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Social Security Payout Choices Can Be Confusing

Social Security may make up only a small part of your expected retirement income, but it can be a crucial part, perhaps covering a significant portion of your basic expenses. Figuring out what you'll actually receive, however, can be complicated, and you'll have to choose from among many variables that could make a big difference in the amount of monthly income for you and your spouse.



Understanding Social Security's complex rules needs to be an essential part of your retirement planning.

Social Security retirement benefits are generally based on your lifetime earnings and your age when you request the benefits. If you opt to start getting a monthly check at age 62, the earliest possibility, you'll receive less than you would if you started receiving benefits at your full retirement age—between ages 65 to 67, depending on the year you were born. Full retirement age for baby boomers born from 1943 through 1955 is 66.

How much you'll lose by beginning benefits at age 62 ranges between 20% and 30%, again depending on when you were born. For example, the reduction for someone born in 1950 is 25%. So if you would be entitled to a \$2,500 monthly benefit at age 66, you would receive only \$1,875 if you retired at age 62. The later you were born, the steeper the reduction, which peaks at 30% for those born after 1959.

There's an additional incentive for

postponing benefits even longer. If you wait until age 70 to begin taking Social Security, you'll receive a significantly higher monthly amount—an extra 8% for each year you delay benefits—than

if you had started at full retirement age. For someone born in 1953, for example, waiting those four extra years, from age 66 to age 70, could add more than 34% to the monthly benefit.

Things get really tricky when you try to figure out Social Security retirement benefits for a married couple. Each spouse is entitled to a benefit based on his or her own earning history and the age at which benefits begin. But if a wife, for example, has earned considerably less than her husband has, her benefit at full retirement age will be the greater of her own benefit or a spousal benefit that could be as much as half of her husband's benefit.

Other complications may arise if one spouse continues to work. If the low-earning spouse works past full retirement age while the other spouse has retired, also at full retirement age, the working spouse can begin receiving the 50% spousal benefit. Then, when the working spouse reaches age 70, he or she can claim increased benefits in lieu of the spousal benefit.

Though the Social Security Administration sends you an updated estimate each year of what your future benefits may be, that's unlikely to answer all of your questions. Here are

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Is Your Financial House In Order?

Lately, it seems that part of every financial plan that we write includes our mantra of consolidate accounts and simplify your financial life.

Consolidation has obvious day-to-day benefits in terms of account management, but it also can significantly help your personal representative after your death. Often the hardest part of resolving an estate is tracking down the assets.

Beyond the common advice of making sure that you have your important financial and estate documents stored somewhere your heirs can find, remember that you have an electronic life as well.

An interesting exercise is to count up all your online accounts. If you're like us, you may be surprised at the number. While you may have your passwords memorized or know where to find them, your spouse or children would be hard-pressed to access the accounts after your death.

There are online options for storing passwords, but if you are concerned about security issues, your best bet may be to simply keep a list of accounts and passwords in a safe place. This is especially true if you change passwords frequently. (You should!) But again, make sure someone else knows how to access the information.

If you have questions about which documents and records to keep or how to best organize your financial life, let us know. We enjoy helping people simplify their lives.

Colleen & Rob

Planning Ahead Doesn't End In Retirement

After working for many decades, buying a home, raising a family, sending children to college, and paying for a wedding or two, retirement probably seems like a just reward. Yet now is no time to sit on your nest egg. Even if you've been retired for several years, you need to keep planning for the future, which could extend beyond your 80s. In 2010, the average life expectancy for a U.S. citizen was 77.8 years. And if you've made it to age 70, the average rises to 87. Since many retirees can now reasonably expect to live into their eighties or nineties, retirement planning never really ends.

Of course, everyone's situation is different, but here are several areas that could have a major impact on your plans.

Investment portfolio. Most retirees tend to invest rather conservatively, and for good reason. When you're living on a fixed income, you need to make sure you have enough coming in to cover your basic expenses, and you may not have time to recover from steep market losses. Still, keeping too much of your portfolio in bonds and other comparatively safe investments may backfire over a long life span, especially if higher inflation returns.

Allocating a judicious percentage of your assets to stocks may enable you to maintain your standard of living when expenses rise.

Insurance policies. Your coverage needs change with age, and a review during retirement of all of your policies can not only make sure you have enough insurance but also that you're not continuing to pay for coverage you may no longer need. Term life insurance may be an unnecessary luxury now, while long-term care insurance, to pay for extended care in a nursing home or in your residence could be a necessity. And while Medicare covers most doctor and hospital fees, you might need to buy additional supplemental coverage at a time that many employers are scaling back health insurance for retirees.

Wills and trusts. Estate planning, too, tends to be a work in

progress, and wills and trusts created several years ago will likely need to be updated to reflect your evolving circumstances as well as changes in estate tax rules. During the course of

your retirement, for example, your children may become so successful that they no longer need to inherit as much of your wealth, while bequests or trust payments to grandchildren could help them buy a home or launch a business.

