



# FINANCIAL *Planning Strategies*

A Financial Planning Update



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## Social Security: Is Your Age a Retirement Numbers Game?

**W**hen preparing for your retirement, think about how much income you may need each year to fund the lifestyle you want. To help maintain your living standard, you may need to save enough money to supplement other sources of retirement income, such as a company pension and/or Social Security. It is also important to be aware of how your *age* factors into your retirement decisions. Here are some important age milestones to consider:

**Age 55.** If you take an early retirement, quit, or are otherwise terminated from employment, you can generally withdraw money from **401(k)**, **403(b)**, **SEP (Simplified Employee Pension)**, and **profit-sharing plans** without being subject to a 10% Federal income tax penalty for early withdrawals. As specified in *IRS Publication 575*, the following apply: you must reach age 55 by December 31 of the year you leave the workforce;

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## Select Trustees with Care

**I**f you are thinking about establishing a **trust**, you need to select a **trustee**—someone who is charged with administering the trust according to your wishes. Perhaps you are considering naming a family member, or maybe you are wondering whether it would be wiser to designate your attorney or another trusted professional. Choosing a trustee is an important decision that requires great care and an analysis of your unique circumstances.

A trustee's role is to comply with the terms of the trust and fulfill its objectives. In selecting a trustee, you may want to weigh many personal,

family, asset management, and business concerns. For instance, an important consideration is the *size* and *complexity* of the trust. Corporate and professional trustees often possess the accounting, tax planning, and money management experience necessary to administer large, complicated trusts. On the other hand, a small trust may not warrant professional management.

*Duration* is another significant concern. A trustee's responsibilities often span one or more generations. **Corporate fiduciaries** may have the advantage of perpetual life (although the individuals administering the trust

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money must be distributed to you from your employer's plan and cannot be transferred to an **Individual Retirement Account (IRA)**; early withdrawals are subject to the plan's provisions; and only money from your last employer's plan qualifies (not funds from previous employers). You may take early distributions from a traditional IRA without penalty, provided you receive "substantially equal periodic payments." Since certain rules govern this provision, be sure to consult a qualified tax professional.

**Age 59½.** Generally, you can withdraw money from traditional IRAs and qualified retirement plans after the age of 59½ without being subject to the 10% tax penalty, if plan-specific qualifications are met. Ordinary income tax is due if your contributions were tax deductible. No income tax or penalty applies to distributions from a **Roth IRA**, provided you have reached age 59½ and have owned the account for at least five years.

**Age 60.** Widows and widowers may be eligible for Social Security benefits. For the most up-to-date information, visit the Social Security Administration's website at [www.ssa.gov](http://www.ssa.gov).

**Age 62.** Some companies may allow retirement at 62 with full pension plan benefits. This is also the earliest age for receiving regular Social Security benefits, but the benefit amount is permanently lower than its potential maximum.

**Ages 62–64.** For those who are working and collecting Social Security benefits while younger than full retirement age—the age at which an individual is eligible to receive full Social Security benefits—the earnings threshold is \$15,480 for 2014. One dollar in benefits is withheld (a "give-back") for every \$2 earned above that amount. A portion of benefits may also be taxed as income based on a complex formula that includes wages and tax-exempt income.

**Age 65.** Many company pension plans provide full benefits at this age. However, the age may vary by the company plan. **Medicare** eligibility also generally begins at age 65.

**Ages 65–67 (or the year in which full retirement age is attained).** Traditionally, full retirement age was 65. However, for those born between 1938 and 1959, full retirement age has been rising incrementally, and for those born in 1960 or later, the age for receiving full benefits is 67. The lower earnings threshold amount still applies for years prior to full retirement age, and a second earnings threshold rule applies for the year in which full retirement age is attained.

For those who are working and receiving Social Security benefits, there is a benefit give-back in 2014 of \$1 for every \$3 over \$41,400 earned in the



months prior to attaining full retirement. Once full retirement age is attained, the earnings threshold no longer applies, and a portion of benefits may be taxed as income based on a complex formula that includes wages and tax-exempt income.

**Age 70½.** Required minimum distributions (RMDs) from qualified retirement plans, such as a 401(k) or IRA, must generally begin by April 1 of the calendar year following the year in which you reach age 70½. Roth IRAs, however, are not subject to the age 70½ mandatory distribution rules.

You have worked many decades to accumulate assets to prepare for enjoyable "golden years." Be sure to consult with qualified tax and financial professionals to help you stay on the track to achieving your retirement goals. 💰

## Select Trustees with Care

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may change over the years). This longevity may also allow them to more easily fulfill the record-keeping and reporting requirements of the supervising court, as well as of Federal and state governments. If you have decided to appoint only *individual* trustees, you may want to consider designating **co-trustees** or **successor trustees** to address longevity concerns.

