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When Should Millennials Start Retirement Saving?

This is a true story about Jane X, who graduated from a prestigious university five years ago. She's on her third job, but she's now communications director at a private foundation and finally earning decent money.

Jane's student loans are paid off, and her good salary leaves her some money to invest. However, like many of her millennial friends, she doesn't know a lot about investments or the differences between various retirement plans. But she is thinking about her future and wonders when she should start saving for retirement.

There's a short, simple answer: NOW.

The best time to begin saving for retirement is as soon as you can. Granted, relaxing on the deck of a retirement cottage overlooking the ninth green isn't first and foremost in the minds of most 20-somethings. But you can't ignore the sheer weight of the saving numbers. Let's go back to Jane, who's 27. If she manages to save $5,000 a year in a 401(k) for the next 40 years—until she's 67, the Social Security full retirement age for her generation—and she earns an average annual return of 7%, she will end up with $1,035,632. But if she waits 10 years to start saving, when she's 37, her accumulated savings will be just $490,027.

If you're convinced that now would be a good time to get started, consider these seven steps that could help you reach your goals:

1. Budget and save. It's difficult to be diligent about setting aside money for retirement when you're young and have a million things you'd rather do with your money. But if you're able to set objectives for saving and you do your best to stick to them, it could pay off beautifully down the road. Try to train yourself to live within your means while you move ahead in your career and your personal life.

2. Take advantage of employer retirement plans. Your company probably offers a tax-deferred retirement plan—a 401(k) or a 403(b)—and your employer may provide matching contributions (for example, up to 3% of your compensation) to go alongside the pre-tax earnings you put into the plan. With all of that money invested for the long haul, it can grow and compound and you won't be taxed on the growth until you pull out funds during retirement.

3. Don't forget about IRAs. Regardless of whether you participate in an employer-sponsored retirement plan, you also can set up an IRA. With a traditional IRA, the money you put in may be partly or wholly tax-deductible, if your salary is relatively low. But here, too, you'll be taxed on withdrawals during retirement. Another option, a Roth IRA, doesn't give you a tax deduction on money going in but may provide 100% tax-free distributions in retirement.

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Warren Buffet Gives Sage Advice But You Must Really Listen

Warren Buffett, the billionaire CEO of Berkshire Hathaway, is known as an investment guru, and there are plenty of people and websites dedicated to following his every move and trying to replicate each one. When Buffett decided it was time to buy a car dealership, other high rollers decided to buy car dealerships. He wields that kind of influence.

Admittedly, Buffett is brilliant, yet he often dispenses homespun advice that shows common sense can lead to more dollars and cents. Here are just a few of his pearls of wisdom:

"Rule No. 1: Never lose money. Rule No. 2: Don't forget rule No. 1."

"You don't need to be a rocket scientist. Investing is not a game where the guy with the 160 IQ beats the guy with the 130 IQ."

"When we own portions of outstanding businesses with outstanding managements, our favorite holding period is forever."

"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

"Time is the friend of the wonderful business, the enemy of the mediocre."

"I try to buy stock in businesses that are so wonderful that an idiot can run them, because sooner or later one will."

Maybe you can take a page out of Warren Buffet's book without risking a small fortune. Invest for the long term and don't fall into the trap of market timing.

Colleen Rob Krista

Franchise Costs Range From $10,000 To $14.6 Million

Franchises are a lot like wine and people: They come in all price ranges and sizes. For example, a Choice Hotel International franchise is reputedly the world's most expensive, at $14.6 million. On the other hand, you can buy a Win Home Inspection or a Cruise Planner (American Express Travel) franchise for a mere $10,000. Those are two of the cheapest.

Some other very expensive franchises include Amazing Spaces (storage units), for $8.25 million; Golden Corral for $6.76 million, KFC for $2.5 million, and Hardee's for $1.6 million. At the other end of the cost spectrum are Tru Blue Total House Care ($20,000), Good Feet ($75,000), Sport Clips Haircuts ($100,000), and Yum Yo's Frozen Yogurt ($150,000). The cost of owning a McDonald's franchise depends on a number of considerations.

For 35 years, Entrepreneur Magazine has published its own top 10 list of franchises. The magazine's honor roll (with price ranges) for 2014 includes:

1. **Anytime Fitness, $56,290 - $353,890**
2. **Hampton Hotels, $3.69 million - $6.57 million**
3. **Subway, $85,690 - $262,850**
4. **Supercuts, $113,750 - $233,600**
5. **Jimmy John's Gourmet Sandwiches, $330,500 - $519,500.**
6. **7-Eleven Inc., $50,000 - $1.63 million**
7. **Servpro, $138,550 - $187,190**

8. **Denny's Inc., $1.12 million - $2.61 million**
9. **Pizza Hut Inc., $297,000 - $2.1 million**
10. **Dunkin' Donuts, $294,000 - $1.51 million**

Entrepreneur's selection process for the 2014 list began with a survey in July 2013. Of the 853 companies that survived a first round of culling, the top 500 made the magazine's Franchise 500® ranking, based on financial and statistical data from July 2011 through July 2013.

