Second Quarter 2016

Knopinski & Fauver Financial Advisors

303.666.6292 www.kffainc.com

Don't Be Victimized By These 10 Common Scams

Scams of all varieties continue to bilk unsuspecting victims out of billions of dollars each year. In particular, older Americans are being targeted, especially those who have been recently widowed. With that in mind, here are 10 scams to watch out for:

1. IRS imposters. This scam proliferates during tax-return season. A caller will say he or she is an IRS agent and claim you owe back taxes. Then the caller threatens you with stiff penalties or a lawsuit—and even arrest—if you don't wire the money immediately. But the IRS doesn't call debtors without sending a notice via U.S. mail first. To be on the safe side, if you get such a call, check with the IRS at 1-800-829-1040 to check the caller's credentials.

2. Tech support. Typically, you receive a phone call purporting to be from Microsoft or another software company, and the caller says a virus has invaded your computer. Then you're asked to provide access to your computer and the hacker installs malware that steals personal information. These software companies don't make unsolicited phone calls, so hang up immediately.

3. Robo-calls. Are you a victim of those annoying automatic telephone calls? Although the call itself isn't an attempt at ID theft, it helps the crooks build a "go-to list" for future phone scams. Use your caller ID to screen calls and don't answer if someone is calling from a number you don't know.

4. Charitable solicitations. Many legitimate charities call on the phone so it's hard to weed out the real ones from the fakes. Investigate any charity before handing over cash or making a credit or debit card contribution by mail or online. If the charity is for real, the caller won't hesitate to provide additional information. Check out charities at www.charitynavigator.org.

5. Credit cards. It's not surprising that scam artists are working an angle as credit card companies change their cards from magnetic strips to chips. Someone impersonating a credit card company employee may request information or ask you to click on a link to update your status. But credit card companies don't operate this way. If you have any doubts, call the company directly.

6. Dating websites. Initially, scams were based on prying money or sensitive data out of single people who recently have entered the dating scene. But now it has mushroomed into more sophisticated cons aimed at newcomers to religion-based sites. Because you're "dating" someone from your faith, you may be more likely to let your guard down and give access to money.

7. Widows and widowers. A typical trick of con artists is to prey on your emotions. Of course, elderly individuals are especially vulnerable

(Continued on page 4)

Safety And Return

If you have money in a savings account at a bank or credit union you know that the interest it's earning is negligible. But you also know it's good to have some safe money. You may be saving for a goal in the next few years or just keeping cash on hand in case of emergencies.

We have heard advertisements for saving account alternatives such as silver or dividend-paying stocks. Hardly risk-free!

Here's a better idea: find a savings account with a higher interest rate. Online banks have FDIC-insured savings accounts that earn over 1%. Maybe 1% doesn't seem worth the effort but that's $500 a year if you have $50,000 in the account. And 1% beats the rate of inflation. Our clients have used GS Bank, Ally Bank and Synchrony Bank, among others.

Call us if you would like more information or help in determining if this is right for you.

Colleen & Rob

ADVISOR PRODUCTS INC. NOT FOR DISTRIBUTION OR REPRODUCTION ©2016 API

Women Save More For Retirement Than Men But Have Less

Question: Are men or women more likely to invest in retirement savings plans at work?

Answer: 73 percent of women employees participate in such plans while only 66 percent of men do.

Question: Do men or women put more of their employment income into retirement savings accounts?

Answer: Women put 7 percent of their salary into retirement savings while men stash away 6.8 percent.

Question: Are men or women more likely to invest their retirement savings in the stock market?

Answer: Women are just as aggressive as men when it comes to investing their money for retirement, with women investing 73 percent of their savings in equities compared to 74 by men.

Despite these statistics – compiled and reported by the research department at Vanguard – women still come up short in the all-important area of account balances.

Jean Young, senior research analyst at Vanguard and author of the report, says that in March 2015, women held an average of $79,572 in defined contribution retirement plans as compared to an average of $123,262 held by men. The median balances, for women and men, were $24,446 and $36,875, Young says.

"Women seem to be a bit better at (retirement saving) than men. They're more likely to save, and when they save, they save more," she adds.

Then what is behind these discrepancies? The glass ceiling is partly responsible. To this day, women still make less money on average than men even when they're doing the same kind of work.

In addition, because men make more money than women, it tends to be easier for them to save more money over time. Young says that when the Vanguard researchers adjusted their data to account for disparities in income, the savings balance differences almost vanished, except for workers at the very top end of the income picture.

Why do differences persist at the top of the income scale? Young believes that may be because men are likely to have spent more of their careers in high-paying jobs compared with women. That may give the well-paid men more years to put away substantial retirement savings.

Another reason women may lag behind overall is access to retirement savings plans. Lower-paid workers and part-time employees—and women are likely to fall into both categories—frequently can't participate in such plans.

Another study, by the Employee Benefits Research Institute, found that the gender pay gap also can be explained by the kinds of jobs men and women gravitate to. Women in the past have frequently applied for jobs at the bottom end of the employment spectrum, and often chose part-time work because of their other responsibilities.