Weighing all of these factors and making sure that your retirement continues to unfold according

to plan is a daunting proposition. But you don't have to go it alone. We are here to work with you and other advisors to help keep you on track regardless of where you are in your post-work life. Please call for an appointment to review your progress. ●



The New Economics Of Marriage

Marriages in the 21st century aren't like your grandparent's marriage, your parent's, or even your own if you've been married for at least a couple of decades. The continuing trend toward two-earner households and educational and professional gains for women have changed the economics of marriage and families. Whereas husbands have traditionally been better educated than their wives and have provided most family financial support, women now play a much more crucial role.

According to a new study by the Pew Research Center, a larger share of men now marry women who are better educated and have higher incomes

compared with how things were in 1970. The report, based primarily on U.S. Census Bureau data, compares marriages in 1970 to marriages in 2007. In 2007, the median household incomes of both married men and married women were about 60% higher than they were in 1970. Unmarried women have made comparable gains, but the increase for unmarried men was only 16%. (Household incomes are adjusted for size and inflation.)

Education has played an essential role. Marriage rates have declined since 1970, especially for the least educated men and women. Because additional years of schooling tend to lead to higher

incomes—and because people who marry generally are better educated than are those who remain single—both men and women who are married have benefited from the trend. But women usually weren't breadwinners 40 years ago, and adding their income to the household now gives married men a distinct financial edge over unmarried men.

The Pew study examines how these factors have affected couples between the ages of 30 and 44. By age 30, most people have completed their educations, found jobs, and gotten married. For the first time in U.S. history, women in this age group are more likely to be married than are men. Furthermore, 28% of the women

Tax Rules In Mixing Business & Pleasure

As one of the big wheels at your company, you may be called upon to jump in your car to visit a client in state or hop on a plane for a cross-country business trip. Of course, you'll be reimbursed for the money you spend and the company can write off your travel costs as a business expense. It's a no-brainer.

But suppose you decide to tack on a few extra days at the end of the trip for a little R&R. Then, the tax rules get more complex. Depending on your situation, you may be able to deduct most of your travel expenses, some of them, or none at all. Generally, you can preserve generous tax deductions for your company by carefully planning your itinerary in advance. However, the rules differ slightly for travel inside the United States (the 50 states and the District of Columbia) and trips beyond U.S. borders.

Domestic trips. Unless the primary purpose of your trip is business-related, you can't write off any of your travel expenses. So if your getaway is a long-planned family vacation and you have lunch with a client who happens to be in the area, deducting your airfare and hotel costs won't be allowed. (You probably can deduct the tab for the meal.)

To qualify as a business trip, the days you spend on company matters

should exceed the number of personal days. If you're away for a week and you spend five days conducting business and just two days relaxing by the pool, you can likely deduct your travel costs as business expenses. That includes your airfare, lodging, taxi rides, meals (limited to 50% of the cost), tips, and other incidentals. For the purpose of this calculation, the days you spend en route and returning home count as "business days." The same is true of days when you're mostly in meetings, even if you take the night off for a dinner with friends.

Of course, the cost of any purely personal activity—tickets for a show or greens fees at a great golf course—is not deductible. And if your family comes along on the trip, you can generally deduct only the amount it would have cost you to travel alone.

Foreign trips. If you're traveling abroad on business, the rules have several extra twists. As with domestic trips, the primary purpose of the trip must be business-related. In addition, unless you can satisfy one of these four tests, you must allocate your travel expenses between business and pleasure, and only the business portion will be deductible.

- You don't have substantial control over arranging the trip. If you own at least 10% of the company,

you'll generally be considered to have substantial control.

- If you do have substantial control, you can show that taking a vacation was not a major consideration for making the trip.

- You're away from the U.S. for one week or less.

- If the trip lasts longer than a week, you'll spend less than 25% of the time on non-business matters. So if you travel to Europe to strike a deal with a business client and you're gone for 10 days, you can deduct your travel expenses (subject to the limits that apply to domestic travel), if you limit your personal activities to two days (just 20% of your time away). But taking four personal days will limit your deduction for airfare and lodging to 60% of the cost.

If you don't pass any of the four tests and you're required to allocate expenses for a foreign trip, you may be able to increase your deduction by arranging a stopover within the U.S. at a point close to your destination—for example, pausing in Miami during a trip to Puerto Rico. In that case, what you spend on the portion of the trip between your home and the stopover point may be fully deductible. Then you'll only have to allocate costs for the remainder of the trip.

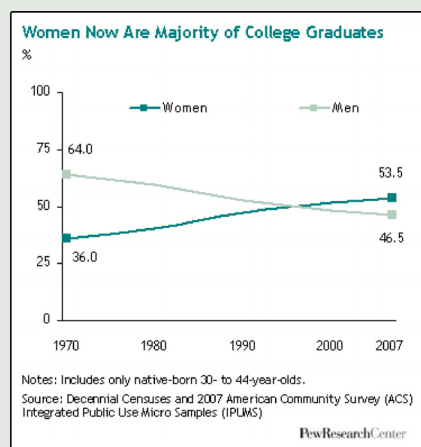
If your company reimburses you for your travel expenses, the money covering the business portion of the trip won't have to be reported on your tax return. However, reimbursements covering any personal expenses will be treated as taxable compensation.

