WEALTH MANAGEMENT ADVISOR

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WHEN SHOULD YOU PULL THE TRIGGER ON SOCIAL SECURITY BENEFITS?

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When should you pull the trigger on Social Security benefits?

If you're approaching retirement age, you may have wondered when it makes sense to start collecting Social Security benefits. The right strategy for you depends on your particular circumstances, including the amount of your benefits, your other assets and your marital status.

For most people not already eligible, full retirement age (FRA) — the age they become eligible for full Social Security benefits — is between 66 and 67. (See "What's your full retirement age?" on page 3.) With that in mind, ask the following questions.

How much are your benefits?

In 2016, the maximum monthly benefit is $2,639 if you retire at FRA. The size of your benefit, which is available from the Social Security Administration (ssa.gov), depends on your earnings history and your age when you start receiving benefits.

You can begin collecting benefits as early as age 62 or as late as age 70. If you take "early retirement," your monthly benefit will be reduced by as much as 30%. If you delay benefits past your FRA, your monthly benefit will be increased by 8% per year (up to 32% total).

Much depends on whether you can live without the money. To maximize your monthly benefit, you can wait until age 70 to start collecting. But if you think you'll need the income sooner to meet your financial needs, you may need to take early benefits at a lower rate.

What's your life expectancy?

Social Security is designed to provide you with roughly the same total benefit (based on government life expectancy tables) regardless of when you begin collecting. Once you pull the trigger, benefits continue at the same rate for the rest of your life. If you take benefits early, you'll receive a smaller amount over a longer period, and if you delay benefits you'll receive a larger amount over a shorter period.

You may believe you will outlive your statistical life expectancy — based on your health or family history, for example. If that's the case, you may be able to maximize your lifetime benefits by waiting until age 70 and receiving a higher monthly benefit.

When do you plan to retire?

If you plan to continue working after you become eligible for Social Security, be sure to consider the impact of your earnings on your benefits. Unless you need the money sooner, it's best to wait at least until you reach your FRA.

If you're working *and* you start collecting benefits before your FRA, they'll be reduced by $1 for every $2 you earn above a specified threshold (currently, $15,720). And in the year you reach your FRA they'll be reduced by $1 for every $3 you earn above a higher threshold (currently, $41,880).

WHAT'S YOUR FULL RETIREMENT AGE?

Year of birth	Full retirement age	Benefit reduction at age 62
1943–1954	66	25.00%
1955	66 and 2 mos.	25.83%
1956	66 and 4 mos.	26.67%
1957	66 and 6 mos.	27.50%
1958	66 and 8 mos.	28.33%
1959	66 and 10 mos.	29.17%
1960 and later	67	30.00%

Source: U.S. Social Security Administration

Here's an example. Suppose you reach age 62 in 2016 and decide to take early Social Security benefits. If your benefit is $2,000 per month ($24,000 per year), it will be eliminated if your annual earnings exceed $63,720.

What are your other income sources?

View the timing of Social Security benefits as an investment decision. Delaying benefits beyond your FRA is, essentially, an investment with an 8% return. How does that compare with your returns on other retirement savings vehicles, such as IRAs, 401(k)s or other investments?

You may be better off tapping these other income sources and allowing your Social Security benefits to grow.

Are you married?

If you're married and your spouse is also eligible for Social Security, there are a few strategies you can use to coordinate and maximize your combined benefits. Here's one example, known as the "restricted application" strategy:

Suppose you and your spouse were born in 1950, which means that you'll each reach your FRA of 66 in 2016. Also assume that your full benefit is $2,500 per month and your spouse's full benefit is $1,500 per month. If you both start collecting benefits right away, you'll receive a combined $4,000 per month. Another option is for your spouse to begin collecting $1,500 per month and for you to file a restricted application for a 50% spousal benefit of $750 per month, for a combined benefit of $2,250 per month. When you reach age 70, you'll switch to your regular benefit, which will have grown to $3,300 — increasing your combined benefit to $4,800.

Note one caveat: The restricted application strategy isn't available to people who reach age 62 after January 1, 2016.

It's complicated

As you can see, determining the ideal time to begin collecting Social Security benefits can be complicated, especially for married couples. Your financial advisor can help you analyze your situation and develop a strategy that meets your retirement needs. ■

Falling markets, though inevitable, provide opportunities

Experienced investors know that patiently accepting periodic losses is a necessary part of participating in the stock market. Yet even when market volatility is beyond your control, you don't just have to be a bystander. Here's how to make the best out of a potentially negative situation.

Keep perspective

Although overall stock prices have historically risen over time, the long-term upward trend has been interrupted many times by shorter-term drops. This combination of a generally rising market and short-term volatility is what makes stocks well suited for many long-term investing goals but not advisable for imminent financial needs.