All companies, regardless of size, are judged by the same criteria: objective, quantifiable measures of a franchise operation. The most important factors include financial strength and stability, growth rate, and size of the system.

The magazine also considers the number of years a company has been in business and the length of time it has been franchising, startup costs, litigation, percentage of franchise terminations, and whether the franchising company provides financing. An independent CPA analyzes financial data. Subjective elements such as franchisee satisfaction or management style are not included in the analysis. The objective factors are plugged into a special formula, with each eligible company receiving a cumulative score. The 500 franchises with the highest cumulative scores become the magazine's Franchise 500®. ●

Getting Immediate Financial Results

For many people, the main attraction of an annuity may be that it lets them have guaranteed payments in the future when they expect to be in a lower tax bracket than they are now. With a classic tax-deferred annuity, your money compounds without taxes until you truly need it. But in some circumstances, another kind of annuity—a single-premium immediate annuity (SPIA)—may be a better alternative. As the name implies, the provider, which usually is an insurance company, begins cash payments to you right away. That could be a plus if you've already retired or expect to retire in the near future.

When you purchase a SPIA, you're generally counting on a continuous stream of income that can help pay monthly bills or other costs during your retirement. You simply give the insurance company that single premium and then sit back and wait for the checks to roll in. Typically, they will start arriving within a month.

Depending on the option you select, the money will keep coming either for a specified term or for the rest of your life. A SPIA often is viewed as a complement to investment income, distributions from employer retirement plans and IRAs, and Social Security benefits that can help sustain you throughout your retirement years.

How do you choose a SPIA? There are numerous factors to consider. Naturally, you'll be looking for a favorable interest rate. Once you decide on the payout option, it will be easier to compare the available rates that different annuities offer. Keep in mind, too, that your payments will depend not only on the amount of your premium but also how long the flow of cash will continue. All other things being equal, the longer the time for payments, the less you'll receive with each check. In other words, you will pocket larger monthly payments if

Learn Ins And Outs Of Education Tax Breaks

If you have one or more children in college, or your offspring will be heading to college or university soon, you already know about the ever-rising cost of higher education. It's not unusual for a year at an elite university to cost $50,000 or even more. Suppose you have three children who have the grades to get into top-notch colleges and each one spends four years at such a school. That's a total cost of at least $600,000!

Although federal tax laws provide some relief to parents in the form of two higher education credits and a tuition deduction, those tax breaks are phased out for upper-income taxpayers. What's more, you can claim only one of those tax benefits in a year. Here's what's available:

1. American Opportunity Tax Credit (AOTC). The AOTC, formerly known as the Hope Scholarship credit, recently was extended by Congress through 2017. The credit equals the sum of 100% of the first $2,000 of qualified tuition and related expenses and 25% of the next $2,000 of such expenses, for a maximum annual credit of $2,500. But you could claim the credit for each child who's in college, so if you have three kids in school at the same time, you could claim a maximum credit of $7,500 in that year.

Under another recent tax law change, the AOTC now applies to the first four years of a student's higher education. Previously, it was limited to just two years. Furthermore, you're allowed to receive up to 40% of the value of the AOTC as a tax refund, up to a maximum of $1,000, in the unlikely event that you have zero tax liability.

But the AOTC is phased out based on a family's modified adjusted gross income (MAGI). For 2015, the phaseout range is between $80,000 to $90,000 of MAGI for single filers and $160,000 to $180,000 for joint filers. Once you exceed the higher threshold, you can't claim the AOTC at all.

2. Lifetime Learning Credit (LLC). Unlike the AOTC, the LLC is on the books permanently, but it is generally not as beneficial as its close cousin. It is equal to 20% of the first $10,000 of qualified expenses, for a maximum of $2,000. And that limit applies to each taxpayer, not each student. So for those parents with three children in school at the same time, the maximum credit remains $2,000. What's more, unlike the AOTC , the LLC can't result in a tax refund.

Finally, the MAGI phaseout levels for the LLC are even lower than they are for the AOTC. For 2015, the range is between $55,000 to $65,000 for single filers and $110,000 to $130,000 for joint filers.

3. Tuition deduction. Finally, you may be able to deduct tuition and related fees that you pay to a college on behalf of your dependent children. The allowable deduction is either $4,000 or $2,000 depending on your MAGI for the year. For single filers, the deduction is $4,000 for a MAGI of up to $65,000 and $2,000 if your MAGI is between $65,000 and $80,000. Joint filers can deduct $4,000 for a MAGI of up to $130,000 and $2,000 if your MAGI is between $130,000 and $160,000. Exceed those upper thresholds and you don't get the deduction.

The tuition deduction officially expired after 2013. However, after much debate in Congress, it was extended retroactively one year or 2014.

Remember that you can claim only one of these three tax breaks in a given year, even if you don't exceed the phaseout limits. Because those cutoffs are relatively low, and because the tax relief they offer won't make much of a dent in the overall cost of sending a child to college, most parents will need to look elsewhere for tax benefits. Consider the advantages of college saving devices such as Section 529 plans and Coverdell Education Savings Accounts (CESAs).

