



Duncklee & Nott

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Happy New Year!

As the holiday season wraps up, we hope everyone enjoyed the time spent with family and friends that comes with this time of year.

The new year is often a time of setting goals and planning for what we can do to make our lives better. We're happy to be part of the process with you. Let us know if you want to talk about setting financial goals or if you are planning any major changes in the coming year.

Enjoy this month's articles!

Ken, Megan, Sharon, Angela, and Derek

January 2019 Financial Fitness

Key Retirement and Tax Numbers for 2019
Alzheimer's Disease Myths and Facts Quiz
Women: Are you planning for retirement with one hand tied behind your back?
Can a flexible work schedule help you stay in the workforce after having children?

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INVESTMENT & RETIREMENT PLANNING

Financial Fitness

Duncklee & Nott Monthly Newsletter

What Happened to Your Money?



If you don't know what happened to your money during the past year, it's time to find out. December and January are the perfect months to look back at what you earned, saved, and spent, as W-2s, account

statements, and other year-end financial summaries roll in.

How much have you saved?

If you resolved last year to save more or you set a specific financial goal (for example, saving 15% of your income for retirement), did you accomplish your objective? Start by taking a look at your account balances. How much did you save for college or retirement? Were you able to increase your emergency fund? If you were saving for a large purchase, did you save as much as you expected?

How did your investments perform?

Review any investment statements you've received. How have your investments performed in comparison to general market conditions, against industry benchmarks, and in relationship to your expectations and needs? Do you need to make any adjustments based on your own circumstances, your tolerance for risk, or because of market conditions?

Did you reduce debt?

Tracking your spending is just as important as tracking your savings, but it's hard to do when you're caught up in an endless cycle of paying down your debt and then borrowing more money. Fortunately, end-of-year mortgage statements, credit card statements, and vehicle financing statements will all spell out the amount of debt you still owe and how much you've really been able to pay off. You may even find that you're making more progress than you think. Keep these paper or online statements so you have an easy way to track your progress next year.

Where did your employment taxes go?

If you're covered by Social Security, the W-2 you receive from your employer by the end of January will show how much you paid into the Social Security system via payroll (FICA) taxes collected. If you're self-employed, you report and pay these taxes (called self-employment taxes) yourself. FICA taxes help fund future Social Security benefits, including retirement, disability, and survivor benefits, but many people have no idea what they can expect to receive from Social Security in the future.

This year, get in the habit of checking your Social Security Statement annually to find out how much you've been contributing to the Social Security system and what future benefits you might expect, based on current law. To access your Statement, sign up for a *my* Social Security account at the Social Security Administration website, [socialsecurity.gov](https://www.socialsecurity.gov).

Did your finances improve?

Once you've reviewed your account balances and financial statements, your next step is to look at your whole financial picture. Taking into account your income, your savings and investments, and your debt load, did your finances improve over the course of the year? If not, why not?

Next, it's time to think about the changes you would like to make for next year. Start by considering the following questions:

- What are your greatest financial concerns?
- Do you need help or advice in certain areas?
- Are your financial goals the same as they were last year?
- Do you need to revise your budget now that you've reviewed what you've earned, saved, and spent?

Use what you've learned about your finances to set your course for the new year ahead. Challenge yourself to save more and spend less so that you can make steady financial progress.

Key Retirement and Tax Numbers for 2019



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2019.

Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$19,000 in compensation in 2019 (up from \$18,500 in 2018); employees age 50 and older can defer up to an additional \$6,000 in 2019 (the same as in 2018).
- Employees participating in a SIMPLE retirement plan can defer up to \$13,000 in 2019 (up from \$12,500 in 2018), and employees age 50 and older can defer up to an additional \$3,000 in 2019 (the same as in 2018).

IRAs

The combined annual limit on contributions to traditional and Roth IRAs increased to \$6,000 in 2019 (up from \$5,500 in 2018), with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2018	2019
Single/head of household (HOH)	\$63,000 - \$73,000	\$64,000 - \$74,000
Married filing jointly (MFJ)	\$101,000 - \$121,000	\$103,000 - \$123,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2019 phaseout range is \$193,000 - \$203,000 (up from \$189,000 - \$199,000 in 2018) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals to make contributions to a Roth IRA are:

	2018	2019
Single/HOH	\$120,000 - \$135,000	\$122,000 - \$137,000
MFJ	\$189,000 - \$199,000	\$193,000 - \$203,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion for 2019 is \$15,000, the same as in 2018.
- The gift and estate tax basic exclusion amount for 2019 is \$11,400,000, up from \$11,180,000 in 2018.