If your portfolio is already broadly diversified and you're investing for long-term goals as part of a larger financial plan, you can probably ignore day-to-day market fluctuations. That's because a good investment strategy will apply regardless of market conditions. Indeed, paying too much attention to daily swings in stock values can be a recipe for making emotional investment decisions that may actually move you further away from your goals. For example, you may sell a depressed stock at a loss only to watch it subsequently run up — without you.

Spread the risk

Diversification and asset allocation are especially critical when market conditions are declining. When your money is spread across multiple asset classes with performance that isn't tightly correlated, you reduce the potential negative impact any one sector or security has on your portfolio. In other words, when your stocks are performing poorly, your fixed-income, cash or alternative investments may be performing better and thus cushion the blow of stock losses.

That's the ideal, of course, not a guarantee. Sometimes, even historically uncorrelated asset classes can move in tandem. Following 2008's financial meltdown, for example, many investment types experienced significant losses — including traditional portfolio diversifiers such as real estate investment trusts (REITs).

Regularly rebalancing your portfolio so that your investments match your target asset allocation (for example, 50% stocks, 45% bonds and 5% cash) can also help protect you from market volatility. If you neglect to rebalance your portfolio, you may get too much exposure to securities that have run up and, therefore, are currently overpriced. Such investments may be more vulnerable to a price correction in the event of a market downturn.

Embrace volatility

Market declines aren't purely negative events. They can provide opportunities to invest in stocks that would have been more expensive a month or a year ago. Taking advantage of such buying opportunities may position you for better future performance — sometimes dramatically so.

This isn't to say that you'll be able to figure out *exactly* the right time to buy in. Not even investing professionals can reliably time the markets. Also, some stocks that have declined will continue to do so, so it's important to thoroughly research any potential investments. However, the fact remains that purchase price matters when it comes to investment returns. It's better to buy a good company when its stock is cheap than when its stock is expensive. Volatility can provide you with the opportunity to do that.

Take tax losses

Volatility can also provide tax benefits. If falling markets cause some of your holdings to lose value, you may decide to sell them to realize losses that can be applied against future capital gains.

This is a particularly useful strategy if you have investments that you were thinking of selling anyway. Remember that you can always buy stock shares back after 30 full days have passed since you sold them and recognize the tax loss — an IRS requirement known as the "wash sale" rule. But before you sell, you should discuss your plans with your tax advisor.

Survive short-term bumps

The best time to reassess your financial plan and your asset allocation is *before* a market downturn happens. If it's too late for that, the next best time is now. Your financial advisor can be an essential resource as you weigh alternatives and opportunities. Once you have a plan that puts you on a path toward your goals, stick to it and consider ignoring the market's day-to-day movements — however dramatic they might be. ■

Just because you can pay cash for a home doesn't mean you should

Taking out a mortgage is how most people buy a home. But some wealthier individuals with the cash decide to forgo a mortgage — particularly if they're buying a vacation property or residence for a child. Just because you *can* pay cash, however, doesn't always mean you *should*.

Consider the advantages

Paying cash for a home can shorten and simplify the home buying process. By eliminating the mortgage application and approval steps, you'll have far less paperwork and a much faster route to closing.

Also, because you're able to close more quickly than those who must obtain financing, you may get a better deal on the property. Sellers often abide by the old saying about a bird in the hand (a buyer with cash) being better than two in the bush (a mortgage applicant whose higher offer may never come through). Finally, if you buy with cash you not only avoid mortgage interest costs but also the administrative hassle of making monthly payments.

and mortgage interest remains deductible (up to certain limits), you might get a better return putting cash into other types of investments.

Vet your purchase

If you do decide to buy a home with cash, don't neglect to get a professional appraisal and inspection. These services typically are necessary in a sale financed by a mortgage, because most banks insist on them. Although they may not be required with a cash sale, they're still worth obtaining.

Know the pitfalls

There are also downsides to a cash purchase. First, you're sacrificing a substantial degree of liquidity. The large amount of cash you have on hand to buy the home is about as liquid as possible, but it becomes *il*liquid once you buy property that could take you months to sell.

What's more, using all or most of your cash for the purchase could make your asset portfolio less diverse. You'll be tying up a large amount of money in a single asset class (real estate) and the rate of return on residential property historically is low compared with many other investments.

Because of these potential risks, you should do some research. Before entering into a cash deal, make sure you have enough other funds on hand to cover ongoing expenses, savings and emergencies. Also consider whether it might make better financial sense to take out a mortgage and use the cash for other purposes. As long as interest rates remain relatively low

An online market report can give a general guideline of a home's value, but it won't be as carefully prepared as an appraisal. If you skip either the appraisal or the inspection, you may wind up overpaying. And forgoing an inspection may also lead to serious problems not being discovered until *after* the papers have been signed.

