MARKET

RAINSBERGER WEALTH ADVISORS

MARKET COMMENTARY **OCTOBER 2018**

INSIDE THIS ISSUE ...

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MINDY SUTTON

MBA, J.D.— Chief Operating Officer, RWA

I write this commentary as Bud and Lisa are in Egypt where Lisa is part of a cultural exchange conducting youth running clinics in Alexandria and Cairo. I can't wait to see the pictures and hear about their adventure. We will share some of their stories on our Facebook page and in our next newsletter.

As this is my first front page commentary, I thought I would begin with a little of my background for those of you I have not yet had the pleasure to meet personally and those who don't know me as well as I would like. 😉

I have worked with Bud and the team at RWA for over five years. I am a licensed Colorado attorney, graduated from the University of Denver Strum College of Law and admitted to the Colorado Bar in 2002. The first part of my post law school career was spent at USA Hockey in their Marketing department. After 10 years, I left to work for a local church assisting with their expansion efforts. During that tenure, Bud and I were introduced. I was hired as his Chief Operating Officer to oversee operations, marketing, compliance, HR and assist with financial planning and our investment portfolios. It has been an amazing, though challenging, five years and I am truly excited for the future of our firm, our team and getting to know each of you better.

Before Bud left for his trip, he and Lisa met with an estate attorney to update their wills, power of attorney and business documents. This is something we recommend all of our clients update on a regular basis, however it generally takes a life event such as a trip to Egypt or an unexpected "surprise" third child, as was the case for my husband, Rob, and me. As an attorney, I knew I needed an estate plan. Bud, a financial advisor, also knew he needed an estate plan. So why then, did it take these life events for us to get our affairs in order? I think it is because no one likes to talk about life after we are no longer a part of it. It's certainly not as much fun to talk about your last wishes as it is to plan your vacation or retirement. We all know we need to prepare an estate plan and make sure we have adequate life insurance, but we want to pretend we always have "tomorrow" to get it done.

Recently, while driving to work, I was hit by a reckless driver. In the blink of an eye my car was totaled. I am so incredibly blessed that I was able to walk (well, limp) away from the accident and was given the gift of being able to hug my three kids and my husband again. This was a huge reminder to me that we are never guaranteed another tomorrow. The process of analyzing your life insurance, working with an attorney to create an estate plan and working with us on your financial plan is not an easy one and it is not necessarily what anyone would call a "good time". It is, however, extremely important and something we would strongly encourage all of you to make a priority. You are working so hard to care for your loved ones today — be sure to set aside a few hours for estate planning to ensure they are also taken care of when you are no longer here.

In addition to portfolio management, one of the services our team offers is financial planning. Included in that financial plan is an insurance and estate plan review. We would love to help you talk through the choices you need to make and help navigate a relationship with an estate attorney. I told Bud last week as he was reluctantly working on his estate plan, "It's not like washing your car." Working on your estate plan "is not going to make it rain" — but it will ensure that when it does rain, your family and those you love are cared for in the way you desire.

I wish my first commentary was something a bit more uplifting — perhaps a recap of our summer Lunch & Learn Series or a discussion of how we can use charitable giving to help reduce your tax liability or RMD — but alas, this is a topic that needs to be discussed and I am blessed and honored to be able to have the conversation with you. There is no additional cost for us to walk through this with you, it is part of the holistic wealth management services we provide. If you have questions or would like us to review any of these topics with you, please give anyone on our team a call.

Have a wonderful and safe holiday season!

Mindy and the Team at RWA

6 STEPS TO PREPARE FOR MEDICARE

Erik Aspelin — CFP® Manager, Financial Planning
Adapted from www.letsmakeaplan.org, Marty Reid, CFP®

Medicare is a valuable source of health insurance for people 65 and older and making the transition from private health insurance involves some important decisions. These six steps can guide you through the process:

1. **ENROLL IN MEDICARE PART B.**
   Medicare's *Initial Enrollment Period* lasts for seven months, beginning three months *before* you turn age 65. Most people automatically qualify for Medicare Part A (Hospital insurance) if they or their spouse paid Medicare taxes while working for ten years or more. However, Part B (Medical insurance) is voluntary and requires enrollment. Although there are special enrollment periods, delayed enrollment may result in a late fee with increased premiums and a gap in your health coverage. You can either sign up online or visit your local Social Security office.

