



Duncklee & Nott

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Hi!

We hope everyone had a great Thanksgiving spent with friends and family. The holiday season is in full swing now, but it is also time to look back and make sure things are taken care of for year end. Have you fully taken advantage of your Roth IRA or 529 College Savings Plan funding? Have you made any moves (if necessary) to help with your income taxes? Do you need to finish up any year end charitable giving? Try to keep these questions in the back of your mind during this busy time of year.

From all of us to you, we wish you a very happy holiday season. Enjoy the festivities and time spent with loved ones!

Jim, Ken, Megan, Sharon, & Melanie

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Financial Fitness

Duncklee & Nott Monthly Newsletter

Playing Catch-Up with Your 401(k) or IRA



A recent survey of baby boomers (ages 53 to 69) found that just 24% were confident they would have enough money to last throughout retirement. Forty-five percent had no retirement savings at all, and of those who did

have savings, 42% had saved less than \$100,000.¹

Your own savings may be on more solid ground, but regardless of your current balance, it's smart to keep it growing. If you're 50 or older, you could benefit by making catch-up contributions to tax-advantaged retirement accounts. You might be surprised by how much your nest egg could grow late in your working career.

Contribution limits

The federal contribution limit in 2016 and 2017 for all IRAs combined is \$5,500, plus a \$1,000 catch-up contribution for those 50 and older, for a total of \$6,500. An extra \$1,000 might not seem like much, but it could make a big difference by the time you're ready to retire (see table). You have until the April 18, 2017, tax filing deadline to make IRA contributions for 2016. The sooner you contribute, the more time the funds will have to pursue potential growth.

The deferral limit in 2016 and 2017 for employer-sponsored retirement plans such as 401(k), 403(b), and most 457(b) plans is \$18,000, plus a \$6,000 catch-up contribution for workers 50 and older, for a total of \$24,000. However, some employer-sponsored plans may have maximums that are lower than the federal contribution limit. Unlike the case with IRAs, contributions to employer-sponsored plans must be made by the end of the calendar year, so be sure to adjust your contributions early enough in the year to take full advantage of the catch-up opportunity.

The following table shows the amount that a 50-year-old might accrue by age 65 or 70, based on making maximum annual contributions (at current rates) to an IRA or a 401(k) plan:

Potential Savings a 50-Year-Old Could Accumulate		Without Catch-Up	With Catch-Up
IRA	By Age 65	\$128,018	\$151,294
	By Age 70	\$202,321	\$239,106
401(k)	By Age 65	\$418,697	\$558,623
	By Age 70	\$662,141	\$882,854

Example assumes a 6% average annual return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. It assumes contributions are made at end of the calendar year. Rates of return vary over time, particularly for long-term investments. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary.

Special 403(b) and 457(b) plan rules

403(b) and 457(b) plans can (but aren't required to) provide their own special catch-up opportunities. The 403(b) special rule, available to participants with at least 15 years of service, may permit an additional \$3,000 annual deferral for up to five years (certain additional limits apply). A participant can use this special rule and the age 50 catch-up rule in the same year. Therefore, a participant eligible for both could contribute up to \$27,000 to his or her 403(b) plan account (the \$18,000 regular deferral limit, plus the \$3,000 special catch-up, plus the \$6,000 age 50 catch-up).

The 457(b) plan special rule allows participants who have not deferred the maximum amount in prior years to contribute up to twice the normal deferral limit (that is, up to \$36,000 in 2016 and 2017) in the three years prior to reaching the plan's normal retirement age. (However, these additional catch-up contributions can't exceed the total of the prior years' unused deferrals.) 457(b) participants who elect to use this special catch-up rule cannot also use the age 50 catch-up rule in the same year.

¹ "Boomer Expectations for Retirement 2016," Insured Retirement Institute.

The Giving Season: Six Tips for Making Smart and Effective Charitable Donations This Holiday Season



Many charitable organizations allow you to donate online, by text, or through social networking sites.

The following organizations and agencies publish reports and charity ratings, and/or give useful tips and information to consumers on how to donate and choose a charity:

- Better Business Bureau's BBB Wise Giving Alliance, bbb.org
- Charity Navigator, charitynavigator.org
- CharityWatch, charitywatch.org
- Federal Trade Commission, ftc.gov

The holidays are a popular time for charitable donations. With so many charities to choose from, it's more important than ever to ensure that your donation is well spent. Here are six tips that can help you make smart and effective charitable donations.