Finally, special rules may apply to expenses connected to business conventions or for luxury water travel. Travel to conventions outside the U.S. may not be deductible, and the rules for business conducted on a cruise tend to be quite restrictive. Also keep in mind that the IRS may challenge business travel deductions that seem questionable. So it's important to keep detailed records that support your write-offs. ●

age 30 to age 44 in 1970 had husbands who were better educated than they were, while just 20% of the men had less education than their wives. By 2007, the pattern had essentially reversed. Only 19% of women in the group had better-educated husbands, while 28% of the men had wives with more education than they had. And whereas in 1970, only 4% of the men in this age group had wives who earned more than they did, in 2007, 22% of the wives in this age group drew larger salaries than their husbands did.

These shifts in marital economics reflect a changing workplace. Among individuals in the 30-to-44 age group, more women now have college degrees than men, and the earnings of the female population increased by 44% from 1970

to 2007, compared with only a 6% gain for men. Though men still earn more than women, on average, the gap is narrowing, that's resulting in big changes for U.S. households. ●



Children In College Need A Health Proxy

Have you just sent your child off to college for the first time? For your offspring, this marks a new, exciting chapter in life. But your child will also face new challenges and perils, and it makes sense to take precautions, such as obtaining a “health care proxy” (also known as a “health care power of attorney”) for your son or daughter. This document will give you access to your child’s medical history and enable you to make health care decisions in the case of a serious illness or injury.

Although health care proxies are frequently used for elderly relatives, the same basic premise applies to a child in college. Once your child turns age 18, he or she is treated as an adult for legal purposes. Under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), your child is entitled to full confidentiality unless you have a health care proxy. Without a proxy, you might not even learn of a child’s health problem at school or receive information about the child’s health status.

The health care proxy is a legally binding document appointing someone—usually another family member such as a parent—to make health care decisions for an individual if he or she is temporarily or permanently incapable of making those decisions. It’s a narrow power of attorney that gives authority to the designated party and allows you to take action on behalf of your child.

Of course, you can’t execute a health care proxy unilaterally. Your son or daughter will need to sign the document, thus giving up his or her right to complete medical privacy. But you can reassure children that you’ll have access to information about them only under very specific circumstances. A health care provider may discuss only the immediate medical condition, and only when prompt attention is needed for someone who is incapacitated. Very

likely your kids will see the wisdom of having a health care proxy and may even be surprised to learn that otherwise you would have no say about their care even in life-threatening situations.

Once the proxy has been signed and notarized, you’ll need to make sure that everyone who might be involved in a child’s care knows that it exists. Give a copy to your child’s

college health service as well as to physicians and hospitals in your town from whom your son or daughter might receive care. If your child has a car, you could put a copy of the proxy in the glove compartment, and you might want to give copies to close friends or roommates.

To get a form for the proxy, check online or with your physician or attorney. You can also file a HIPAA release form that gives you additional access to information about your child’s health. ●



Choices Can Be Confusing

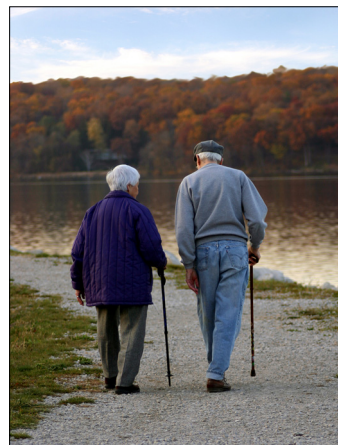
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two hypothetical examples illustrating strategies that might maximize a couple’s total benefits. The first involves something known as the 62/70 split. Suppose that a husband’s full retirement benefit is \$2,150 a month and the full benefit for his wife, who’s the same age, is \$1,080. If she begins taking benefits at age 62, she’ll receive a reduced amount—\$720 a month. But if her husband delays his claim until age 70, he’ll collect \$3,300. If he dies at 82, his monthly benefit will have grown to \$4,600, and that becomes the wife’s survivor benefit—almost 90% more than she would receive if her husband had also begun taking benefits at age 62.

But could this couple do even better? Suppose that the husband applied at age 66 for a spousal benefit based on his wife’s earnings record, letting his own benefit continue to grow. Because he has reached his full retirement age, the husband qualifies for the maximum spousal benefit of \$540 a month—half of the wife’s \$1,080 benefit. When he reaches age 70, he can drop the spousal benefit and begin collecting his own much larger benefit.

Beyond studying your annual

benefits statement from the government, you can visit www.ssa.gov for a wealth of additional information as well as online calculators that can



help you estimate your benefits under different scenarios. But as you weigh your choices, you may also want to factor in other factors, including your health, your life expectancy, your need for cash during retirement, and the retirement lifestyle you’re planning. We can help you consider the role Social Security may play for you and work

with you to make informed decisions about your government benefits. ●