2. **CHOOSE YOUR MEDICARE PLAN.**
   Medicare includes two plan options:

   - Original Medicare (Parts A and B) provides coverage of Medicare-approved doctors, hospitals, and other services. If you want prescription drug coverage, you must also purchase Part D through a private insurance company and should do so during the Initial Enrollment Period to eliminate a possible late penalty. Costs and coverage vary from plan to plan. Make sure that your prescription drugs are covered by the plan selected.
   - Sold by private insurance companies, the *Medicare Advantage Plan* (Part C) provides coverage through traditional channels, such as the Preferred Provider Organization (PPO), and usually offers broader services than Original Medicare with vision, dental, and hearing coverage. Many plans also cover prescription drugs, which eliminates the need for Part D. The Medicare Advantage Plan does not require Medicare Supplement Insurance, but you must pay the Part B premium in addition to the plan's monthly premium.

   Compare the two plan options to determine which best fits your medical circumstances.

3. **SELECT YOUR MEDICARE SUPPLEMENT INSURANCE (MEDIGAP) POLICY.**
   Medigap policies are sold by private insurance companies and help cover expenses not covered by Medicare, such as co-payments, co-insurance, and deductibles. Medigap policies cover these costs partially or completely. In addition, Medigap policies pay Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up. Unlike Medicare, a Medigap policy may also cover medical expenses when you travel outside the U.S.

   Since coverage and costs vary, review your options carefully to determine what policy fits your financial resources and medical circumstances.

4. **PLAN FOR OUT-OF-POCKET EXPENSES.**
   A recent Consumer Expenditure Survey conducted by the U.S. Bureau of Labor Statistics estimates that a married couple will incur approximately $2,000 a year in out-of-pocket expenses while on Medicare. Examples of expenses not covered by Medicare include most dental care, eye exams related to prescribing glasses, dentures, and hearing aids.

   In addition to your insurance costs, make sure to include your out-of-pocket medical expenses as part of your retirement budget. Projections indicate that these expenses will increase 6.50 percent per year.

5. **REVIEW YOUR MEDICARE PLAN.**
   Review your "Annual Notice of Change" letter. You may find opportunities for additional savings and newly provided services. During the Open Enrollment Period (October 15 - December 7), you can change your Medicare health plan and prescription drug plan. If you have a Medicare Advantage Plan, you can even switch back to traditional Medicare coverage.

6. **COORDINATE YOUR LONG-TERM CARE COVERAGE.**
   Recognize that additional insurance is needed to provide custodial care. Review long-term care coverage to determine what type of policy is suitable for your financial position.

YEAR-END FINANCIAL CHECKLIST

Compiled and edited by Mindy Sutton, COO

https://www.schwab.com/resource-center/insights/content/year-end-financial-checklist; https://www.thebalance.com/year-end-financial-checklist-1289739

2019 will be here before we know it. The 4th quarter is a great time to make some year-end financial choices that will greatly benefit you come tax season as well as in your retirement plan.

— BY YEAR-END 2018 —

- ❑ ***Family Report Card***:

  Sit down as a family and assess your current financial situation and review the past year. Did you meet your financial goals? Did you pay off the debts that you hoped to? Did you keep within your budget? Answer these questions thoroughly and honestly with your spouse and family. If there are some areas that need improving, commit to making those changes now, no need to wait for a New Year's resolution.

- ❑ ***Take required minimum distributions (RMDs)***:

  If you're 70½ or older, you're required by the IRS to take RMDs from certain retirement accounts by December 31—or face a penalty equal to 50% of the sum you failed to withdraw. If you turned 70½ this year, you have until April 1, 2019, to take your first RMD, albeit with potential consequences. It is also possible to use your RMD to fund charitable contributions; doing so directly from your IRA will exclude the RMD amount from your gross income.

- ❑ ***Reduce capital gains taxes***:

  Any capital losses you realize before December 31 can be used to offset your gains. If your net losses exceed your gains, you can offset an additional $3,000 of ordinary income; any losses beyond that limit can be carried forward to future tax years. We manage these losses for you throughout the year but will be doing another account-wide tax loss harvesting starting in November.

