



# KNOPINSKI & FAUVER

## FINANCIAL ADVISORS

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## 10 Common Questions On Social Security Benefits

If you're nearing retirement or you recently retired, you probably have plenty of questions about Social Security retirement benefits. Here are answers to 10 common queries posted online by the Social Security Administration (SSA).

**Q1. How do I obtain a replacement Social Security card?**

A. You can get an original Social Security card or a replacement card if yours is lost or stolen for free. Generally, all you have to do is submit the request to the SSA online. However, in some states, you must show additional documentation. Visit the SSA website for more information.

**Q2. How do I change or correct my name on my Social Security number card?**

A. If you're legally changing your name because of marriage, divorce, court order, or for any other reason, promptly notify the SSA and obtain a corrected card. This service is also free. Simply follow the procedures for getting a replacement card.

**Q3. What are the ramifications if I receive Social Security retirement benefits while I'm still working?**

A. If you haven't reached full retirement age (FRA) and you earn more than a specified annual limit, your benefits are reduced under this "earnings test" as follows:

- If you're under FRA for the entire year, you forfeit \$1 in benefits for every \$2 you earn that exceeds the annual limit. For

2017, that ceiling is \$16,920.

- In the year in which you reach FRA, you forfeit \$1 in benefits for every \$3 earned above a separate limit, but only for what you earn before the month in which you reach FRA. For 2017, this limit is \$44,880.

Beginning with the month in which you reach FRA, you can receive benefits that won't be affected by whatever you may earn.

**Q4. What is my FRA?**

A. It depends on the year in which you were born. The FRA gradually increases from age 65 for those born in 1937 or earlier to age 67 for those born in 1960 and after. The FRA for Baby Boomers born between 1943 and 1954 is age 66.

**Q5. Can I collect benefits if I retire before my FRA?**

A. Yes. You can retire and apply for benefits as early as age 62, but your monthly benefits will be reduced by as much as 30% in that case.

**Q6. Are benefits increased if I wait to apply until after my FRA?**

A. Yes. You can receive increased monthly benefits by applying for Social Security after reaching FRA. The benefits may increase by as much as 32% if you wait until age 70. After age 70, there is no further increase. Visit the SSA website to figure out the exact amount of your "early" and "late" benefits.

**Q7. How do I apply for Social**



## What's In A Name?

It's been a year since KFFA and TNLAM merged. Sometime before the next newsletter arrives at your doorstep or inbox, KFFA and TNLAM will become Snowball Wealth Management, LLC. While the process of choosing a new name was arduous and the paperwork to change it will be voluminous, I'm excited about the new name for several reasons.

First, the image of a snowball growing as it rolls mirrors the compounding of your money. The bigger it gets, the more that compounding matters. That's what long-term investing is all about and Snowball Wealth Management is all about the long-term.

Second, one of my favorite books, written about one of my favorite people, was entitled *The Snowball: Warren Buffett and the Business of Life*. I enjoyed this piece of non-fiction because it tied Mr. Buffett's success to his character, not his mastery of numbers. His down-to-Earth healthy skepticism and competitively-driven comfortability with going against the crowd, backed up by fundamental analysis and his own common sense, made Mr. Buffett the greatest investor of our time. Snowball is not dissimilar in how it approaches the financial planning industry. We're comfortable with our investment philosophy because we do our own homework and fundamental analysis. We invest with conviction and enjoy going against the grain.

Third, from where I sit each day, I can see snow on the mountains 24/7/365. This represents the level of client service we provide. My mobile number—773-208-2733—should be in your phone and used whenever you have a financial question. Watch for more communication about our re-branding.

