Investor Insights and Outlook

Volume 6, Issue 5

It's 2015: Do You Know Who Your Beneficiaries Are?

When was the last time you checked the beneficiary designations on your retirement plans? It's an important -- but often overlooked or forgotten -- aspect of wealth transfer.

Many investors have taken advantage of pretax contributions to their company's employer-sponsored retirement plan and/or make annual contributions to an IRA. If you participate in a qualified plan program you may be overlooking an important housekeeping issue: beneficiary designations.

An improper designation could make life difficult for your family in the event of your untimely death by putting assets out of reach of those you had hoped to provide for and possibly increasing their tax burdens. Further, if you have switched jobs, become a new parent, been divorced, or survived a spouse or even a child, your current beneficiary designations may need to be updated.

Consider the "What Ifs"

In the heat of divorce proceedings, for example, the task of revising one's beneficiary designations has been known to fall through the cracks. While a court decree that ends a marriage does terminate the provisions of a will that would otherwise leave estate proceeds to a now-former spouse, it does not automatically revise that former spouse's beneficiary status on separate documents such as employer-sponsored retirement accounts and IRAs.

Many IRA owners may not be aware that after their death, the primary beneficiary -- usually the surviving spouse -- may have the right to transfer part or all of the IRA assets into another account. Take the case of the IRA owner who has children from a previous marriage. If, after the owner's death, the surviving spouse moved those assets into his or her own IRA and named his or her biological children as beneficiaries,

Continued on Page 4

Inside this issue:

Retirement Confidence: It's All in the Plan	2
Tips for Retooling Your Portfolio	3
It's 2015: Do You Know Who Your Beneficiaries Are? (cont'd)	4

James D. Hallett, MSFP CFP AIFA
jim@hallettadvisors.us
360-457-6000

Hallett & Associates, P.S. is registered as an investment advisor with the SEC and only transacts business in states where it is properly registered or excluded from registration requirements.

Retirement Confidence: It's All in the Plan

Americans' confidence in the ability to afford a comfortable retirement continues to rebound from the lows reported between 2009 and 2013. The increasing optimism is coming largely from workers who indicate they and/or their spouse have a retirement plan, such as a defined contribution (401(k)-type) plan, defined benefit (pension) plan, or individual retirement account (IRA). This is one of the key takeaways from the 25th annual *Retirement Confidence Survey (RCS)* -- the longest-running survey of its kind, conducted by the nonpartisan Employee Benefit Research Institute (EBRI) and Greenwald & Associates.

According to the *2015 RCS*, among workers with access to some type of retirement plan, more than one in five (22%) are "very confident" they will have enough money to live comfortably in retirement, up from 13% in 2009 -- a time when devastating losses to retirement plan assets caused by the financial crisis of 2007-2008 crushed investor confidence. This year an additional 36% reported being "somewhat confident" in their ability to live comfortably in their later years, while 24% are "not at all confident" in their retirement prospects. This percentage has remained statistically the same for the past two years.

Paying the Bills

The data also showed that workers are becoming more confident in their perceived ability to pay for living expenses in retirement. For example, 37% of workers report being "very confident" that they will be able to pay for basic living expenses -- up from 29% in 2014. Similarly, a smaller but growing percentage of workers express confidence in their ability to meet medical expenses (18%) and long-term care expenses (14%) -- up from 12% and 9% respectively in 2011.

Retirement Plans Make the Difference

Among the total survey population about two-thirds are somewhat or very confident in the steps they are taking to prepare for retirement. Yet the story is quite different for workers without access to a retirement plan. Among this group, only 23% have done a retirement needs calculation and 64% say they have saved less than $1,000. By contrast, among those with access to a retirement plan, 35% have saved at least $100,000 compared with just 3% of those with no plan.

Delaying Retirement May Not Be an Option

Perhaps as a way to make up for their lack of planning, 16% of workers in the 2015 study say the age at which they plan to retire has changed and, among this group, 81% plan to retire later than originally expected. But, the researchers contend, this plan may fall flat for many. "Workers still expect to work longer to make up for any savings short falls," stated Craig Copeland, senior research associate at EBRI and coauthor of the study. "However, many retirees continue to report that they retired before they expected to due to an illness or disability, needing to care for others, or because of a change at their job. Consequently, relying on working longer is not a solid strategy for retirement preparedness."

These are just some of the findings in the latest Retirement Confidence Survey. To learn more or to see the study in its entirety, visit EBRI's website.

Source/Disclaimer:

Employee Benefit Research Institute and Greenwald & Associates, *2015 Retirement Confidence Survey*, April 21, 2015.

Tips for Retooling Your Portfolio

Like a closet that isn't reorganized from time to time, a portfolio that isn't reviewed regularly can leave you feeling like the pieces no longer fit. Last year, for example, stocks, as measured by the S&P 500 had annualized returns of 13.69%.[1] U.S. investment grade bonds gained 5.97%, while international stocks declined -4.49%.[1] Given this diverse composite of returns, a portfolio than began 2014 carefully allocated between stocks and bonds could now have shifted away from your intended asset allocation.[2]

Getting your portfolio back on track is critical because studies have confirmed that asset allocation is the single most important determinant of investment success.

