Your Park Square Financial Team

Your Finances

A RESOURCE FOR HELPING GROW, PROTECT, AND PRESERVE YOUR ASSETS

MARCH 2017

Welcome to <u>Your Finances</u>! You are receiving this newsletter either by email or direct mail because you are a Park Square Financial Group client, an attendee at one of our seminars, or were referred to us by one of our clients as one who would appreciate objective, educational information. If we have erred on any one of those accounts, please contact us by email (bcoffeen@parksquarefg.com) or phone (770 641-1401) and we will be glad to remove your name from our list.

Food for Thought

- All our knowledge has its origins in our perceptions --- Leonardo da Vinci
- It is necessary for us to learn from others' mistakes. You will not live long enough to make them all yourself. --- Hyman Rickover,

Financial Factoids

- ***CHEAPER TODAY*** – The average price of gasoline nationwide was **$2.29 a gallon** as of Friday 1/27/17. The average price of gasoline nationwide in 1967 (i.e. 50 years ago) **was 33 cents**. After adjusting for inflation, the 33 cent price is **equivalent to $2.42 in 2017 dollars** (source: AAA, Dept. of Labor)
- ***THEY'RE CATCHING UP*** **-** China's economy expanded **by +6.7% in 2016, its smallest growth rate in 26 years** (since 1990). The US economy grew **by +1.6% in 2016**. The US economy has grown **by at least +6.7% jut twice in the last 60 years**, i.e., +6.9% in 1959 and +7.3% in 1984 (source: Commerce Dept.)

Taxes Are Universal

THE GOOD NEWS IS THAT YOUR MILEAGE DEDUCTION IS $17 MILLION.
THE BAD NEWS IS THAT OUR TAX RATES ARE OUT OF THIS WORLD.

Quiz: How Much Do You Know About Social Security Retirement Benefits?

Social Security is an important source of retirement income for millions of Americans, but how much do you know about this program? Test your knowledge, and learn more about your retirement benefits, by answering the following questions.

1. Do you have to be retired to collect Social Security retirement benefits?

a. Yes

b. No

2. How much is the average monthly Social Security benefit for a retired worker?

a. $1,360

b. $1,493

c. $1,585

d. $1,723

3. For each year you wait past your full retirement age to collect Social Security, how much will your retirement benefit increase?

a. 5%

b. 6%

c. 7%

d. 8%

4. How far in advance should you apply for Social Security retirement benefits?

a. One month before you want your benefits to start.

b. Two months before you want your benefits to start.

c. Three months before you want your benefits to start.

5. Is it possible for your retirement benefit to increase once you start receiving Social Security?

a. Yes

b. No

Answers

1. **b.** You don't need to stop working in order to claim Social Security retirement benefits. However, if you plan to continue working and you have not yet reached full retirement age (66 to 67, depending on your year of birth), your Social Security retirement benefit may be reduced if you earn more than a certain annual amount. In 2017, $1 in benefits will be deducted for every $2 you earn above $16,920. In the calendar year in which you reach your full retirement age, a higher limit applies. In 2017, $1 in benefits will be deducted for every $3 you earn above $44,880. Once you reach full retirement age, your earnings will not affect your Social Security benefit.

2. **a.** Your benefit will depend on your earnings history and other factors, but according to the Social Security Administration, the average estimated monthly Social Security benefit for a retired worker (as of January 2017) is $1,360.

3. **d.** Starting at full retirement age, you will earn delayed retirement credits that will increase your benefit by 8% per year up to age 70. For example, if your full retirement age is 66, you can earn credits for a maximum of four years. At age 70, your benefit will then be 32% higher than it would have been at full retirement age.

4. **c.** According to the Social Security Administration, you should ideally apply three months before you want your benefits to start. You can generally apply online.

5. **a.** There are several reasons why your benefit might increase after you begin receiving it. First, you'll generally receive annual cost-of-living adjustments (COLAs). Second, your benefit is recalculated every year to account for new earnings, so it might increase if you continue working. Your benefit might also be adjusted if you qualify for a higher spousal benefit once your spouse files for Social Security.

For more information, visit the Social Security Administration website, ssa.gov.
[1]Social Security Fact Sheet, 2017 Social Security Changes

Note: Don't forget to reserve a spot at our comprehensive, fact-filled Social Security seminar to be held at lunch time on March 21, 2017 in Kennesaw, GA. Look for an invite shortly.