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# Sticking With The Fundamentals

**W**hen 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 on fear.

A better idea is to take a closer look at the fundamentals. In doing so, you might ask—and get answers to

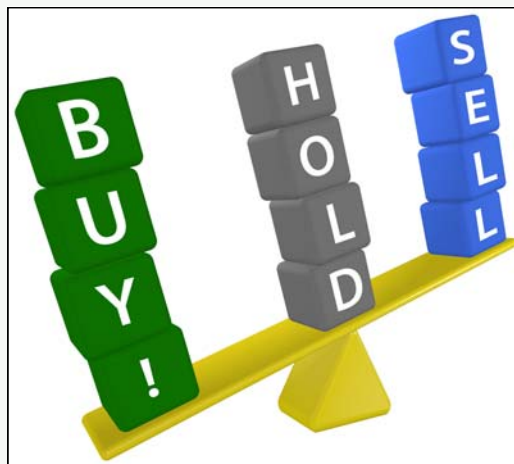
—these questions after a market decline has pushed down the price of a particular holding:

- 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. ●



## Sidestepping A Life Insurance Trap

**L**ife insurance can be a lifesaver for a family whose main breadwinner unexpectedly passes away. But there may be steps you should consider that go beyond buying sufficient coverage to protect your family.

A primary goal is to keep life insurance proceeds from being included in your taxable estate, which could reduce their value. Normally, that will happen if the proceeds are payable to the estate or are received by someone else for the benefit of the estate. So the first step in avoiding this trap is to designate beneficiaries such as a spouse or a

child who don’t fall into those categories and to grant them full control over those assets. But that may not be the entire solution.

Even if proceeds aren’t made payable to the estate, they count as assets of the insured person’s taxable estate if he or she possessed “incidents of ownership” in the policy on the date of death. Furthermore, this rule applies to any incidents of ownership transferred during the final three years before death.

What is an “incident of ownership”? The definition goes beyond mere legal ownership and rights to the economic benefits of a

policy. The list includes items such as the power to change beneficiaries; to revoke assignments of benefits; to obtain loans against the policy’s cash value; to pledge the policy as collateral for a loan; and to surrender or cancel the policy. But the right to receive dividends and the right to veto the sale of an insurance policy by a trustee of an irrevocable life insurance trust aren’t considered incidents of ownership.

If you buy life insurance and transfer all incidents of ownership in the policy more than three years before your death, all of the proceeds will be exempt from

# 5 Steps To Realize An Early Retirement Dream

**H**ave you dreamed about getting out of the rat race and retiring early? You could live a simpler life, pursue personal passions such as travel or recreation, and reduce your stress level. But you might think an early retirement is just for multimillionaires and out of your reach.

Think again. Early retirement doesn't have to be a pipe dream. It could become a reality through some diligent planning and dedication to your goals. These five steps may push you along the way:

**Step 1:** Plan on spending less. Don't give up if retirement planning calculators show you'll need much more than what you believe you conceivably can set aside. You can put a sizable dent in the "nut" you have to crack by significantly reducing your spending habits.

Remember that you won't be incurring commuting costs and a high-priced wardrobe for your job once you leave work. Furthermore, if you're hoping to travel around the world, you may be able to do it on a tighter budget than you thought. And simplifying your lifestyle—for example, maintaining just one car (or not even having one) instead of two—will provide savings.

Of course, life likely will throw you some curveballs, so be prepared for that, too. Build a cushion into your plan.

**Step 2:** Downsize your home. Part and parcel of the first step to early retirement is a reduction in housing costs. For most people, this is the single largest drain on savings. Do you really need that rambling colonial in the

suburbs if your kids are grown and out of the house? This can be especially beneficial if the mortgage is paid off. You can sell the home at a sizable gain, move to a less expensive place, and pocket the difference.

Consider a retirement community if you're age 55 or older. If that's not the right fit, look for housing that's affordable but gives you the flexibility you want. For some early retirees, it's an apartment in a city with easy access to restaurants and stores.

**Step 3:** Secure adequate health insurance. One of those curveballs could be your health. Even if you're in reasonably good shape as you enter early retirement, there's no way to predict what will follow. And your retirement could last longer than you initially expected.