Restoring Balance

Restoring your portfolio to its original (and intended) mix can be done in a number of ways: 1. Simply shift money from your over-allocated funds to other assets.. 2. Direct any new investment money into under-allocated assets. 3. Sell shares of an over-allocated asset to help restore balance.

Investment performance is just one factor that might prompt you to adjust your portfolio. When undertaking your "rebalancing act," ask yourself the following questions to determine whether your portfolio needs a nip and a tuck or, perhaps, a major overhaul:

Has my life situation changed significantly during the past year? A change in marital status, the birth of a child, the last child leaving home, retirement, purchase or sale of a home, or a job change all signal that your portfolio may need retooling.

Has the value of my home or business changed? A sudden appreciation or drop in value can leave you in the position of being over- or underexposed to one asset class.

Will my spending decrease in the near future? If mortgage or college tuition payments are winding down, this could be the ideal time to "pay yourself" by stepping up investments.

When was the last time I rebalanced my portfolio? If you can't remember, or if your last portfolio review took place more than a year ago, it is definitely time for a checkup.

An Easy Fix for "Portfolio Drift"

One of the easiest ways to keep your portfolio on track is to enroll in an automatic investment plan. By putting aside a set amount of money at regular intervals, you buy more shares when prices drop and fewer when prices rise. Over time, this disciplined approach to investing may make you better able to maintain your portfolio's balance through the market's short-term ups and downs.[3]

Source/Disclaimer:

[1]Wealth Management Systems Inc.; Standard & Poor's; Barclays Capital; Morgan Stanley Capital International MSCI EAFE®Index. U.S. stocks are represented by the S&P 500, an unmanaged index that is generally considered representative of the U.S. stock market. Bonds are represented by the Barclays Aggregate Bond Index, a broad-based benchmark that measures the general performance of the investment grade U.S. bond market. Foreign stocks are represented by the MSCI EAFE®(Europe, Australia, and Far East) index, an unmanaged index generally considered representative of developed international markets. Performance is for the one-year period ended December 31, 2014. Past performance is no guarantee of future results. It is not possible to invest directly in any index. Investing in stocks involves risks, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations, and may not be suitable for all investors.

[2]Asset allocation does not assure a profit or protect against a loss.

[3]Periodic investment plans do not assure a profit nor protect against loss in any markets. You should consider your financial ability to continue purchasing shares through periods of high and low prices.

It's 2015: Do You Know Who Your Beneficiaries Are?

the original IRA owner's children could legally be shut out of any benefits.

Also keep in mind that the law requires that a spouse be the primary beneficiary of a 401(k) or a profit-sharing account unless he/she waives that right in writing. A waiver may make sense in a second marriage ~ if a new spouse is already financially set or if children from a first marriage are more likely to need the money. Single people can name whomever they choose. And nonspouse beneficiaries are now eligible for a tax-free transfer to an IRA.

The IRS has also issued regulations that dramatically simplify the way certain distributions affect IRA owners and their beneficiaries. Consult your tax advisor on how these rule changes may affect your situation.

To Simplify, Consolidate

Elsewhere, in today's workplace, it is not uncommon to switch employers every few years. If you have changed jobs and left your assets in your former employers' plans, you may want to consider moving these assets into a rollover IRA.

Consolidating multiple retirement plans into a single tax-advantaged account can make it easier to track your investment performance and streamline your records, including beneficiary designations.

Review Your Current Situation

If you are currently contributing to an employer-sponsored retirement plan and/or an IRA contact your benefits administrator ~ or, in the case of the IRA, the financial institution ~ and request to review your current beneficiary designations. You may want to do this with the help of your tax advisor or estate planning professional to ensure that these documents are in synch with other aspects of your estate plan.

Ask your estate planner/attorney about the proper use of such terms as "per stirpes" and "per capita" as well as about the proper use of trusts to achieve certain estate planning goals.

Your planning professional can help you focus on many important issues, including percentage breakdowns, especially when minor children and those with special needs are involved.

Finally, be sure to keep copies of all your designation forms in a safe place and let family members know where they can be found.

This communication is not intended to be tax or legal advice and should not be treated as such. Each individual's situation is different. You should contact your tax or legal professional to discuss your personal situation.

James D. Hallett, MSFP, CFP®, ChFC, CLU, CDFA™, AIFA®

321 E First Street
P.O. Box 3050
Port Angeles, WA 98362

www.HallettAdvisors.us
jim@hallettadvisors.us
Tel: 360-457-6000

Some articles in this newsletter are supplied by Wealth Management Systems Inc. Because of the possibility of human or mechanical error by Wealth Management Systems Inc. or its sources, neither Wealth Management Systems Inc. nor its sources guarantees the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. In no event shall Wealth Management Systems Inc. be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of the content.