Young says these findings are a reminder that women need to negotiate for better salaries when applying for jobs or promotions. ●

When To Use An Installment Sale

Do you own commercial or investment real estate you're planning to sell? If the property has appreciated in value since you bought it, and you've been writing off your initial cost through depreciation deductions, you could owe a hefty tax on the transaction. What's more, you might not be able to find a buyer that can come up with all of the cash—at least not at your asking price.

You may be able, however, to kill two birds with one stone. An installment sale of commercial or investment real estate can let you defer the tax over several years, reducing the overall tax bite. In addition, the buyer can spread out the payments. There are no special conditions; the tax law specifies only that the payments must be made over two or more years.

Except for the effect of having the sale happen gradually, the basic tax rules for real estate transactions continue to apply. If you make a profit, it will be taxed as a capital gain. If you've held the property for more than one year, your long-term capital gain will be taxed at a maximum rate of 15%, or 20% if you're in the top ordinary income tax bracket of 39.6%. You also may be liable for the 3.8% surtax on net investment income.

You generally will owe tax on a portion of your gain in the year of the sale and the remainder in the years during which you receive the installment payments. The taxable portion is based on something called the "gross profit ratio"—your gross profit from the real estate sale divided by the price. Suppose that you sell a commercial building, your gain is $1 million, and the gross profit ratio is 60%. If you receive $250,000 a year, you are taxed on $150,000 (60% of $250,000) of the proceeds annually. Assuming a 20% long-term capital gain tax rate (and excluding any net investment income surtax), your tax each year on the installment sale is

ADVISOR PRODUCTS INC. NOT FOR DISTRIBUTION OR REPRODUCTION

Balancing The Three Big Saving Priorities

Going back to ancient times, elders preached about the wisdom of saving money. In the modern era, three primary saving objectives have emerged for most people: (1) saving for retirement; (2) saving for your children's college educations; and (3) saving for emergencies. This "big three" hasn't changed much over the past century.

But plenty of things have shifted. Few companies still provide the sort of pension plan that can ensure a comfortable retirement without eroding your current salary. The cost of higher education continues to skyrocket. And with numerous other competing interests, not to mention other rising costs, it's getting harder and harder to set aside money for a rainy day.

Nevertheless, it's important to plan ahead. That usually means setting priorities for your various saving goals and remaining committed to your plan. It also requires finding the proper balance without focusing on one objective to the exclusion of the others. Keeping that in mind, here are some practical suggestions for addressing the "big three":

1. Retirement planning: This is generally the top priority because it encompasses the most people – including those with or without children – and it is critical for virtually everyone. Just think that you're likely to live about one-quarter to one-third of your life in retirement on a fixed income. With the latest medical advances, early retirees might even live close to half of their lives in retirement!

Typically, savings will come from a variety of sources, including tax-qualified retirement plans, taxable investments, and Social Security benefits. When possible, take advantage of employer-provided plans, like a 401(k) plan or pension plan, and IRAs. For 2015, you can defer up to $18,000 of salary to a 401(k) or $24,000 if you're age 50 or over and you may benefit from matching contributions from your employer. The limit for IRA contributions in 2015 is $5,500 or $6,500 if you're age 50 or over. With a Roth IRA, future payouts are generally tax-free.

Finally, the Social Security Administration (SSA) can project your future Social Security benefits based on your earnings history. But those benefits alone probably won't be enough to support you in retirement.

2. College planning: While retirement planning is essential, saving for college might appear even more crucial if your children are approaching the age at which they'll head off to school. Yet despite the timing – your kids' college years usually precede your retirement – don't forget that it's much easier to save while you're still in your prime earning years. Furthermore, there are a number of ways to boost your college savings funds.

One key vehicle is the Section 529 plan. Under these state-run plans, you can set aside money in an account where it's invested on a tax-deferred basis. When you withdraw funds to pay for qualified higher education expenses, the distributions are exempt from current tax. Although the details vary from state to state, the limits for contributions are generous, usually well into six figures.

Other techniques may be used alongside or even in lieu of a Section 529 plan. Those might include custodial accounts, Coverdell Education Savings Accounts (CESAs), loans, scholarships, and various types of trusts.

3. Emergency planning: This is generally the most difficult goal to achieve because, on its face, it doesn't appear as vital as the other two. Yet you should recognize the need to have cash reserves you can draw on in the event of an unexpected event such as a catastrophic medical condition or a job loss. This rainy day fund can help sustain your family in times of need. No one can foresee the future, so you need to plan for the worst and hope for the best.

The conventional thinking is to set aside enough to get you through about six months of hard times, but the exact amount will differ, depending on your personal circumstances and your ability to save. Don't try to do it all in one fell swoop. Instead, as part of a monthly budget, try to deposit a regular amount in a separate fund and add in any windfalls, such as an inheritance or an unexpected insurance check that may come your way.

Reminder: There's no need to sacrifice any one of these three goals. They are all important to your financial being, but there are times when you likely will prioritize one over the other. Strike the balance needed for your situation. ●

$30,000 (20% of $150,000).