Kiddie tax

Under the kiddie tax rules, unearned income above \$2,200 in 2019 (up from \$2,100 in 2018) is taxed using the trust and estate income tax brackets. The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support.

Standard deduction

	2018	2019
Single	\$12,000	\$12,200
HOH	\$18,000	\$18,350
MFJ	\$24,000	\$24,400
MFS	\$12,000	\$12,200

Note: The additional standard deduction amount for the blind or aged (age 65 or older) in 2019 is \$1,650 (up from \$1,600 in 2018) for single/HOH or \$1,300 (the same as in 2018) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

Alternative minimum tax (AMT)

	2018	2019
Maximum AMT exemption amount		
Single/HOH	\$70,300	\$71,700
MFJ	\$109,400	\$111,700
MFS	\$54,700	\$55,850
Exemption phaseout threshold		
Single/HOH	\$500,000	\$510,300
MFJ	\$1,000,000	\$1,020,600
MFS	\$500,000	\$510,300
26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount		
MFS	\$95,550	\$97,400
All others	\$191,100	\$194,800
*Alternative minimum taxable income		

Alzheimer's Disease Myths and Facts Quiz



Additional facts

According to the [Alzheimer's Association](http://www.alz.org) (www.alz.org):

5.7 million Americans are living with Alzheimer's disease.

Between 2000 and 2015, deaths from heart disease have decreased 11% while deaths from Alzheimer's disease have increased 123%.

One in three people dies with Alzheimer's disease or another dementia.

Over 18 billion hours of care, valued at more than \$232 billion, are provided by family and other unpaid caregivers.

People with Alzheimer's disease or other dementias have twice as many hospital stays per year as other older people, and almost two-thirds of Americans with Alzheimer's disease are women.

The probability of needing long-term care is growing. According to the U.S. Department of Health and Human Services, Americans turning age 65 today have nearly a 70% chance of needing some type of long-term care services in their remaining years.¹ There are many reasons why you may need long-term care, but one of the growing causes includes forms of dementia, particularly Alzheimer's disease.

While estimates vary, experts suggest that more than 5.7 million Americans may have Alzheimer's.² Alzheimer's disease is currently ranked as the sixth leading cause of death in the United States, but recent estimates indicate that the disorder may rank third, just behind heart disease and cancer.²

Here's a short quiz that may help you understand more about dementia and Alzheimer's disease and the need to plan for their potential onset.

Quiz

1. True or False: There is a way to prevent Alzheimer's disease.

- a. True
- b. False

2. Which statement is true?

- a. Alzheimer's disease affects only people in their 60s and older
- b. Alzheimer's disease is always hereditary
- c. Currently, there is no cure for Alzheimer's disease

3. What is the greatest risk factor for Alzheimer's disease?

- a. Increased age
- b. Gender
- c. Genetics

4. What is often one of the first signs of Alzheimer's disease?

- a. Skin rash
- b. Difficulty walking
- c. Difficulty finding the right words

5. When or how can Alzheimer's disease be diagnosed with certainty?

- a. Through blood tests
- b. Only after death
- c. Through an MRI

6. True or False: Some medications can be used to treat symptoms of Alzheimer's disease.

- a. True

- b. False

7. What is the approximate lifetime cost of care for an individual with dementia in 2018?

- a. \$145,000
- b. \$879,000
- c. \$342,000

8. According to latest figures, approximately how many Americans provide unpaid care for people with Alzheimer's disease?

- a. 1 million
- b. 16 million
- c. 5 million

9. Which statement is true about communicating with someone who has dementia or Alzheimer's disease?

- a. Avoid eye contact
- b. Interrupt the person and try to finish his or her sentences
- c. Offer simple instructions and allow ample time for a response

10. Examples of advance directives for health care include each of the following except?

- a. A living will
- b. A durable power of attorney for health care
- c. A deed

Plan now

Planning for long-term care and the possibility of dementia or Alzheimer's disease is important for you and your loved ones. What type of health care would you want if you weren't able to communicate your choices? Plan ahead to make sure you get the medical care you want.