- ❑ ***Contribute the Maximum Amount to Your 401K***:

  These employee contributions must be paid prior to December 31, 2018. You are able to contribute $18,500 as an employee and an additional $6,000 as an employee if you are age 50 or over. These contributions are made pre-tax and thereby lower your taxable gross income.

- ❑ ***Fund Health Savings Account (HSA)***:

  For 2018, those in high-deductible health-insurance plans can sock away as much as $3,450 before taxes. For families, the figure is $6,900, and those age 55 and older can contribute an additional $1,000.

- ❑ **Spend flex dollars (FSA):**

  Unused funds in Flexible Spending Accounts are typically forfeited at year's end, so make sure to tap them for eligible health and medical expenses by December 31. That said, some plans don't follow the calendar year, so check with your employer to confirm your plan's deadlines.

- ❑ ***Contribute to a 529***:

  Such contributions must be made before the end of the year in order to take advantage of any state-income-tax benefits or to be eligible for the federal gift-tax exclusion. Federal law allows contributions to 529 plans to be used for primary education expense, but note, the states do not have to individually allow tax deducted contributions to be used for this purpose. Colorado has not yet ruled on how it will apply this legislation. Each state is different so please give us a call or check with your CPA.

— BY SPRING 2019 —

- ❑ ***Take first RMD***:

  If you turned 70½ this year and decide to delay your first RMD, you have until April 1, 2019, to take it without penalty. Note that deferring your first RMD to the following year will mean taking two distributions in the second year, which could bump you into a higher tax bracket.

- ❑ ***File taxes***:

  Tax Day falls on April 15 in 2019. Even if you're applying for an extension, you still must pay any taxes due by this date.

- ❑ ***Fund Individual Retirement Account (IRA)***:

  You also have until April 15, 2019, to max out your IRA for the 2018 tax year ($5,500, or $6,500 if you're age 50 or older). Note that even if you plan to file an extension, your IRA contributions must be made before the actual tax deadline, not your extension deadline.

(Continued on page 4)

(Year-end Financial Checklist — continued from page 3)

— ANNUALLY —

- ❑ ***Revisit tax withholding***:
  Changes in dependents, income and marital status can all affect your tax bill. Use the IRS's withholding calculator to ensure you're withholding enough—but not too much. (https://apps.irs.gov/app/withholdingcalculator/).

- ❑ ***Confirm beneficiary designations***:
  Make sure your current designations are still in line with your estate plan. Remember that the beneficiaries designated on your IRA or 401k (or other qualified retirement accounts) will supersede your estate plan so make sure they match.

- ❑ ***Request credit reports***:
  With data breaches and identity theft on the rise, it's increasingly important to stay on top of fraudulent activity. Thanks to the Fair Credit Reporting Act, each of the national credit-reporting agencies is required to provide you with a free copy of your credit report, upon request, once every 12 months. Get yours at annualcreditreport.com.

- ❑ ***Happy Retirees Spend 5 Hours or More on Financial Planning***:
  The happiest retirees spend at least five hours per year (and usually more) planning for retirement. If you have not had us create a financial plan, please give us a call, there is no additional fee for us to create a financial plan for our existing clients. If you have a financial plan but have not revisited it in 6-months or have some life-changing events, please give us a call.

"As Rainsberger Wealth Advisors continues to grow and expand in the services we offer, we would value the opportunity to assist your family members and friends in achieving their future financial goals. If you know someone who could benefit from our services and expertise, we would appreciate a personal introduction to learn more about their needs.

As a reminder, if you have had any recent life changes or events, please reach out to someone on our team so we can assure the services we are providing you are as up to date as possible. Thank you for your continued support and trust in our firm."

– Bud Rainsberger and the RWA Team –

MARKET REVIEW
3rd Quarter 2018

INDEX/ETF Proxy	Q3/18	YTD
S&P 500 (VOO)	7.51%	10.36%
Russell 2000 (IWM)	3.57%	11.51%
FTSE Developed Mkts (EAFE) VEA	1.23%	- 1.63%
FTSE Emerging Mkts (VWO)	1.72%	- 8.91%
Barclays US Aggregate Bond (AGG)	- 0.08%	- 1.73%

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