Any depreciation you claim on the property must be recaptured as ordinary income to the extent it exceeds the amount allowed under the straight-line depreciation method. However, spreading out the tax over a number of years will take greater advantage of the 15% tax rate on long-term capital gain.

Finally, there's one other potential tax pitfall. If the sale price of your property (other than farm or personal property) exceeds $150,000, you'll have to pay interest on the tax that is deferred to the extent that your outstanding installment obligations exceed $5 million.

While installment sale treatment on your tax return is automatic, you can opt out if that suits your purposes—for example, if your income was otherwise low for the year. In that case, the entire gain is taxable in the year of the sale. But these rules are complicated, so be sure to get expert tax advice about your situation. ●

ADVISOR PRODUCTS INC. NOT FOR DISTRIBUTION OR REPRODUCTION ©2016 API

Three Ways To Defuse Estate Rifts

It's impossible to know what will happen to your family after you're gone, but it's doubtful you're envisioning a bitter squabble over your possessions. Yet many a family is torn asunder when a patriarch or matriarch leaves this world.

Although there are no guarantees the claws won't come out, here are three documents that may reduce the potential for a serious rift:

1. A will. Virtually every adult with assets of any value needs a will. Typically, a will is the centerpiece of an estate plan and covers everything from appointing guardians for young children and addressing estate tax issues to determining who will receive your most valuable assets. A will gives you the opportunity to spell out who will inherit the beach house or expensive jewelry as well as other items of sentimental value.

A properly executed will is legally enforceable, so it's crucial that yours meets all of the technicalities of your jurisdiction. If you have significant assets you'll probably need to hire an attorney to draw up the document. It's likely that it will need to be updated in the future as your family circumstances change.

2. Personal property memorandum. Your will likely won't cover every last trinket you own, and it's a hassle to revise it all the time for minor changes. A personal property memorandum can supplement a will and may be referred to in the will itself. The memorandum can list all of your personal assets and your intended beneficiary for each item.

More than half of the nation's states have laws recognizing a personal property memorandum as legally binding. To avoid confusion, include a detailed description of your property. Make sure your executor has an official copy of both the will and the memorandum.

3. Letter of instruction. This is the last piece of the puzzle. Although a letter of instruction isn't legally binding, it can clarify certain issues and provide additional guidance to your heirs. The letter may include:

- The location of important documents, such as your will, insurance policies, titles, and deeds;
- Details of cemetery plots and funeral arrangements;
- Contacts for legal, tax, and financial information;
- A list and descriptions of all financial assets, including savings and checking accounts, stocks, bonds, and retirement accounts;
- The location of your tax returns for the past three years;
- The location of safe deposit boxes and keys; and
- Other special requests (for example, preferences for grandchildren attending college).

Last, but not least, your family members need to know about these three documents and where to find them. ●

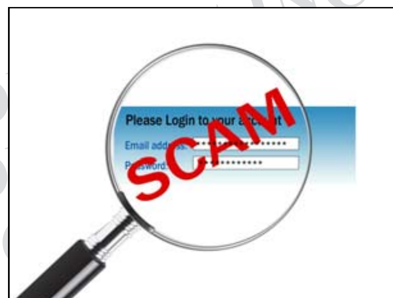
10 Common Scams

(Continued from page 1)

after the death of a loved one. It's not unusual for a criminal to pretend to be a banker or other professional to coerce you to hand over funds. Rely on reputable financial planners you know and trust and close family members to steer you in the right direction.

8. Medical ID theft. ID theft often is associated with financial information, but loss of medical information can be just as damaging. Just imagine someone running up costs for expensive drugs, doctor visits, and even surgery under your name. What's more, unlike theft of credit card data, you're often held liable for these purchases. Don't volunteer your particulars (for example, Social Security and insurance account numbers) unless you're certain it's for a valid reason. Check with your insurer about any charges you don't understand.

9. Gift card vouchers. If you're targeted for this scam, you receive an unsolicited email offering you a free gift card from a well-known retailer or restaurant if you click on a link. It can look legitimate—the scammers will go to great lengths to replicate logos and corporate designs—but often it isn't. Clicking on the link will install malware on your computer that can siphon away personal data. No matter how appealing an offer is, don't click on links you have not verified.



10. Counterfeit apps. Finally, in a highly publicized incident, Apple developed some applications that were found to contain vicious malware that spied on consumers. While Apple believes it has purged these malicious apps, similar occurrences could lead to loss of personal data. Try to use only well-known apps and consider reading reviews before purchasing them.

These are just 10 of the scams currently making the rounds. Be on your guard and be skeptical of anything that doesn't seem just right. ●

Knopinski & Fauver Financial Advisors 315 S. Boulder Rd. Ste 207, Louisville, CO 80027 303.666.6292 www.kffainc.com
A Colorado Registered Investment Advisor.
Articles are written by a journalist hired by Knopinski & Fauver Financial Advisors, and are general information not intended as advice to individuals.
©2016 API