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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

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"It's Not a Lie If You Believe It"

costanza

This quote came from a modern-day philosopher, George Costanza, played by Jason Alexander, of Seinfeld fame. It is unfortunately far too prevalent today when it comes to our privacy…or lack thereof.

In the wake of the Cambridge Analytica scandal, Facebook has found itself under fire for permitting a third-party application managed by a notorious political outfit to scoop up the details of 50m of its users for use in targeted advertising.

As explosive revelations continue to come to light, spearheaded by whistleblower Christopher Wylie, Facebook has found itself arguing the semantics of what constitutes a "data breach." But for the millions of users whose account details were abused without consent, it may be useful to now check their app settings.

The process is as simple as clicking Settings>Apps. From there, you will be able to select and edit every app which has permission to use your information. "When you block or remove an app or game from the App Center or your app settings, they'll no longer be able to access any info about you," Facebook says on its FAQ.

Now, just this week however, we are learning a few more things about friending people. When you accept a friend request, your "friend" essentially is giving your permission to share your information because you gave your friend your permission to begin with. So apparently, it all rolls downhill.

On April 23, the Wall Street Journal wrote an expose on an even bigger data collector – Google. Below is an excerpt.

'If the concern is that companies might be collecting some personal data without our knowledge or explicit consent, Alphabet's Google is a far bigger threat by many measures: the volume of information it gathers, the reach of its tracking and the time people spend on its sites and apps.

New regulations, particularly in Europe, are driving Google and others to disclose more and seek more permissions from users. And given the choice, many people might even be fine with the trade-off of personal data for services. Still, to date few of us realize the extent to which our data is being collected and used.

How Google harvests data

Lawmakers and others have asked Facebook about so-called shadow profiles—data the company gathers on people without Facebook accounts. The company doesn't use the term but does track nonusers. It's likely that Google has shadow profiles on at least as many people as Facebook does, says Chandler Givens, chief executive of TrackOff, which develops software to fight identity theft.

Google Analytics is far and away the web's most dominant analytics platform. Used on the sites of about half of the biggest companies in the U.S., it has a total reach of 30 million to 50 million sites. Google Analytics tracks you whether or not you are logged in.

Meanwhile, the billion-plus people who have Google accounts are tracked in even more ways. In 2016, Google changed its terms of service, allowing it to merge its trove of tracking and advertising data with the personally identifiable information from our Google accounts.

Google uses, among other things, our browsing and search history, apps we've installed, demographics such as age and gender and, from its own analytics and other sources, where we've shopped in the real world. Google says it doesn't use information from "sensitive categories" such as race, religion, sexual orientation or health. Because it relies on cross-device tracking, it can spot logged-in users no matter which device they're on.

This is why Google and Facebook are dominant in online advertising. By pouring huge amounts of our personal data into the latest artificial-intelligence technology, they can determine who—and where—we really are, whether or not we reveal ourselves voluntarily.

Google fuels even more data harvesting through its dominant ad marketplaces. There are as many as 4,000 data brokers in the U.S., and collectively they know everything about us we might otherwise prefer they didn't—whether we're pregnant, divorced or trying to lose weight. Google works with some of these brokers directly but the company says it vets them to prevent targeting based on sensitive information.

While data brokers can sell this information to insurers, employers and anyone else who might be interested, many of their customers are marketers who need another component: Google's AI, which delivers "look alike" audiences—people similar to the ones found in the brokers' data.

How Android funnels data

`Google is the biggest enabler of data harvesting, through the world's two billion active Android mobile devices. Because Google's Android OS helps companies gather data on us, then Google is also partly to blame when troves of that data are later used improperly.

To be listed in Google's Android app store, developers must agree to request only the information they need. But that doesn't stop them from using "needed" data for additional purposes.

Designers call the ways marketers and developers cajole and mislead us into giving up our data "dark patterns," tactics that exploit flaws and limits in our cognition.

Android users of the Gmail app will be asked to enable access to the device's camera and microphone again and again until they say yes. Similarly, on Android, Google Maps asks users to turn on location services—justifiable, sure, but this enables geo-targeted ads.

All of this is ostensibly done with your permission. But it's hard to understand how even an expert could give meaningful informed consent to the average data request. New European Union privacy rules are forcing companies to make comprehensible to mere mortals what data they gather and how they use it. But in many cases, Google is pushing responsibility for obtaining data-gathering permissions to advertisers.