What happens to my property if I die without a will?

If you die without a will, your property will generally pass according to state law (under the rules for intestate succession). When this happens, the state essentially makes a will for you. State laws specify how your property will pass, typically in certain proportions to various persons related to you. The specifics, however, vary from state to state.

Most state laws favor spouses and children first. For example, a typical state law might specify that your property pass one-half or one-third to your surviving spouse, with the remainder passing equally to all your children. If you don't have children, in many states your spouse might inherit all of your property; in other states, your spouse might have to share the property with your brothers and sisters or parents.

But not all property is transferred by will or intestate succession. Regardless of whether you have a will, some property passes automatically to a joint owner or to a designated beneficiary. For example, you can transfer property such as IRAs, retirement plan benefits, and life insurance by naming a beneficiary. Property that you own jointly with right of survivorship will pass automatically to the surviving owners at your death. Property held in trust will pass to your beneficiaries according to the terms you set out in the trust.

Only property that is not transferred by beneficiary designation, joint ownership, will, or trust passes according to intestate succession. You should generally use beneficiary designations, joint ownership, wills, and trusts to control the disposition of your property so that you, rather than the state, determine who receives the benefit of your property.

Even if it seems that all your property will be transferred by beneficiary designation, joint ownership, or trust, you should still generally have a will. You can designate in the will who will receive any property that slips through the cracks.

And, of course, you can do other things in a will as well, such as name the executor of your estate to carry out your wishes as specified in the will, or name a guardian for your minor children.

Why Diversification Matters

When investing, particularly for long-term goals, there is one concept you will likely hear about over and over again — diversification. Why is diversification so important? The simple reason is that it helps ensure that your risk of loss is spread among a number of different investments. The theory is that if some of the investments in your portfolio decline in value, others may rise or hold steady, helping to offset the losses.

Diversifying within asset classes

For example, say you wanted to invest in stocks. Rather than investing in just domestic stocks, you could diversify your portfolio by investing in foreign stocks as well. Or you could choose to include the stocks of different size companies (small-cap, mid-cap, and/or large-cap stocks).

If your primary objective is to invest in bonds for income, you could choose both government and corporate bonds to potentially take advantage of their different risk/return profiles. You might also choose bonds of different maturities, because long-term bonds tend to react more dramatically to changes in interest rates than short-term bonds. As interest rates rise, bond prices typically fall.

Investing in mutual funds

Because mutual funds invest in a mix of securities chosen by a fund manager to pursue the fund's stated objective, they can offer a certain level of "built-in" diversification. For this reason, mutual funds may be an appropriate choice for novice investors or those wishing to take more of a hands-off approach to their portfolios. Including a variety of mutual funds with different objectives and securities in your portfolio will help diversify your holdings that much more.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Diversifying among asset classes

You might also consider including a mix of different types of asset classes — stocks, bonds, and cash — in your portfolio. Asset allocation is a strategic approach to diversifying your portfolio. After carefully considering your investment goals, time horizon, and risk tolerance, you would then invest different percentages of your portfolio in targeted asset classes to pursue your goal.

Winning asset classes over time

The following table, which shows how many times during the past 30 years each asset class has come out on top in terms of performance, helps illustrate why diversifying among asset classes can be important.

Asset	Number of winning years, 1987-2016
Cash	**3**
Bonds	**5**
Stocks	**10**
Foreign stocks	**12**

Performance is from December 31, 1986, to December 31, 2016. Cash is represented by Citigroup 3-month Treasury Bill Index. Bonds are represented by the Citigroup Corporate Bond Index, an unmanaged index. Stocks are represented by the S&P 500 Composite Price Index, an unmanaged index. Foreign stocks are represented by the MSCI EAFE Price Index, an unmanaged index. Investors cannot invest directly in any index. However, these indexes are accurate reflections of the performance of the individual asset classes shown. Returns reflect past performance and should not be considered indicative of future results. The returns do not reflect taxes, fees, brokerage commissions, or other expenses typically associated with investing.

The principal value of cash alternatives may fluctuate with market conditions. Cash alternatives are subject to liquidity and credit risks. It is possible to lose money with this type of investment.
The return and principal value of stocks may fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost.

