ROSEMONT
FINANCIAL GROUP

*Quarterly*Newsletter
Gain Through Confidence

Time Your Social Security Benefits For Top Results

What's the payoff for working most of your life and paying Social Security tax into the system? When your time to retire finally comes, you'll be eligible to receive Social Security benefits based on your work history and when you choose to begin receiving benefits. If you're married, you may have additional options for Social Security, even if one spouse has worked little or not at all.

A particular couple's optimal strategy depends on your age, the age of your spouse, and your health status, among other factors.

Your basic options for receiving benefits are to start early, begin benefits at your full retirement age (FRA), or to delay benefits until later.

- You can begin receiving Social Security retirement benefits as early as age 62, but if you do, you'll lock in smaller benefits than you would have gotten if you'd waited longer. If you retire at age 62, your benefit will be about 25% lower than if you waited until FRA.
- If you wait until FRA (also called "normal retirement age") to apply for benefits, there's no reduction. Your FRA depends on the year in which you were born. For most post-World War II Baby Boomers, the age is 66. However, FRA increases gradually and tops out at age 67 for those born after 1960.
- Finally, if you postpone your benefits until after FRA, you'll receive an increased monthly payment. For each year you wait, you'll get about 8% more, until you reach age 70. (Waiting past 70 doesn't increase your benefit amount.)

These basic rules apply to individuals. If you're married, you can claim benefits based on your own work record or you can get 50% of the benefit your spouse is entitled to, if that's higher.

Because Social Security benefits are guaranteed for life, starting early with a smaller benefit still could deliver significant income over your remaining years. Yet you may collect more overall if you start later or if you live for a long time. According to the Social Security Administration (SSA) the average life expectancy of someone at age 65 is now 84.3 years for a male and 86.6 years for a female.

What should a married couple do? Every situation is somewhat different, but consider these three common scenarios:

Scenario 1. Adam and Eve are close in age and income. Because they're both in good health and enjoy their jobs, they plan on working past FRA. They also have enough savings,

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Rosemont Now Fully Settled Into New Space

Hello and thanks for taking the time to look over our spring newsletter. We are fully settled into our new office space on the second floor of the same building, 18 Corporate Woods. We are excited to add more space for expansion, an additional conference room, and larger entrance with waiting area.

In the coming month, we again will be holding our Vendor Review Day with industry leaders from an array of companies across the industry. This is a very useful day for us to hear about investment adjustments and updates, changes in governmental regulations, and new products and investments soon to be released.

At Rosemont we take pride in always searching for the best investments, products, and strategies to suit our clients' needs and this is an important step in the process.

As always, feel free to email or call us if you have any questions on any of the articles.

Enjoy the great weather and the change toward summer!

Sticking With The Fundamentals

When financial advisors explain the reasons to invest in, or not invest in, particular stocks, they often refer to the "fundamentals" of the companies in question. Media pundits also may cite "fundamentals" in their stock prognostications. And corporate officers may brag about their companies' "fundamentals."

But what does it all mean? They're generally referring to fundamental analysis, a traditional school of thought in looking at companies' basic numbers as a way to evaluate profitability.

Unlike technical analysis of a company, which focuses on the recent trading and pricing history of the company's stock, fundamental analysis paints a broad picture of a company. This process identifies the fundamental value of the shares and leads to decisions to buy or sell the stock.

With technical analysis, you're trying to spot patterns that will help predict whether the fortunes of a company will rise or fall. In contrast, fundamental analysis involves profit margins, management decisions, growth potential, balance sheets, a company's role in a specific industry or sector, and political and other events, domestically and globally, that might affect its performance.

But fundamental analysis isn't limited to figuring out which stocks to buy and when to buy them. It is also about analyzing the timing of possible sales or purchases.

For example, when the stock market is booming, as it was at the start of 2017, investors are quick to jump on the bandwagon, while during times of stock market decline, the same investors often flee in a panic. That's what happened in 2008 and 2009, when the economy contracted and share prices fell by more than half. Of course, there are times when it makes sense to sell stocks, but it is best not to base such decisions based on fear.

A better idea is to take a closer look at the fundamentals. In doing so, you might ask—and get answers to—these questions after a market decline has pushed down the price of a particular holding:

- Is the business model still solid?
- Have profit margins remained consistent?
- Is the company financially sound?
- Is the company likely to thrive over time?

If the answers are "yes," you may be well-served to retain your shares in the company for the long term. However, if the firm appears to be heading in the wrong direction, has shrinking profit margins, and sports a business model that is out of touch with changes in the industry, you probably should sell sooner rather than later.

