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Hello Everyone,

Summer has arrived and so has the heat!

We hope your summer takes you on some wonderful vacations to spend time with family and friends. We will continue to stay current and monitor the economic landscape.

If you should have any questions or life changing events, please call to speak with Matt or myself.

Dan, Matt, Bob & Dina

A day without sunshine is like, you know, night.

~Steve Martin

Summer 2017

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The Cost of a Wedding

Congratulations, you're getting married! While you're looking forward to the big day, chances are you're overwhelmed with all the planning you have to do...and how you can possibly afford the wedding of your dreams. After all, your wedding will probably be the priciest party you will have in your lifetime. According to a study conducted by The Knot, the national average price of a wedding in 2016 was $35,329, an increase of $2,688 from 2015.[1]

By following some basic budgeting, saving, and planning guidelines, you can estimate what your wedding will cost.

Figure out who's paying for the wedding

One of the first things you should do is have a discussion with your future spouse about how you will foot the bill for the wedding. Be honest about your expectations and agree on an amount you both feel comfortable spending.

If your families have expressed a desire to help cover the cost, talk to them next. Ask them exactly how (and what) they would like to contribute. One family might decide to give a set dollar amount, whereas another may commit to paying for a particular expense, such as the ceremony or the reception. Regardless of how your families may help, you should leave the conversation with a better idea of how much you and your partner will need to contribute toward wedding expenses.

Establish your budget

When you consider the venue, wedding dress, invitations, catering, cake, DJ or band, photographer, flowers, and more, it's no wonder that weddings are so expensive. This is why it's important to break down your budget at the outset of your planning to help make sure you don't break the bank.

The first step in establishing your budget should be to write down a list of priorities. For example, if you and your future spouse want to provide your wedding guests with a spectacular culinary experience, you will need to allot more money for food. Or perhaps you both want to have a more modest celebration and put most of your money toward a grand honeymoon. Your personal taste and how much you're willing to spend overall will help you figure out how much you need to save and what you want to splurge on. Search online for useful tools and calculators to help stay on track with your budget.

Start saving

The sooner you start setting money aside specifically for your wedding, the better off you'll be. Set a goal and reserve a percentage of your monthly income to help you reach it. In addition, put an extra 10% aside in the event that costs are higher than expected.

In addition to stashing cash, stay in line with your budget by looking for hidden costs and being frugal. Expenses that may seem minor but add up over time include stamps for invitations and RSVP cards, favors, tips/gratuities, and marriage license fees, among others. If you find yourself spending too much in one area, make cuts in another. Trim down the guest list, choose flowers that are in season or grown locally, scale down your centerpieces, or opt for a lower- or no-cost venue, such as a park or family member's backyard. Use creativity and sensibility to see how much you can save.

Consider wedding insurance

Remember that bit about emergency funds? Depending on when and where your wedding will take place, that cash may come in handy. But even with careful planning, it's still possible that unforeseen circumstances could complicate your plans. Fortunately, wedding insurance coverage may be available. Coverage options and limitations vary, so you'll need to read the fine print carefully before you purchase a policy. Contact an insurance agent and each of your vendors to learn more about your options. You may find it's worth the peace of mind for your walk down the aisle.

[1] The Knot 2016 Real Weddings Study, February 2, 2017, theknot.com

Future of the Federal Estate Tax

The federal estate tax has been enacted or repealed a number of times over the years, while undergoing many changes. Tax reform, including possible repeal of the estate tax, is back in the spotlight once again.

[1] ***2015 Field Guide to Estate Planning, Business Planning & Employee Benefits***

While no one can predict the future, the possibility of tax reform is once again in the spotlight. If it occurs, it may very well include repeal of the federal estate tax and related changes to the federal gift tax, the federal generation-skipping transfer (GST) tax, and the federal income tax basis rules.

History of the federal estate tax

In general, an estate tax is a tax on property a person owns at death. In one form or another, a federal estate tax has been enacted or repealed a number of times since 1797.[1]

Estate tax enacted	Estate tax repealed
1797	1802
1862	1872
1894	1902
1916	2010*
2011*	

**For 2010, the estate tax was repealed, but later retroactive legislation provided that an estate could elect to be subject to estate tax in return for a stepped-up (or stepped-down) income tax basis for most property. The estate tax was extended in 2011, with some changes.*

The estate tax has undergone many changes over the years, including the addition of a federal gift tax and a federal GST tax during modern times. A gift tax is a tax on gifts a person makes while alive. A GST tax is a tax on transfers to persons who are two or more generations younger than the transferor. In recent years, property owned at death has generally received an income tax basis stepped up (or down) to fair market value at death.

