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LARRY PARKER'S FINANCIAL NEWS

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Retirement Confidence Takes A Hit


Courtesy of Larry Parker, CFP®

The Employee Benefit Research Institute (EBRI) recently released their *Retirement Confidence Survey* (March 19, 2013) and the news is sobering. Forty-nine percent of Americans are either “not at all” confident or “not too” confident that they will have enough money to retire comfortably—the highest level in the study’s 23-year history. Why?

Longer life expectancy means that Americans need to save for two decades of retirement, which explains why 36% of those surveyed are planning to retire at an older age than 65.

Vanishing pensions. The days of pension plans are long gone, according to EBRI. The portion of private-sector U.S. workers covered by so-called defined benefit plans fell to 3% in 2012, down from 28% in 1979.

Stagnant income. Funding retirement works best when workers’ incomes rise at a quicker pace than inflation. Economist Emmanuel Saez of University of California, Berkeley, notes that “real income per family grew modestly by 1.7% but the gains were very uneven. Top 1% incomes grew by 11.2% while bottom 99% incomes shrunk by 0.4%” (Boston Review, *Taxing Away Inequality*, 2/28/13)

Now, more than ever, it is important to get a realistic picture of how much you need to save to get to where you want to be. 



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Your rights on domestic flights: If you are bumped from a flight, you don't have to accept a voucher—you are legally entitled to a cash payment of 200% of the one-way fare, up to \$650, if your new flight will arrive one to two hours later than the original one. You can get 400% of the fare, up to \$1,300, if the new flight will arrive more than two hours later. If your flight is delayed, you are not entitled to compensation, but the airline must provide snacks if your plane is stuck on the tarmac more than two hours after the delay begins. If an airline loses your bag on a flight, it must refund bag fees and compensate you up to \$3,300—but you must prove the value of your belongings. Be sure to photograph valuables, keep receipts for anything new you are carrying and file a loss complaint with the airline and the Department of Transportation.
Source: IndependentTraveler.com

Divorce may not change your agreements with lenders. You must contact the lender to find out how joint debt, such as from a credit card or mortgage, can be placed in the name of one ex-spouse. You may also need to consult your attorney about your options.

"He that waits upon fortune, is never sure of a dinner."

— Benjamin Franklin



What You Need To Know About Identity Theft

By Lisa Gerstner, Kiplinger's Money Power

It's no joke. Although the film "Identity Thief" is a comedy, it highlights how pervasive ID theft has become—and how easy it is for criminals to wreak havoc. Still, you don't need to lose sleep—or sign up for pricey monitoring services.


Who's stealing what. About 12.6 million people were victims of identity theft in 2012, an increase of more than one million from the previous year, reports Javelin Strategy & Research. One likely reason: a spike in website data breaches. Javelin found that nearly one in four people who were notified that their data had been compromised became victims of identity theft last year. The fix: Create a variety of passwords so that a thief won't be able to use a password stolen from one site to enter another. Create longer passwords that contain a mix of upper- and lowercase letters, numbers, and symbols.

What to watch for. Review your credit reports periodically and check each bank and credit card statement for unauthorized transactions. Bills from medical providers for services you never received could mean someone is posing as you to

get treatment. Make a habit of shredding documents that contain sensitive information.

Lock the door behind you. Don't share your phone number or birthday on social media sites. Keep your computer's security software up-to-date, and avoid sending personal data over unsecured Wi-Fi networks and websites. Set up alerts through your bank and credit issuers to notify you when large transactions—say, \$150 or more—take place. Lock your smartphone's screen with a password, and set up the ability to erase data remotely in case the phone is lost or stolen.

Monitor your child's identity, too. Be on the lookout for unauthorized bills addressed to your child. Have the credit agencies run a manual search of your child's Social Security number to see whether it has been used. If you're not sure why a school form requires your child's Social Security number, don't hesitate to ask.

And if worse comes to worst. If you suspect you're a victim of identity theft, contact the organization involved, such as a bank or credit issuer, and file a police report. Place a fraud alert on your credit reports by contacting one of the three major bureaus (Equifax, Experian or TransUnion), which will notify the other two. Lenders will have to take extra steps to verify that you are the person taking out credit in your name. In more serious cases, a security freeze, in which lenders must get your permission to pull a report, may be necessary. 

How To Figure Your Retirement Savings Number

By Jane Bennett Clark, Kiplinger's Money Power

Retirement analysts generally set the income you'll need to maintain your standard of living once you're out of the workforce at 70 percent to 85 percent of your preretirement household income.



The problem is knowing how much to save to achieve that target. Numerous researchers, financial institutions and financial planners have come up with ways to help you calculate your nest-egg goal.