Medicare kicks in at age 65 and you can supplement it with another policy. Prior to that age, the Affordable Care Act (ACA) has made it easier for some people to retire early, but the future of the ACA, in this current climate, is in jeopardy. Conduct in-depth research to find health insurance policies that provide the necessary coverage at a cost you can handle. Depending on your situation, you might opt for a high-deductible plan. In any event, you can't go without health insurance!

If you expect to be traveling extensively, include this in your health insurance considerations. For instance, you

may decide to obtain temporary travel insurance, based on your destinations.

**Step 4:** Maximize your investments. Saving more for retirement—and that includes how you invest your funds—may enable you to call it quits early.

Of course, everyone's situation is different. Put together a diversified portfolio that is aimed at your objectives while taking into account your personal risk tolerance. Frequently, your assets will involve a mix of stocks, bonds, mutual funds, and perhaps other investments such as real estate and exchange-traded funds (ETFs).

International investments, too, may be part of that mix, though such holdings bring special risks, including the potential that economic and political turmoil and currency fluctuations could affect the value of your investments.

**Step 5:** Count on taxes. Finally, don't dismiss taxes as a factor. Even if tax rates fall soon, they could rise again, and taxes always will erode your retirement savings to some degree. One strategy that may help is to move to a state with lower state tax rates.

Cashing in stocks during your retirement will result in capital gains, currently taxed at favorable rates, while distributions from retirement plans such as 401(k)s and traditional IRAs are taxed at higher rates for ordinary income. Also, payouts you take before age 59½ may be hit with a 10% tax penalty. (Roth IRA distributions can be tax-free, but you still may be penalized if you withdraw funds too early.) Remember that you must begin taking required minimum distributions (RMDs) from most retirement plans and traditional IRAs after age 70½. In addition, Social Security benefits may be subject to tax.

These and other steps can help take you closer to your dream of early retirement. ●

*Income-generating investments such as stocks, bonds, mutual funds, ETFs and real estate may offer attractive yields and other benefits, but they are complex investments with unique tax characteristics and significant risks. As a result, these investments may not be suitable for all clients. It is important to understand all the features, characteristics and risks of any particular investment offering under consideration. Consult with a tax advisor before investing in such income-generating investments.*



federal estate tax. Although the transfer is subject to gift tax, in most cases you can shield the transfer from tax through the annual

gift tax exclusion and generous unified estate and gift tax exemption. Or you might create an irrevocable life insurance trust, which also can help shield proceeds from estate tax.

Big changes in the estate and gift tax laws could be coming, but now is an opportunity to protect your interests under current law without risking future harm. ●



# Market Data Bank: 2nd Quarter 2017<sup>ψ</sup>



**ECONOMY AND STOCKS STRONG**  
The S&P 500, a key to growth of capital in broadly diversified portfolios for the long run, posted a 3.1% return in 2Q2017, following a 6.1% gain in 1Q2017. Total return on the S&P 500 since 1926 has averaged about 10%, making the 9.3% return in the first half of 2017 an exceptionally strong start to the year.

**Indexes Tracking Asset Classes**  
Five Years Ended June 30, 2017



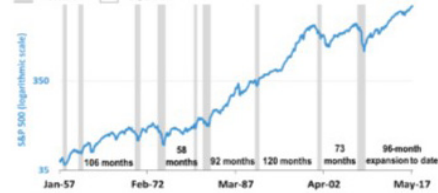
**INDEXES TRACKING ASSET CLASSES**  
For the five years ended June 30, 2017, U.S. large-cap stocks were tops among the broad array of 13 asset classes. U.S. stocks have been the growth engine of diversified portfolios. What's not shown here is that, in the past year, U.S. stocks trailed foreign indexed and the global economy is growing at a strong pace.