Of course, you don't have to pour through financial reports and other documents to guide your decisions. If you invest in mutual funds, their professional managers are doing this work for you, analyzing company fundamentals to help them decide what to buy or sell to maximize their funds' performance. And we routinely help clients investigate stock fundamentals as they shape their portfolios. Please give us a call if you'd like to discuss your current and potential holdings. ●

5 Retirement Mistakes You Can Fix

To err is human, but some mistakes are worse than others, and slip-ups that occur while you're planning for retirement can come back to haunt you financially.

But it may not be too late for you to fix some common mistakes. Here are five prime examples:

1. Saving too little. It seems obvious, but not setting aside enough money could become a big problem if you underestimate the amount you'll need to live on—all the more likely as life expectancies continue to rise. So if your employer offers a 401(k) plan with matching contributions, try to take full advantage of it, even though your take-home pay will be reduced by deferrals. And you can supplement these savings with IRA contributions.

2. Starting too late. From the start of your career there are many financial priorities competing for a share of your salary. You may be saving to buy a home or to put your kids through school. Yet while early contributions to a retirement plan can produce outsized benefits, you may be able to make up for lost time if you put as much as the law allows into your retirement savings. For 2017, the maximum 401(k) deferral is $18,000 or $24,000 if you're age 50 or over. The IRA limit is $5,500 or $6,500 if age 50 or over. You also might decide to work a few years longer than you'd originally planned. That can boost your savings while reducing the length of your retirement.

3. Ignoring taxes. Taxes are an essential part of the retirement planning equation. When you take money out of your retirement plans you'll likely owe federal and state income tax on those distributions. Part of your Social Security benefits also is subject to taxation. And your tax rate during retirement might be higher than you expect if you don't get some of the deductions you were able to claim while you were working. Factoring in taxes when you plan for retirement will help

Seven Smart Money Moves To Make In 2017

Do you remember those New Year's resolutions you made to save more money and spend less? For many of us, those good intentions got shifted to the back burner when reality set in and bills starting piling up. But it's not too late to reexamine your financial affairs and turn things around for the rest of the year. Here are seven smart money moves that could help you in 2017:

1. Build a better budget. One fundamental of money management is to create a monthly budget that makes sense for you, and then stick to it. You may have gone through the process before, but if it's not working you have to go back to the drawing board.

Start with the essentials—mortgage or rent, utilities, your car or other commuting expenses, and anything else that you can't do without—and take it from there. Think about cutting back or eliminating expensive dinners, exotic getaways, and other luxuries you can live without. In particular, zero in on small, routine expenses—that daily cappuccino, for example—that may add up to a substantial cost.

2. Pay down your debts. If there's one thing that can wreck a budget, it's the payments you make on what you owe. Maybe you're saddled with credit card charges subject to high interest rates. Even the minimum monthly payment can be painful, and interest charges just keep mounting.

Try to make debt reduction a top priority. Start by resolving not to borrow any more until you pay down what you owe. If it makes sense and you can obtain a favorable interest rate, consider consolidating your debts into a single account.

3. Increase retirement savings. Now is a good time to boost your retirement savings as well. If you participate in a 401(k) plan at work, you might increase the amount that's subtracted from your paycheck. The maximum deferral for 2017 is $18,000 ($24,000 if you're age 50 or over). Plus, your employer may provide "matching" contributions of part of your savings.

In addition, you could supplement a 401(k) or other work plan with contributions to a traditional or Roth IRA (or a combination of the two). For 2017, the maximum total IRA contribution is $5,500 ($6,500 if you're age 50 or over).

4. Reinvest investment earnings. It may be easier to manage your finances if you have investment earnings from securities such as stocks, bonds, and mutual funds. However, when possible, instead of spending your profits, funnel those amounts back into other investments.

If you own investments that pay out regular dividends, you could use an automatic dividend plan to reinvest the money without having to lift a finger.

5. Diversify your investments. Spreading your portfolio over several different kinds of investments could help reduce some of the inherent risks of investing and relieve some of the pressure associated with volatility in the markets. (Of course diversification doesn't ensure a profit or guarantee protection against a loss, especially in a declining market.)

The idea behind this strategy is relatively simple. If you put all your eggs in one investment basket, or into just a couple of baskets, a severe loss could have devastating effects. But if, for example, you added international stocks to an investment mix tilted heavily toward domestic stocks and bonds, you might be less likely to be hurt by a drop in one type of holding. Just keep in mind that foreign investments involve special risks relating to political, economic, currency fluctuations and other events.

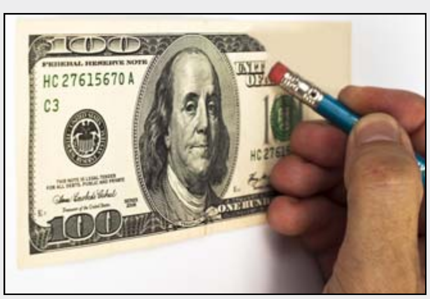
6. Improve your credit score. Even if you need to cut down on spending, you're likely to borrow at least occasionally—for a home mortgage, say, or for a car that you use for your daily commute.