Fidelity, for example, keeps it simple by multiplying your final salary by eight to arrive at the 85-percent replacement rate. The calculation includes Social Security but doesn't factor in dual incomes; it assumes you'll retire at 67 and spend down your nest egg over 25 years. Fidelity also gives you savings mileposts: Save one times salary at age 35, three times salary at 45 and five times salary at 55.

If such a quick-and-dirty formula isn't precise enough for you, you'll have to do some fancy footwork. Arriving at a realistic figure requires projecting how much your savings will earn before and during retirement, how old you'll be when you retire, the rate at which you'll withdraw your savings, and how much income you'll get from other resources, such as pensions and Social Security. If you're married, you need to calculate joint income and expenses as well as post-retirement distribution strategies.

One obvious unknown is how long you'll live and, therefore, how long your money will have to last. Men who make it to 65 can expect to live to 82, on average, and 65-year-old women can expect to live until age 85, according to the Society of Actuaries. Health, education and family history play a role in your own life expectancy (to see how, use the calculator at www.livingto100.com), but no one can predict the date of your demise.

Michael Kitces, a partner at Pinnacle Advisory Group, a wealth-management firm in Columbia, Md., has an easy but somewhat more precise approach to

figuring your nest egg. Kitces suggests multiplying your estimated preretirement household living expenses by 25, after subtracting whatever amount you'd get from Social Security and pensions. This calculation assumes you'll withdraw 4 percent in the first year you retire and adjust that figure annually for inflation—an amount some planners consider low enough to keep you from running out of

money even if you live to your mid nineties.

You can get an estimate of your Social Security benefits by using the calculator at www.ssa.gov. For a look at how the variables affect your retirement-savings goal, see the retirement calculator at Kiplinger.com.



New scams target investors, warns Arkansas securities commissioner A. Heath Abshire. *Crowd funding*: Using newly create Internet domains, scammers pretend to own small businesses to get people to invest in their fake stock offerings. *Self-directed IRAs*: Scam artists pretend to own real estate or create fake businesses, then promote their fraudulent enterprises as great investments. *Investment-for-visa scams*: Foreign investors who put at least \$500,000 into a new business in the US can get a US visa under the Immigrant Investor program. Unscrupulous promoters may seek to attract bond investments by touting a questionable or phony venture linked to this program.

Source: *Bottom Line Personal* magazine

Standard mileage rate for business use of a car is now 56.5 cents—one cent per mile higher than in 2012. The IRS allows 24 cents per mile when a car is driven for medical or moving purposes, and 14 cents per mile when it is driven in the service of charitable organizations. Consider whether it is better for you to use the standard rates or to track actual business-related driving expenses, including fuel, insurance, licenses, repairs, tires, tolls, parking, maintenance and depreciation. Ask your accountant.

Source: IRS.gov

"Plans are only good intentions unless they immediately degenerate into hard work."

— Peter Drucker

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Tax Planning Gets Easier (For Some)

By Sandra Block, Kiplinger's Money Power

Members of Congress may be more unpopular than head lice. But grant them this: They may have made it easier to do your taxes—at least in the short run.

The tax law passed earlier this year ties up a lot of loose ends that have made it difficult for people to plan for the tax implications of everything from investing to estate planning to adopting a child. But taxpayers should be able to make year-end moves to lower their 2013 tax bills without worrying that last-minute legislation will upend their strategies.

For the majority of taxpayers, marginal rates will remain the same. Taxpayers in the 10-percent and 15-percent tax brackets will continue to benefit from a 0-percent rate on long-term capital gains. Several child-friendly tax credits, such as the one for adoption-related expenses (worth up to \$12,970 in 2013), were made permanent. Congress also put a permanent patch on the alternative minimum tax; it won't help those who already have to pay it, but it will prevent millions from tumbling into the AMT abyss from now on.

Taxpayers in the top tax bracket will pay higher rates on income, dividends and long-term capital gains. And new phaseouts of

deductions and personal exemptions will boost marginal rates for taxpayers with adjusted gross income of \$250,000 or more (\$300,000 for married couples). But the law also provides relief for upper-income taxpayers concerned about protecting their estates. The new law set the exclusion at \$5 million and indexed it to inflation after 2011 (in 2013, the exclusion is \$5.25 million).

The legislation did not do anything to improve the Byzantine nature of the tax code. Nina Olson, the IRS taxpayer advocate, declared the code's complexity the most serious problem facing taxpayers. For upper-income taxpayers, the new law makes tax preparation even more complex, says Jonathan Traub, managing principal for Deloitte Tax. [▶](#)