1. Choose your charities wisely

Choosing worthy organizations that support the causes you care about can be tricky, but it doesn't have to be time-consuming. There are several well-known organizations that rate and review charities, as well as provide useful tips and information on how to donate and choose a charity (see sidebar). To get started, here are some things to consider:

- *How the charity plans to use your gift.* Contact the charity by phone or go online to find information about the charity's mission, accomplishments, financial status, and future growth.
- *How much the charity spends on administrative costs.* If a charity has higher-than-average administrative costs, it may be spending less on programs and services than it should. This could also be a sign that the charity is in serious financial trouble. In addition, if a charity uses for-profit telemarketers, then it may get very little of the money it raises, so ask how much of your donation the charity will actually receive.
- *The legitimacy of the charity.* Take the time to check out the charity before you donate. Ask for identification when approached by a solicitor, and never give out your Social Security number, credit-card number, bank account number, account password, or personal information over the phone or in response to an email you didn't initiate.
- *How much you can afford to give to the charity.* Stick to your giving goals and only give what you can afford. Legitimate fundraisers will not try to pressure you and will be happy to send information that can help you make an informed decision regarding your donation.

2. Maximize your donation through a matching gift

If your employer offers a program that matches charitable gifts made by employees, you can maximize your charitable donations. Some matching gift programs may have specific guidelines — for example, they may only match a gift up to a certain dollar limit, and the charity may need to provide additional information.

3. Make automatic donations

If you're looking for an easy way to donate regularly to a favorite charity, consider making automatic donations from a financial account. Automatic donations can benefit charities by potentially lowering fundraising costs and by establishing a foundation of regular donors. You'll also benefit, since spreading your donations throughout the year may enable you to give more and simplify your record keeping.

4. Look for alternatives to cash donations

Although cash donations are always welcome, charities also encourage other types of gifts. For example, if you meet certain requirements, you may be able to give stock, direct gifts from your IRA, real estate, or personal property. Keep in mind that you'll want to check with your financial professional to assess potential income and estate tax consequences based on your individual circumstances. Other alternatives to cash donations include volunteering your time and using your talents to improve the lives of others in your community.

5. Consider estate planning strategies when gifting

Another option is to utilize estate planning to make a charitable gift. For example, you might leave a bequest in your will; give life insurance; or use a charitable gift annuity, charitable remainder annuity trust, or charitable unitrust that may help you give away the asset now, while retaining a lifetime interest. Check with your financial or tax professional regarding any potential estate or tax benefits or consequences before making this type of gift.

6. Remember the importance of record keeping

If you itemize when you file your taxes, you can deduct donations you've made to a tax-qualified charity — however, you must provide proper documentation of your donation to the IRS. Keep copies of cancelled checks, bank statements, credit-card statements, or receipts showing the charity's name, date of your donation, and contribution amount. For donations or contributions of \$250 or more, you'll need a detailed written acknowledgment from the charity. For more information and a list of specific record-keeping requirements, see IRS Publication 526, Charitable Contributions.



¹ **U.S. Preventive Services Task Force, Cognitive Impairment in Older Adults: Screening, March 2014**

² **The Healthy Brain Initiative: The Public Health Road Map for State and National Partnerships, 2013-2018: Chicago, IL: Alzheimer's Association; 2013**

³ **Alzheimer's Association, alz.org**

⁴ **U.S. Department of Health and Human Services (most recent government data available), longtermcare.gov**

⁵ **U.S. Department of Health and Human Services (most recent government data available), longtermcare.gov**

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the long-term care policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

Don't Forget to Include Memory Loss When Planning for Retirement

When planning for retirement, an important factor that is often overlooked is the potential for declining cognitive skills associated with aging. Cognitive impairment (CI), often attributable to dementia or Alzheimer's disease, can have profound implications for your overall health and well-being, particularly during retirement. The cost of care can absorb income and significantly deplete retirement savings. It can also deprive you of the ability to effectively manage your financial affairs.