The solution might be simple: Build better tools to give us a clear understanding of what we're opting into. If given clear choices, many people might be fine with their data being collected. But it's just as likely they would refuse, in ways that could affect Google's and Facebook's bottom line'.

"5 Roth IRA Facts That May Surprise You" (courtesy of Ed Slott & Company)

1. You are never too old to contribute. If you have earned income and your modified adjusted gross income is below a certain level, you can contribute to a Roth IRA. Your age does not matter. This often comes as a surprise to taxpayers because you cannot contribute to a traditional IRA once you reach the year you turn 70 ½. Roth IRAs are different. Age is never a barrier to making tax year contributions.

2.Your participation in an employer plan does not prevent you from making a Roth IRA contribution. Do you have a 401(k) at work? If you are concerned that participation in your employer plan makes you ineligible to contribute to a Roth IRA, don't be! You can max out both. But what if your employer plan is Roth 401(k) plan? No worries! You can fully fund a Roth 401(k) and a Roth IRA for the same year.

3. Almost anyone with a traditional IRA can convert it to a Roth IRA. There used to be restrictions on conversions due to income or tax filing status. These restrictions went away back in 2010, opening the door to conversion for almost any taxpayer who owns a traditional IRA. The only exception would be traditional IRA beneficiaries. Unfortunately, conversion is not available for those beneficiaries.

If you haven't converted, this might be the year for you to make that move. You will want to discuss your situation with a knowledgeable tax or financial advisor. Just because everyone with a traditional IRA can convert, does not mean that they should. Conversion is not one size fits all.

4. You can always access your contributions tax and penalty free. Are you avoiding contributing to a Roth IRA because you are worried you might need that money? Don't let this fear stop you from making that Roth IRA contribution. Your tax year Roth IRA contributions are always available to you tax and penalty free regardless of your age and what you intend to do with the money. More good news is that the rules for Roth IRA distributions are very taxpayer friendly. Your contributions are not only always accessible tax and penalty free, they are also considered to be the first money distributed from your Roth IRA.

5. You don't ever have to take distributions from your Roth IRA, but your beneficiaries do. During your lifetime, distributions are never required from your Roth IRA. Roth IRAs are not subject to the required minimum distribution (RMD) rules that apply to traditional IRAs while you are alive. Your money can grow tax-free for your entire lifetime. Your beneficiaries will have to take RMDs from the inherited Roth IRA. That is the bad news. However, the good news is that these distributions will almost always be tax and penalty free.

Will the IRS see through your Beneficiary?

Investors often have trusts as a convenient way for their heirs to receive assets after they die. And generally, this works as intended. Everything goes into one pot and each beneficiary takes out his or her share as specified in the trust. IRAs left to your trust, however, can cause complications and could leave your love ones with less than you had planned.

The IRS views a trust differently than the individuals named in the trust. For instance, suppose you are not taking Required Minimum Distributions (RMD) yet, and named your trust as the beneficiary of your three IRAs. In addition, your trust documents specify that your two daughters, ages 45 and 37, are to receive equal portions of the trust assets after you die.

Upon your death, your IRAs will transfer into the trust, and your daughters would receive their shares. However, they will have to start taking RMDs and paying income taxes based on your older daughter's shorter life expectancy, thus penalizing your younger one.

One way to give your beneficiaries better tax treatment is to create separate accounts for each one of them. For example, you could name your spouse as the beneficiary for one IRA and each of your children the beneficiary on other IRAs. This might create work for you now, but the result could be less taxes and greater flexibility for your heirs.

You should review your trust documents and estate plans with your attorney each year or whenever there has been a significant change in your life.

If you would like to discuss and update the beneficiaries on your IRAs, please call my office for a complimentary consultation.

Are You Losing Money Because of Tax-*Inefficiency?*

Diversification is a well-known method of mitigating market volatility risk and seeking more consistent returns. And this may lead to a mix of different types of investments as a means of providing diversification. But does it matter where your assets are held. In other words, are stocks better in an IRA or a taxable account? What about corporate bonds?

Based on research published in the Journal of Financial Planning, where you hold various types of investments could have a major impact on your overall after-tax return. That's because certain asset types are more likely to benefit from the tax-deferred treatment available in an IRA, while others may provide better after-tax returns in a taxable account.