¹ [U.S. Dept. of Health and Human Services](http://www.hhs.gov)

² [National Institute on Aging](http://www.nia.nih.gov)

Quiz answers

- 1. [b \(Alzheimer's Association\)](http://www.alz.org)
- 2. [c \(National Institute on Aging\)](http://www.nia.nih.gov)
- 3. [a \(National Institute on Aging\)](http://www.nia.nih.gov)
- 4. [c \(National Institute on Aging\)](http://www.nia.nih.gov)
- 5. [b \(National Institute on Aging\)](http://www.nia.nih.gov)
- 6. [a \(Alzheimer's Association\)](http://www.alz.org)
- 7. [c \(Alzheimer's Association\)](http://www.alz.org)
- 8. [b \(Alzheimer's Association\)](http://www.alz.org)
- 9. [c \(National Institute on Aging\)](http://www.nia.nih.gov)
- 10. [c \(National Institute on Aging\)](http://www.nia.nih.gov)

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Women: Are you planning for retirement with one hand tied behind your back?

Women can face unique challenges when planning for retirement. Let's take a look at three of them.

First, women frequently step out of the workforce in their 20s, 30s, or 40s to care for children — a time when their job might just be kicking into high (or higher) gear.

It's a noble cause, of course. But consider this: A long break from the workforce can result in several financial losses beyond the immediate loss of a salary.

In the near term, it can mean an interruption in saving for retirement and the loss of any employer match, the loss of other employee benefits like health or disability insurance, and the postponement of student loan payments. In the mid term, it may mean a stagnant salary down the road due to difficulties re-entering the workforce and/or a loss of promotion opportunities. And in the long term, it may mean potentially lower Social Security retirement benefits because your benefit is based on the number of years you've worked and the amount you've earned. (Generally, you

need about 10 years of work, or 40 credits, to qualify for your own Social Security retirement benefits.)

Second, women generally earn less over the course of their lifetimes. Sometimes this can be explained by family caregiving responsibilities, occupational segregation, educational attainment, or part-time schedules. But that's not the whole story. A stubborn gender pay gap has women earning, on average, about 82% of what men earn for comparable full-time jobs, although the gap has narrowed to 89% for women ages 25 to 34.¹ In any event, earning less over the course of one's lifetime often means lower overall savings, retirement plan balances, and Social Security benefits.

Third, statistically, women live longer than men.² This means women will generally need to stretch their retirement savings and benefits over a longer period of time.

1) Pew Research Center, The Narrowing, But Persistent, Gender Gap in Pay, April 2018

2) NCHS Data Brief, Number 293, December 2017



Can a flexible work schedule help you stay in the workforce after having children?

Yes, it just might be the key. Your job is the foundation for general financial security, including retirement. In

addition to providing you with a steady salary and valuable employee benefits, it typically brings with it the ability to save in a tax-advantaged employer-sponsored retirement plan like a 401(k), and if you're lucky, a pension. It also allows you to start qualifying for Social Security retirement benefits.

Women and men may start out on relatively equal financial footing in their 20s. But when children come along, women are much more likely to take time out of the workforce to care for them.¹ A common refrain is "my salary would just go to daycare costs anyway, so what's the point?" This is often true. But it's really not fair for one parent to assume sole responsibility for child-care costs; it is a *shared* financial responsibility that both parents should take on.

Many women want to keep at least one foot in the workforce after having children, not only for financial reasons but also for career mobility and personal fulfillment. If you'd like to keep

working but can't accommodate the traditional, 40-hour-per-week, in-office schedule, consider requesting a modified schedule if your job allows it. This could mean telecommuting from home one or more days per week, having a flexible work schedule (such as 11 a.m. to 7 p.m.), working part-time, or some combination thereof. In many cases, a flexible work arrangement can be the difference between staying in the workforce or having to leave it, so consider exploring this possibility before you exit prematurely.

Think about what your ideal work arrangement would be and request a meeting with your manager to discuss your well-thought-out proposal. This plan should include a trial period after which both sides can come back to the table and evaluate how things are working. Employers are increasingly recognizing that flexible schedules are key to having a diverse, gender-neutral workforce. In the end, asking for a flexible schedule might just allow you to keep that steady salary and continue saving for retirement.

1) U.S. Department of Labor Blog, Women and Retirement Savings, March 2017

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