018 Newsletter

Welcome 2018

As we venture into a new year, we want to inform you of some associate changes that have happened here at J. Marshall Associates over the last few months. Christopher Mitchell, Andy Simpter and Peter Botelho have moved on to pursue other career opportunities. We would like to welcome Erin Reardon and Kelly Machado to our team.

JMA Veterans Holiday Clothing Drive 2017

Again this past holiday season, J. Marshall Associates hosted a clothing drive to aid the Veterans Association of Bristol County.

Our community banded together to provide new gloves, hats, scarves, socks and packaged underwear, as well as slightly used clothing such as coats, shirts, pants to those individuals who have given so much for our country and have so little.

Select Club

As we embark on 2018 and our sixth year with the *Select Club* program, we want to thank our clients for a successful 2017. Much of this success comes from new business referrals from our valued clients.

Becoming a *Select Club Member* is as easy as providing a referral that results in a client meeting. The first referral initiates your membership and each additional referral in 2018 that results in a client meeting will be an entry into the *Select Club* quarterly drawing.

How to teach your kids the value of saving for retirement — before it's too late

By Matt Boelter, Bruce Yates, and Joe Erickson | marketingpro.com published: Dec 29, 2017

Perhaps you're reading this in your 20s or 30s. Or you might be at the other end of your career when, after decades of hard work and saving, you've reached your goal of financial freedom, and now you're concerned about your kids and grandkids.

Either way, you may have questions like these:

- How can someone in the first or second decade of their career eventually afford to retire comfortably?
- Are they saving enough that they won't have to depend on Social Security to make ends meet?
- Should retired parents/grandparents with more than adequate savings help their kids and grandkids build their savings?
- What ways of gifting are most effective?

Here's a place to start:
The magic of compounding: $1 now = $14 later

To help young generations understand the importance and value of time, consider this—if you invested $1,000 in the S&P 500 index SPX, +0.48% 30 years ago (September 1987), and reinvested dividends, it would have grown to almost $14,000 by now. Perhaps more exciting, if you bought a Toyota 30 years ago instead of a BMW, and invested the $20,000 cost difference, you could now buy a Ferrari with that money.

How to save the right way

Taxes can greatly reduce that growth; in a taxable account, the end result would be $14,000 minus taxes. Reading about 401(k), 403(b), Roth, SEP, and 529 plans might seem like gibberish, but saving money in such tax-favored accounts can have a big impact on the ultimate value of your savings. In your early working years—when you're likely to be in a relatively low tax bracket—it makes sense to save money in a Roth 401(k) or Roth IRA. In these accounts you deposit money after you've paid taxes on it and ultimately can be withdrawn tax-free.

As your tax bracket rises, you should transition to maximizing traditional tax-deferred retirement accounts, for which contributions are tax-deductible. It might also make sense to convert a portion of your traditional IRA to a Roth IRA in years when your tax bracket drops, such as between jobs. Ending up in retirement with a combination of both tax-deferred and Roth accounts can enable you to vary the timing and amounts of each to optimize your tax situation. If you aren't sure which savings vehicle is best for you, ask your financial and tax adviser for guidance.

A better budget

Building a budget can be extremely valuable, but we all know that sticking to one is difficult. Savings often ends up being neglected because there just isn't "extra" money for it. To avoid this, treat savings as a bill, and have it automatically transferred to an investment (e.g., IRA, 401(k), or brokerage) account each month, just like your Netflix NFLX, +2.03% subscription. That way, if you start to run out of money before month-end, you'll have to cut spending, but your saving won't suffer.

Optimizing gifts to kids and grandkids

Each person can make annual gifts of $14,000 ($28,000 for couples) to any other person without filing a gift-tax return. There are many ways to structure these gifts and they have many benefits:

- Reduce your taxable estate (if it exceeds federal and/or your state's estate tax exclusion);
- Make your kids/grandkids more financially secure;
- Doesn't spoil them or diminish their sense of making their own way in the world;
- Keeps them from squandering money you give them on trips and toys.

Instead of giving money to them directly, do it in other ways. Offer to match the amount they contribute to their 401(k), IRA, and/or brokerage account, effectively doubling their savings rate. Offer to help fund a 529 plan for each new grandchild's college savings, and encourage other family members to pitch in as well. Finally, if all such accounts are well funded, make payments toward your child's mortgage (get the info and send payments directly to the bank, specifying that it is a principal payment); this won't reduce their monthly payments, but it reduces the mortgage balance, shortens the term of the mortgage, and increases their equity.

Savings: How much is enough?

Trying to figure out if your saving habits put you on track for retirement can be challenging. Everyone has different expectations for the lifestyle, and spending they want in retirement. This "checkpoint" chart may help—based on your current income and age, it gives you a number by which to multiply your income to see if you have enough savings to maintain your lifestyle in retirement. Are you on track? If so, the second row from the top tells you what percent of your income you should now be saving.

Don't be afraid to seek professional help

Sometimes paying for services can help to accelerate your goals. Think about how, when you want to really focus on your health and nutrition, you pay for high quality foods and perhaps even a diet plan. You might hire a personal trainer, not only to establish a training plan, but to keep you committed to a workout schedule at the gym and to motivate you to keep working, even when you might find it easy to slack off.

A good financial adviser can help you to establish realistic goals and stick to your savings plan to achieve those goals. Just as important, a good adviser can keep you from making classic investing mistakes, such as panicking and selling your stocks at the bottom of bear markets. By helping maintain your resolve and discipline year in and year out, a good adviser can benefit you for the rest of your life.

Be the role model

If you have grown children, whether you have been a good saver or not, use yourself as an example, and share your experience with the next generation. This can be very helpful, whether it's for encouragement or as a cautionary tale. Learning from someone else's mistakes can be just as helpful as learning from their example. Open conversations and discussion of smart financial decision-making can be worth more than you realize.

No single solution will be a silver bullet that guarantees today's young adult a financially secure retirement. But understanding the importance of saving early, gifting in ways that incentivize saving, using tax-favored vehicles (for themselves and their children's education), and sharing your own experiences—both mistakes and triumphs—will almost certainly have a positive impact.

Toasty Tips for Staying Warm this Winter

Warm yourself first.

Wear a hat.

Turn on the ceiling fan.

Switch between hot and cold water in the shower.

Block drafts with a pool noodle.

Use a programmable thermostat.

Dress your windows up in warmer clothes.

Go ahead, bake all day.

Layer your covers with thinnest, densest on top.

Stuff your coat pockets with hand warmers.