### Advantages of Professional Trustees

Corporate trustees have other advantages, as well. For instance, they may be more impartial when considering beneficiaries' needs than are family members, who may face conflicts of interest. Also, corporate and professional trustees are held to a higher standard

of professional conduct than nonprofessionals. Of course, professional service comes with a price. Many grantors of small trusts choose nonprofessional trustees to avoid high corporate fees.

### Benefits of Family Members

When a personal touch is needed, family members or other nonprofessionals may offer special advantages as trustees. They generally have the sensitivity and flexibility required to support the special needs of a beneficiary. A family member or business associate may also be the preferred choice if you are leaving a business in trust, as corporate trustees generally do not run businesses.

## Providing for Your Pet in the Event of Death or Disability

Many people with pets want to ensure that they are cared for after they are gone. You may informally ask a family member or friend who enjoys your pet if he or she would like the animal in the event of your death. You may go as far as bequeathing the animal to an individual in your will along with money for its care, or you may follow a more-complicated legal path by setting up a trust. Another option to consider is creating a power of attorney document and assigning somebody the task of ensuring pet care. You have to decide which approach is

the most practical and comfortable for you.

An informal arrangement may work if you have checked and know that the potential caregiver wants to take care of your pet, is trustworthy, and is likely to bond with the pet and be an excellent caregiver. If you want a more formal, and relatively simple, arrangement, you can use your will to bequeath the animal to a friend or relative. Again, you will want to check in advance to make sure that person wants to take on the responsibilities of pet ownership. The will could include a provision to provide

### Best of Both Worlds

Often, a combination of professional and nonprofessional trustees may work best. Corporate or professional trustees provide trust management expertise, while family members or other nonprofessionals respond to the changing needs and circumstances of beneficiaries.

Trusts are complex, varying by type and purpose, and are most likely to fulfill their objectives when responsibly administered. A trustee who is uninformed could mismanage a trust or take actions that could have serious tax consequences. A qualified legal professional can help you make the most appropriate choice for your particular situation. 

enough money to the animal's new owner, to cover the pet's lifetime expenses. (By law, you cannot will money or property directly to your pet.) However, although the will specifies who will own the pet, that person is under no legal obligation to use the money set aside for the animal in any particular way.

A more costly, but legally enforceable, choice is to set up a trust for your pet. In this case, the trustee is in charge of the money the caregiver will use to take care of the pet, and the caregiver is legally

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## Home, Valuables, and Your Camcorder

Could you list and accurately value all your personal property from memory? If you needed to file an insurance claim, how would you prove your loss?

The best way to protect yourself is to make a complete inventory of all your possessions. A written description should include the date of acquisition, original cost, and any improvements. Serial numbers, if available, should be recorded, and any receipts should be attached to the list. To make the task more manageable, tackle one room at a time. Be sure to include items that may be stored in closets or storage facilities.

If you have a camcorder, you can create additional documentation of your home and belongings for insurance purposes. This record, which can be used as evidence in case of theft, fire, or damage, should include the following:

- A complete scan of all rooms in your house, the outside grounds, the attic, the basement, and the garage.
- Close-ups of all valuable items such as artwork, jewelry, and antiques. Be sure to zoom in on serial numbers of stereos, television sets, and other electronic appliances.
- Audio commentary of details that may not be visible.

If you don't have a camcorder, there are companies that can do the recording for you. Ask your friends and associates for recommendations of reputable companies. Never allow an unknown individual to record your belongings.

Also, consider using your camera or cellphone and recording a combination of still photos and videos even if the videos taken on these devices are

somewhat limited compared to those made with a camcorder.

Store the SD card or removable flash memory (which holds the digital images created by your camcorder) along with your comprehensive written list, in a safe place away from home, such as a locked file cabinet at your office or your bank safe-deposit box. For extra safety, you may want to make copies and store them in separate locations.

Once you have established a complete inventory, it should be fairly easy to do periodic updating. Finally, be aware that visual documentation *alone* may not be enough to prove the loss of valuable items. Contact one of our qualified insurance professionals for additional suggestions on how to best protect your possessions. \$

## *Providing for Your Pet in the Event of Death or Disability* (continued from page three)

obligated to use the money only for that purpose. A trust can be set up to provide pet care not only at death, but at any point at which the owner of the trust becomes ill or incapacitated. Unlike a will, which could leave your animal's care in limbo for a period of time, a trust can be written to go into effect at any point.

If you decide to set up a pet trust, you need to make sure it is valid and enforceable in your state. Be aware, too, that such a trust is relatively expensive to administer.

Another legal pathway is a power of attorney. Such a document authorizes a person to act on your behalf. This person, the

attorney-in-fact, would be in charge of making arrangements for the pet care in the event of illness or death.

There's a lot to consider when you ponder your loving pet's future. A good source of additional information is the Humane Society of the United States, [www.humanesociety.org](http://www.humanesociety.org). \$

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