During the 2000s, the estate, gift, and GST tax rates were substantially reduced, and the gift and estate tax lifetime exclusion and the GST tax exemption were substantially increased. The estate tax and the GST tax, but not the gift tax, were scheduled for repeal in 2010 (although certain sunset provisions would bring them back unless Congress acted), but legislation extended the estate tax and the GST tax in 2011. (For 2010, the estate tax ended up being optional and the GST tax rate was 0%.) The gift and estate tax lifetime exclusion and the GST tax exemption were increased to $5,000,000 and indexed for inflation in later years. For 2013, the top estate, gift, and GST tax rate was increased to 40%, and the extension and modifications were made "permanent."

2017 Estate Planning Key Numbers	
Annual gift tax exclusion	$14,000
Gift tax and estate tax basic exclusion amount	$5,490,000
Noncitizen spouse annual gift tax exclusion	$149,000
Generation-skipping transfer (GST) tax exemption	$5,490,000
Top gift, estate, and GST tax rate	40%

Federal estate tax

Repeal of the estate tax seems possible once again. If repeal occurs, it could be immediate or gradual as during the 2000s. Would it be subject to a sunset provision, so that the estate tax would return at a later time? All of this may depend on congressional rules on the legislative process, other legislative priorities, and the effect the legislation would have on the budget and the national debt.

Federal gift tax

If the estate tax is repealed, the gift tax may also be repealed. However, it is possible that the gift tax would be retained as a backstop to the income tax (as in 2010). To some extent, the gift tax reduces the ability of individuals to transfer property back and forth in order to reduce or avoid income taxes.

Federal GST tax

If the estate tax is repealed, the GST tax would probably be repealed (as in 2010). If the gift tax is not repealed, it is possible that the lifetime GST tax provisions would be retained, but the GST tax provisions at death repealed.

Federal income tax basis

If the estate tax is repealed, it is possible that the general income tax basis step-up (or step-down) to fair market value at death would be changed to a carryover basis (i.e., the decedent's basis before death carries over to the person who inherits the property). In 2010, a modified carryover basis (a limited amount of property could receive a stepped-up basis) applied unless the estate elected to be subject to estate tax. It is also possible that a Canadian-style capital gain tax at death could be adopted in return for a stepped-up basis for the property.

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The Health-Wealth Connection

"Always keep two things in stock: crunchy vegetables and an emergency savings account."

Michael F. Roizen, MD, and Jean Chatzky, personal finance commentator

Authors of Ageproof: Living Longer Without Running Out of Money or Breaking a Hip

It's a vicious cycle: Money is one of the greatest causes of stress, prolonged stress can lead to serious health issues, and health issues often result in yet more financial struggles.[1] The clear connection between health and wealth is why it's so important to develop and maintain lifelong plans to manage both.

The big picture

Consider the following statistics:

1. More than 20% of Americans say they have either considered skipping or skipped going to the doctor due to financial worries. (American Psychological Association, 2015)

2. More than half of retirees who retired earlier than planned did so because of their own health issues or to care for a family member. (Employee Benefit Research Institute, 2017)

3. Chronic diseases such as heart disease, type 2 diabetes, obesity, and arthritis are among the most common, costly, and *preventable* of all health problems. (Centers for Disease Control and Prevention, 2017)

4. Chronic conditions make you more likely to need long-term care, which can cost anywhere from $21 per hour for a home health aide to more than $6,000 a month for a nursing home. (Department of Health and Human Services, 2017)

5. A 65-year-old married couple on Medicare with median prescription drug costs would need about $265,000 to have a 90% chance of covering their medical expenses in retirement. (Employee Benefit Research Institute, 2017)

Develop a plan for long-term health ...

The recommendations for living a healthy lifestyle are fairly straightforward: eat right, exercise regularly, don't smoke or engage in other risky behaviors, limit soda and alcohol consumption, get enough sleep (at least seven hours for most adults), and manage stress. And before embarking on any new health-related endeavor, talk to your doctor, especially if you haven't received a physical exam within the past year. Your doctor will benchmark important information such as your current weight and risk factors for developing chronic disease. Come to the appointment prepared to share your family's medical history, be honest about your daily habits, and set goals with your doctor.

Other specific tips from the Department of Health and Human Services include:

Nutrition: Current nutritional guidelines call for eating a variety of vegetables and whole fruits; whole grains; low-fat dairy; a wide variety of protein sources including lean meats, fish, eggs, legumes, and nuts; and healthy oils. Some medical professionals are hailing the long-term benefits of the so-called "Mediterranean diet." Details for a basic healthy diet and the Mediterranean diet can be found at health.gov/dietaryguidelines.

Exercise: Any physical activity is better than none. Inactive adults can achieve some health benefits from as little as 60 minutes of moderate-intensity aerobic activity per week. However, the ideal target is at least 150 minutes of moderate-intensity or 75 minutes of high-intensity workouts per week. For more information, visit health.gov/paguidelines.