What determines if an asset would work better in an IRA or a taxable account? According to this research, one factor is the amount of an asset's total return that comes from capital gains.

Your income ultimately determines what long-term capital gains rate you pay. If your profit pushes you into a higher bracket, you could possibly be taxed at a combination of rates. And, you could face yet another rate depending on the type of property you sell.

Taxpayers in the two lowest tax brackets — 10 percent and 15 percent — could end up without any capital gains tax bill at all. That's right: zero capital gains tax for some filers. Investments that generate a significant portion of their total return from capital gains, such as corporate common stock, could potentially benefit from these lower tax rates.

However, if these investments were held in an IRA, their returns would be treated not as capital gains but as ordinary income when removed from the account. Therefore, these gains would be taxed at your ordinary income tax rate, which could be higher than the capital gains tax rate.

Assets that tend to generate significant capital gains may be more appropriate for a taxable account, where they would benefit from the lower capital gains tax rate. Conversely, for those assets where capital gains comprise very little of total return and more income (e.g., corporate bonds and preferred stock), an IRA might be a better choice.

Asset appreciation potential is also something to consider, and can have an effect upon the income taxes that might be paid by your beneficiaries in the future. For example, assets held inside an IRA do not receive a stepped-up cost basis at the death of the account owner. On the other hand, assets held outside of an IRA will receive a stepped-up cost basis when the owner of the assets passes away. The point is, the place where assets are held can also affect the future income taxes of your younger family as well!

Are You At Risk: Outliving Your Money?

Could underestimating your longevity mean you'll run out of retirement money?

At age 65, the average life expectancy is 81.8 years for a man and 84.8 years for a woman. At age 75, the average life expectancy is 85.5 years for a man and 87.6 years for a woman. With recent advances in medical science, it's no longer a stretch to think that you could live to be 100. In fact, the U.S. Census Bureau projects that by 2050, there will be nearly one million centenarians.

No one wants to die *sooner*, so that's great news. The problem: If your retirement plan doesn't recognize the possibility of a long retirement, then you could potentially outlive your money.

Consider the following hypothetical example. Assume you're 64 years old and earn $60,000 per year. You plan to retire next year at age 65. You've accumulated $1,000,000 in retirement savings, which you think will return a hypothetical 6 percent per year throughout your retirement. And, you have a $60,000 annual retirement need (excluding Social Security). If you have a 15-year retirement from ages 65 to 80, you'll have no shortfall in retirement funds; in fact, you'll end up with almost $696,000 to pass on to your heirs. On the other hand, if you have a 30-year retirement from ages 65 to 95, you'll run out of money at age 88. The table below illustrates. Of course, this example above is hypothetical and for illustrative purposes only. It is not meant to represent the performance of any particular product.

Hypothetical retirement savings

Age	Savings	Retirement savings needed
64	$1,000,000.00	$0.00
64	$1,059,999.94	$0.00
66	$1,058,028.28	$61,860.00
67	$1,053,905.60	$63,777.66
68	$1,047,439.82	$65,754.77
69	$1,038,425.39	$67,793.17
70	$1,026,642.42	$69,894.76
71	$1,011,855.72	$72,061.50
72	$993,813.88	$74,295.41
73	$972,248.18	$76,598.57
74	$946,871.51	$78,973.12
75	$917,377.18	$81,421.29
76	$883,437.69	$83,945.35
77	$844,703.39	$86,547.66
78	$800,801.08	$89,230.64
79	$751,332.50	$91,996.79
80	$695,872.80	$94,848.69
81	$633,968.79	$97,789.00
82	$565,137.20	$100,820.46
83	$488,862.75	$103,945.90
84	$404,596.18	$107,168.22
85	$311,752.06	$110,490.44
86	$209,706.59	$113,915.65
87	$97,795.12	$117,447.03
88	$0.00	$0.00
89	$0.00	$0.00
90	$0.00	$0.00
91	$0.00	$0.00
92	$0.00	$0.00
93	$0.00	$0.00
94	$0.00	$0.00
95	$0.00	$0.00

Source: Burling Bank. Assumes $1,000,000 in retirement savings has already been accumulated; another $60,000 is added. The money grows at a hypothetical 6 percent per year; $60,000 (in today's dollars) is withdrawn each year. Inflation runs at 3%. This example above is hypothetical and for illustrative purposes only. It is not meant to represent performance of any particular product.