U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest, whereas corporate bonds are not. The principal value of bonds may fluctuate with market conditions. Bonds are subject to inflation, interest rate, and credit risks. Bonds redeemed prior to maturity may be worth more or less than their original cost.

The risks associated with investing on a worldwide basis include differences in financial reporting, currency exchange risk, as well as economic and political risk unique to the specific country.
Investments offering the potential for higher rates of return also involve higher risk.

Tax Tips for the Self-Employed

Being self-employed has many advantages — the opportunity to be your own boss and come and go as you please, for example. However, it also comes with unique challenges, especially when it comes to how to handle taxes. Whether you're running your own business or thinking about starting one, you'll want to be aware of the specific tax rules and opportunities that apply to you.

Understand the self-employment tax

When you worked for an employer, payroll taxes to fund Social Security and Medicare were split between you and your employer. Now you must pay a self-employment tax equal to the combined amount that an employee and employer would pay. You must pay this tax if you had net earnings of $400 or more from self-employment.

The self-employment tax rate on net earnings (up to $127,200 in 2017) is 15.3%, with 12.4% going toward Social Security and 2.9% allotted to Medicare. Any amount over the earnings threshold is generally subject only to the Medicare payroll tax. However, self-employment and wage income above

$200,000 is generally subject to a 0.9% additional Medicare tax. (For married individuals filing jointly, the 0.9% additional tax applies to combined self-employment and wage income over $250,000. For married individuals filing separately, the threshold is $125,000.)

If you file Form 1040, Schedule C, as a sole proprietor, independent contractor, or statutory employee, the net income listed on your Schedule C (or Schedule C-EZ) is self-employment income and must be included on Schedule SE, which is filed with your Form 1040. Schedule SE is used both to calculate self-employment tax and to report the amount of tax owed. You can deduct one-half of the self-employment tax paid (but not any portion of the Medicare surtax) when you compute the self-employment tax on Schedule SE.

Make estimated tax payments on time

When you're self-employed, you'll need to make quarterly estimated tax payments (using IRS Form 1040-ES) to cover your federal tax liability. You may have to make state estimated tax payments as well.

Estimated tax payments are generally due each year on the 15th of April, June, September, and January. If you fail to make estimated tax payments on time, you may be subject to penalties, interest, and a large tax bill at the end of the tax year. For more information, see IRS Publication 505, Tax Withholding and Estimated Tax.

Invest in a retirement plan

If you are self-employed, it is up to you and you alone to save sufficient funds for retirement. Investing in a retirement plan can help you save for retirement and also provide numerous tax benefits.
A number of retirement plans are suited for self-employed individuals:

- SEP IRA plan
- SIMPLE IRA plan
- SIMPLE 401(k) plan
- "Individual" 401(k) plan

The type of retirement plan you choose will depend on your business and specific circumstances. Explore your options and be sure to consider the complexity of each plan. In addition, if you have employees, you may have to provide retirement benefits for them as well. For more information, consult a tax professional or see IRS Publication 560, Retirement Plans for Small Businesses.

Take advantage of business deductions

If you have your own business, you can deduct some of the costs of starting the business, as well as the current operating costs of running that business. To be deductible, business expenses must be both ordinary (common and accepted in your field of business) and necessary (appropriate and helpful for your business).

Since business deductions will lower your taxable income, you should take advantage of any deductions to which you are entitled. You may be able to deduct a variety of business expenses, such as start-up costs, home office expenses, and office equipment.

Deduct health-care expenses

If you qualify, you may be able to benefit from the self-employed health insurance deduction, which would enable you to deduct up to 100% of the cost of health insurance that you provide for yourself, your spouse, your dependents, and employees.

In addition, if you are enrolled in a high-deductible health plan, you may be able to establish and contribute to a health savings account (HSA), which is a tax-advantaged account into which you can set aside funds to pay qualified medical expenses. Contributions made to an HSA account are generally tax deductible. (Depending upon the state, HSA contributions may or may not be subject to state taxes.)

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As your financial advisors we're always at your service when it comes to reviewing your plans and goals as well as explaining or implementing ideas and concepts highlighted in this newsletter or on our website, **www.parksquarefg.com**

Remember... If what you thought to be true, turned out not to be true, when would you want to know? Financially speaking...maybe we can be of help. Thanks for the opportunity to serve your needs! Save well and take care!

Your "Park Square Financial" Team

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TRADITION OF TRUST