... and long-term wealth

The recommendations for living a financially healthy life aren't quite as straightforward because they depend so much on your individual circumstances. But there are a few basic principles to ponder:

Emergency savings: The amount you need can vary depending on whether you're single or married, self-employed or work for an organization (and if that organization is a risky startup or an established entity). Typical recommendations range from three months' to a year's worth of expenses.

Retirement savings: Personal finance commentator Jean Chatzky advocates striving to save 15% of your income toward retirement, including any employer contributions. If this seems like a lofty goal, bear in mind that as with exercise, any activity is better than none — setting aside even a few dollars per pay period can lead to good financial habits. Consider starting small and then increasing your contributions as your financial circumstances improve.

Insurance: Make sure you have adequate amounts of health and disability income insurance, and life insurance if others depend on your income. You might also consider long-term care coverage.[2]

Health savings accounts: These tax-advantaged accounts are designed to help those with high-deductible health plans set aside money specifically for medical expenses. If you have access to an HSA at work, consider the potential benefits of using it to help save for health expenses.

[1] American Psychological Association, February 4, 2015; The Telomere Effect: A Revolutionary Approach to Living Younger, Healthier, Longer, by Blackburn and Epel; and Ageproof: Living Longer Without Running Out of Money or Breaking a Hip, by Chatzky and Roizen

[2] The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. It should be noted that long-term care carriers have the discretion to raise their rates and remove their products from the marketplace.

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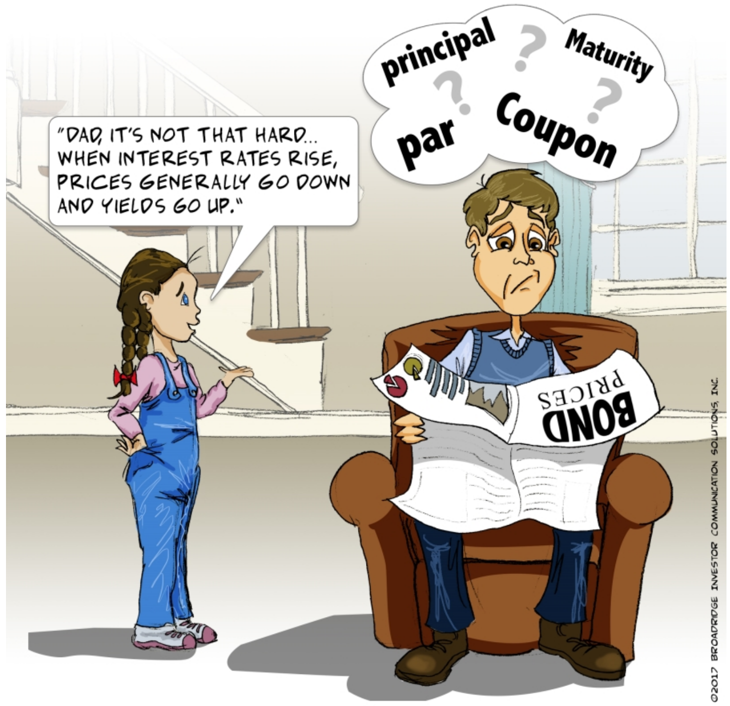

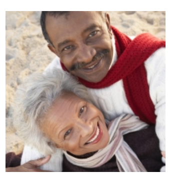

Here are some questions to ask yourself when deciding whether or not you are ready to retire.

Is your nest egg adequate?

It may be obvious, but the earlier you retire, the less time you'll have to save, and the more years you'll be living off your retirement savings. The average American can expect to live past age 78.* With future medical advances likely, it's not unreasonable to assume that life expectancy will continue to increase. Is your nest egg large enough to fund 20 or more years of retirement?

When will you begin receiving Social Security benefits?

You can receive Social Security retirement benefits as early as age 62. However, your benefit may be 25% to 30% less than if you waited until full retirement age (66 to 67, depending on the year you were born).

How will retirement affect your IRAs and employer retirement plans?

The longer you delay retirement, the longer you can build up tax-deferred funds in traditional IRAs and potentially tax-free funds in Roth IRAs. Remember that you need taxable compensation to contribute to an IRA.

You'll also have a longer period of time to contribute to employer-sponsored plans like 401(k)s — and to receive any employer match or other contributions. (If you retire early, you may forfeit any employer contributions in which you're not fully vested.)

Will you need health insurance?

Keep in mind that Medicare generally doesn't start until you're 65. Does your employer provide post-retirement medical benefits? Are you eligible for the coverage if you retire early? If not, you may have to look into COBRA or an individual policy from a private insurer or the health insurance marketplace — which could be an expensive proposition.

Is phasing into retirement right for you?

Retirement need not be an all-or-nothing affair. If you're not quite ready, financially or psychologically, for full retirement, consider downshifting from full-time to part-time employment. This will allow you to retain a source of income and remain active and productive.

* NCHS Data Brief, Number 267, December 2016

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