Cognitive impairment — a growing concern

The possibility of suffering from some form of cognitive impairment later in life is real. Dementia affects approximately 2.4 to 5.5 million Americans. Its prevalence increases with age: 5% in persons ages 71 to 79, 24% in those ages 80 to 89, and 37% in those 90 and older.¹ One in eight adults age 60 and older (12.7%) experiences confusion or memory loss that is happening more often or getting worse. Unfortunately, among these individuals, only 19.3% discuss these changes with a health-care provider. Additionally, 34.5% of those affected by CI live alone.²

Financial impact of the cost of care

Dementia, including Alzheimer's, is the most costly disease in the United States and is set to increase like no other. In 2016, Alzheimer's and other forms of dementia will cost the United States an estimated \$236 billion. By 2050, this number is expected to grow to more than \$1.2 trillion. Among all nursing home residents, more than 64% have been diagnosed with Alzheimer's or another dementia. Alzheimer's is the sixth highest cause of death in the United States.³

Unfortunately, those suffering from advanced stages of cognitive impairment often require long-term care. The cost of care can quickly deplete your retirement savings and affect the quality of life for you and your family, leaving little or no income or savings. Average costs of long-term care include the following:⁴

- \$6,235 per month, or \$74,820 per year, for a semi-private room in a nursing home
- \$6,965 per month, or \$83,580 per year, for a private room in a nursing home
- \$3,293 per month for a one-bedroom unit in an assisted living facility
- \$21 per hour for a home health aide
- \$19 per hour for homemaker services
- \$67 per day, or roughly \$2,010 per month, for services in an adult day health-care center

The cost of long-term care depends on the type and duration of care you need, the health-care provider you use, and where you live. While one-third of 65-year-olds may never need long-term care, 20% will need it for more than five years.⁵

Loss of ability to manage finances

Your financial plan should consider not only the potential cost of care if you or your spouse suffer from cognitive impairment, but also determine who will make financial decisions about your care.

Even if you suffer from mild cognitive impairment (MCI), you may find it more difficult to manage investments or a household budget. If you are the primary money manager and experience declining cognitive skills, your spouse could be left financially vulnerable.

Make it part of your plan

A comprehensive financial and legal plan is important. It is helpful to prepare as early as possible. Some families use the services of an elder law attorney.

There may come a time when you can no longer make decisions for yourself, including financial and health-care decisions. This can create a hardship for a caregiver trying to conduct financial transactions and make medical decisions. Several types of legal documents can be written before they are needed to help you and family members through this difficult time. These documents include, but are not limited to, an advance medical directive, a medical power of attorney or health-care proxy, and a durable power of attorney, which allows a representative or agent to make financial decisions and transactions on your behalf, should you become unable to do so.

There are generally three ways to pay for long-term care expenses: use your own income and savings, share the cost of care through some form of private insurance, and/or seek the assistance of state or federal government programs, such as Medicare and Medicaid. The choices you make will likely depend on several factors, including your financial and family situation, your age, and your state of residence. In any case, it's wise to consider the ramifications of cognitive impairment when planning for retirement.

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What should I know before doing my holiday shopping online?

In order to skip the lines and traffic, many people opt to shop online for gifts during the holiday season. Unfortunately, hackers often target online shoppers to steal their personal information. Before you click, you might consider these tips for a safer online shopping experience.

Research websites before you shop. When shopping online, make sure you navigate only to reputable sites. You can research sites before you shop by reading reviews from previous customers.

Choose passwords carefully. Create a strong password if you order through an online account, and use different passwords when you shop on various websites. Follow password guidelines such as using a combination of letters, numbers, and capital letters or random phrases.

Be careful how you connect. Look for *https://* in the URL and not just *http://*, since the "s" indicates a secure connection. Avoid public Wi-Fi networks when shopping online, as they often lack secure connections.

Search with purpose. Typing one word into a search engine to reach a particular website is easy, but it sometimes isn't enough to reach the site you are actually looking for. Scam websites may contain URLs that look like misspelled brand or store names to trick online shoppers. You can also use a specialty search engine (e.g., one designed for clothing retailers or toy manufacturers) for optimal search results that will lead you to a reputable site.

Pay by credit card. Credit-card payments can be withheld if there is a dispute, but debit cards are typically debited quickly. Credit cards generally have better protection than debit cards against fraudulent charges.

Watch out for phishing and package delivery emails. Beware of emails containing links or asking for personal information. Legitimate shopping websites will never email you and randomly ask for your personal information. In addition, be aware of fake emails disguised as package delivery emails. Make sure that all delivery emails are from reputable delivery companies you recognize.



What do you need to know about chip-card technology?

When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card technology grows, the answer to that question is less clear. The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

How does it work? Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

Why does it take longer to check out? The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an

identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

Why aren't some terminals working yet? You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

How much longer will I have to carry a physical card? The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.

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