Past performance of investments is not a very reliable indicator of future performance. ± Indices and ETFs representing asset classes are unmanaged and not recommendations for any specific investment. Foreign investing involves currency and political risk and foreign-country instability. Bonds offer a fixed rate of return while stocks fluctuate. Leading economic indicators from the Conference Board. S&P 500 bottom-up operating earnings per share for 2016 (actual), 2017 (estimated) and 2018 (estimated) as of July 9, 2017: for 2017, \$131.47; for 2018, \$147.10. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S survey of consensus estimates. Standard and Poor's for index price data through July 6, 2017; and actual operating earnings data through 2016.

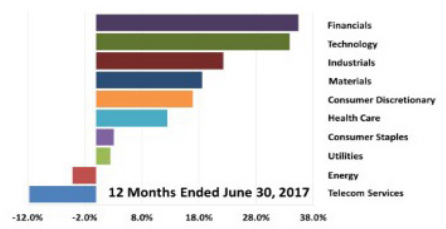


**A GREAT FIVE YEARS**  
After trading sideways from mid-2015 to mid-2016, and suffering two one-day, double-digit plunges, stock prices broke out in the second half of 2016. Over the last five years, including dividends, stocks nearly doubled in value. Chances of a bear market decline of 20% or more increases as the bull market grows older.

**S&P 500 Versus Economic Expansions, 1957 Through May 31, 2017**



**THIS EXPANSION VERSUS OTHERS**  
At 96 months, this expansion and bull market are getting on in years, beating the 92-month expansion in the '80s. As the 106-month boom in the '60s approaches, the record-longest boom post-WW2 — the 120-month boom lasting the length of the '90s, could be exceeded by this expansion.



**FINANCIAL STOCKS LEAD**  
For the 12 months ended June 30, financial stocks topped all 10 sectors. With a rollback in rules implementing the Dodd-Frank Act of 2010 expected to boost Wall Street, financials soared, also aided by rising rates, which will boost bank profits. Tech also shot up.

**S&P 500 vs. 17X Actual And Estimated Earnings**



**S&P 500 INDEX VS. EARNINGS\***  
Estimated 2017 earnings on an average share of the S&P 500, as of July 9, was \$131.47 and \$147.10 for 2018. Stock prices have climbed with earnings. Though perhaps slightly rich, the S&P 500 was valued fairly in light of earnings expected through 2018, and nothing like the bubble of 2000.

## Questions On SS Benefits

(Continued from page 1)

Security retirement benefits?

A. You should apply for retirement benefits three months before you want your payments to start. The easiest and most convenient way to apply is to use the online application. Note that the SSA may request certain documents to verify your eligibility.

Q8. How do I handle benefits for an incapacitated person?

A. If your elderly parent or someone else who is entitled to receive Social Security benefits needs help in managing those benefits, contact your local Social Security office about becoming that person's representative payee. Then you assume the responsibility for disbursing the funds

for that person's benefit.

Q9. Who is entitled to receive Social Security survivors' benefits?

A. A spouse and children, or both, of someone who has died may be in line for benefits based on that person's earnings record. Visit the SSA website for more details. Survivors must apply for this payment within two years of the date of death.

Q10. Are Social Security benefits subject to tax?

A. Yes, but not everyone is liable. You are taxed on Social Security benefits under a complex formula if your provisional income (PI) exceeds the thresholds within a two-tier system. PI is the total of (1) your adjusted gross income (AGI), (2) your tax-exempt interest income, and (3) one-half of the Social Security benefits you received.

- For a PI between \$32,000 and \$44,000 (\$25,000 and \$34,000 for single filers), you're taxed on the lesser of one-half of your benefits or 50% of the amount by which PI exceeds \$32,000 (\$25,000 for single filers).
- For a PI exceeding \$44,000 (\$34,000 for single filers), you're taxed on 85% of the amount by which PI exceeds \$44,000 (\$34,000 for single filers) plus the lesser of the amount determined under the first tier or \$6,000 (\$4,500 for single filers).

In many cases, these answers will lead to even more questions. The SSA website is helpful, but you may need additional guidance for your personal situation. Don't hesitate to contact us for assistance. ●