Section 529 plans can prove to be especially valuable because they have very high contribution limits and the money you contribute to a plan is invested and can compound over time. You aren't taxed on investment earnings in a plan and distributions for most college expenses also aren't taxed. And if there's money left over after one child finishes school, you can transfer the account to a sibling.

CESAs aren't as attractive as 529 plans because CESAs have an annual contribution limit of $2,000, although if you begin putting in money when a child is very young it could add up to a decent amount of education savings, and the assets in these accounts also can grow without any current tax. Moreover, a CESA can be tapped to pay for private school education before a child enters college. That's not allowed with Section 529 plans. ●

you arrange to receive payments for 10 years than if you opt to get monthly payments over your lifetime (assuming your life expectancy is greater than 10 years).

But you also should compare other aspects of SPIAs, including the ability of the insurer to make good on its promise to pay future benefits. Check thoroughly into the financial strength of the company before making a commitment. One potential way of defraying such risks is to diversify your investments, buying annuities from two or more highly rated insurance companies.

Finally, don't forget about the tax consequences. In essence, tax is due on a portion of the payments in the year the payments are received, and that could require some tax bracket management on your part. For instance, if you're currently in your peak-earning years and expect that your top tax bracket will be lower in the future, a tax-deferred annuity might be a better option. We can provide guidance for your personal situation. ●

5 Tasty Tips For A Spending Diet

Whether it's the holidays, vacation season, or any other time of the year when you take your spending up a notch, the aftermath can be sobering. Credit card bills and bank statements arrive. Suddenly, you feel bloated—and resolve to cut some of the fat from your budget. These five steps could help you go on a spending diet to improve your financial health:

1. Count the "calories." Where is the extra weight really coming from? Before you can trim expenses, you need to know what they are. But documenting every single item can be tedious and nerve-wracking. For many people, a better option is to make a list, based on your statements, that provides a ballpark estimate. Then you can determine what percentage of income goes toward necessities, such as housing and food costs, and what is discretionary. Aim to save at least 20% by cutting back on the luxuries.

2. Focus on the "meat and potatoes." Don't ignore those major monthly costs—your mortgage, car loans, and insurance premiums. Look for ways you can spend less on these "fixed" items. For instance, it might make sense to refinance the mortgage and shop for less expensive auto insurance. Similarly, you might be able to reduce commuting costs by carpooling or switching to mass transportation.

3. Stick to the daily regimen. Just like you can't lose weight by starving one day and splurging the next, a savings diet requires a regular routine. Consider the impact of cutting your daily spending by an average of $3 or $4. That could add up to more than $100 a month, and over $1,200 a year. Small changes can multiply into a much bigger impact.

4. Give yourself an occasional break. Even if you're watching your spending waistline, you don't have to be good all the time. If you enjoy some small luxuries—going to the movies, say, or getting a manicure—you're entitled to treat yourself. But watch out for wasteful spending on upgrades that are way beyond your pay grade. Figure out what's truly important to you to decide where you can cut costs.

5. Try an all-cash diet for a week. When you put away your credit and debit cards, you may find that you're less likely to spend frivolously. This also helps you to pay more attention to how and what you're spending, and to prioritize your preferences.

Finally, don't just sit on the savings. Take the money you've managed to set aside on your diet and invest it where it can provide benefits in the future. If you've been skimping on your 401(k) or IRAs, those are good places to stash the extra cash. This will allow you to indulge more during retirement years when you're no longer pulling down a paycheck. ●

Millennials Retirement

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4. Invest wisely. This is good advice not only for money in tax-advantaged retirement accounts but also for money you invest in taxable brokerage accounts. We can help you can find the investment balance that best suits your personal needs, objectives, risk tolerance, and other circumstances. Although there's no foolproof method, you should have more leeway to be aggressive now than you would when you're nearing retirement or already retired. Of course, past performance is no guarantee of future results, but you can use historical stock market trends to help shape your investment strategies.

5. Expect the unexpected. Even the best-laid plans of retirement saving can be derailed by an emergency such as a hospital stay or the loss of a job. Try to leave enough wiggle room within your budget to account for some unforeseen financial trouble. Rather than put yourself in a position to have to skip or slash retirement plan contributions, remember to put aside cash in a "rainy day" fund. Most experts recommend building up enough to sustain you for at least half a year during which you may have no other income.

6. Avoid debt like the plague. One of the biggest impediments to retirement saving is a crushing debt load. You're not doing yourself any favor by deferring part of your salary to an employer plan at the same time that you're charging luxury items on a credit card with sky-high interest rates. That's not to say that borrowing isn't warranted at times—perhaps to help buy a home or car—but make sure it fits into your overall plan.

7. Educate yourself. Finally, you can improve the chances for a secure, comfortable retirement by learning all of the rules of the road, including the nuances of investments and the tax differences between various accounts. Knowledge is your friend. Rely on us to give you a solid foundation for going forward. ●

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