But you still may be able to reduce the interest you pay on loans by improving your credit score. Paying off existing debt on time is a crucial first step, and there are other moves that also could help. Check your current score online and consider tips for pushing it higher.

7. Keep an eye on taxes. Being aware of the tax implications of your money moves could help reduce another big expense. Deferring more of your salary for your 401(k) could reduce your tax liability, and there also are ways to minimize taxes on your investment earnings. For instance, long-term capital gains are taxed at a maximum rate of only 15% (20% if you're in the top tax bracket)—much better than the top rate of 39.6% on regular income. ●

you create a more realistic scenario.

4. Not diversifying your investments. While you've undoubtedly heard about the benefits of spreading your investment dollars across many kinds of holdings, it's often tempting to stick with investments that have been doing well for you. But there's no guarantee that gains on a particular stock or fund will continue, and creating a diversified portfolio can help reduce the risk that you'll be hurt by losses in one or two investments. Just keep in mind that diversification doesn't provide guaranteed protection, especially in declining markets.



5. Ending retirement planning when you retire. Even after you retire you'll have important decisions to make. You'll need to make sure your portfolio stays diversified, and you'll likely need to allocate some money to stocks or other investments that may help you keep pace with rising costs.

Maybe the biggest overall mistake you can make is assuming you know it all. Reach out for expert assistance to avoid the common traps. ●

What Would Estate Tax Repeal Mean?

If President Trump and the Republican-led Congress get their way, the federal estate tax will be repealed. This could be good news for wealthy families that were facing a hefty estate tax bill in the near future. However, if certain changes accompanying the estate tax repeal also are enacted, other families may encounter an unpleasant income tax surprise.

Normally, an unlimited marital deduction shields transfers between spouses from federal estate and gift taxes, while a separate, finite exemption shelters gifts and bequests to other beneficiaries, including your children. The current exempt amount, which is indexed for inflation, is $5.49 million in 2017. The top tax rate on additional amounts is 40%.

In addition, heirs can benefit from a "step-up" in basis when they inherit investment assets—they're valued on the date of death rather than what was paid for them. So if someone acquired securities for $1 million and it was worth $5 million when that person died, the beneficiary's adjusted basis for income tax purposes is $5 million. The $4 million of appreciation that occurred before the death remains untaxed forever.

Assuming the estate tax is repealed effective for 2017, there would be no more federal estate tax worries for families inheriting an estate worth more than $5.49 million. However, under the latest proposals, Congress also would eliminate the step-up in basis (with an $10 million exception for farms and small business interests), and that could result in income tax problems for many families.

Returning to the example of giving $5 million of assets with a basis of $1 million to non-spouse beneficiaries, no estate tax would be due under the current law, thanks to the $5.49 million exemption. But under the proposed reforms (and barring any exemptions), if beneficiaries carry over the basis on those shares and sell the assets for $5 million, they will have a taxable gain of $4 million, subject to the prevailing tax rates for capital gains.

Of course, this is just a hypothetical example and other rules (e.g., a $1 million exemption) could apply, but the potential for major income tax liability is real. Also, state estate taxes may still be a factor. Once it becomes clear whether estate tax reform will be enacted, and what shape it will take, meet with your financial and tax advisors to map out a strategy. ●

Time Your SS Benefits

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plus their work income, to sustain them easily until age 70. Currently, Adam has a life expectancy of age 88, while Eve's is age 90. If they elect early benefits at age 62, they would be entitled to an estimated lifetime benefit of almost $1.25 million. But if they wait until age 70 to apply for benefits and then live as long as expected, they could receive close to $125,000 more.

Scenario 2. In our next example, Romeo and Juliet have shorter life expectancies due to health issues. Currently, Romeo has a life expectancy of age 78 and Juliet has a life expectancy of age 76. If they claim benefits at FRA, it's estimated that the couple will receive almost $100,000 more than if they delayed benefits until age 70, based on their life expectancies.

Scenario 3. Jack and Jill are both in their early sixties. Jill is in better health than Jack. If they start benefits at age 62, let's say Jack would get $1,500 a month and Jill $750 per month. Those amounts would rise to $2,000 monthly for Jack and $1,000 for Jill if they claim benefits at FRA. However, by delaying benefits until age 70, Jack will receive about $2,650 a month. What's more, if Jill outlives Jack as expected, she is entitled to benefits based on 50% of Jack's higher monthly amount. Depending on how long Jill lives, her total benefits easily could increase by $50,000 or even more.

One of these scenarios might be similar to your situation, but you'll need to factor in your own variables—including how long you want to or need to work, as well as other financial and personal considerations and your health status—as you consider the best times for you and your spouse to begin receiving Social Security benefits. ●

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