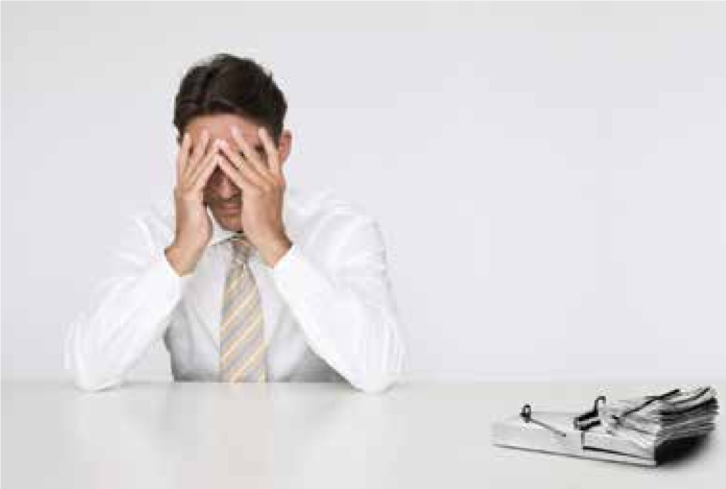
Last, don't skimp on title insurance. It will protect against the loss of an interest in a property due to problems with the title. These can arise even after a transaction closes and may include, for example, a mistake in the deed or a lien against the property.

Keep cash flowing

If you've been financially savvy enough to keep your cash flow strong, using it to buy a home is certainly a viable option. But be sure to work closely with your financial advisor and real estate agent to ensure you're making the right choice. ■

Self-directed IRAs: Watch out for these 3 tax traps

If you have substantial savings set aside in one or more individual retirement accounts (IRAs), you may want to consider a "self-directed" IRA. These IRAs, offered by some financial institutions, allow you to invest in nontraditional assets such as real estate, closely held stocks and investment partnerships.



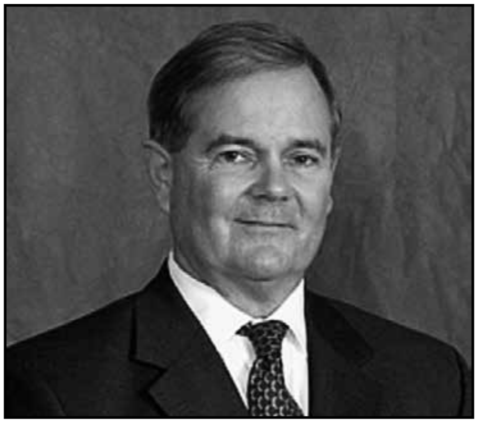
Self-directed IRAs can offer certain benefits, but they also present some significant risks. If not handled carefully, nontraditional investments may cause some or all of an IRA's earnings to be taxable, thus reducing or eliminating its tax benefits. So watch out for:

1. Unrelated business taxable income (UBTI). Tax-exempt entities, including IRAs, are subject to tax on their UBTI, which is income generated by a business unrelated to an entity's tax-exempt purpose (in the case of an IRA, saving for retirement). For example, an IRA that owns an operating company — either directly or through a pass-through entity such as a partnership or LLC — might have UBTI. Generally, UBTI isn't triggered by an IRA-owned C corporation or rental real estate.

2. Unrelated debt-financed income (UDFI). If you use your IRA to purchase property financed by debt, a portion of its income — generally, the ratio of average indebtedness to the property's value — is taxable UDFI. There's no prohibition against investing IRA funds in an unrelated business or debt-financed property, but it's important to evaluate the impact of any UBTI or UDFI on an IRA's tax benefits.

3. Prohibited transactions. These rules prohibit dealings between an IRA and certain "disqualified persons," including you, certain family members and businesses your family or you control. For example, a disqualified person can't sell property to or buy property from the IRA, make or guarantee a loan to the IRA, or provide goods or services to the IRA (including taking a salary from an IRA-owned business). The penalty for prohibited transactions is harsh. The IRA is disqualified and its owner is subject to tax on all of its assets as if they had been distributed. Given these restrictions, it's difficult if not impossible to manage a business owned by an IRA.

Unless you're prepared to adhere to all restrictions, a self-directed IRA may not be the right investment tool for you. Before opening one, consult your tax advisor to ensure that it isn't prohibited and that it's structured in a way that preserves the IRA's tax advantages. Also review this choice with your investment advisor to help ensure you understand both the potential rewards and risks. ■



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At ***Integrated Financial*** we use a unique integrated planning process to help clients crystallize their goals and objectives for themselves, their families, their businesses and their communities. We develop an action plan to help them get results.

Integrated Financial is a wealth management firm, which focuses on estate, financial*, investment and business planning. We help implement appropriate strategies to optimize and preserve the integrity of what our clients have built over their lifetimes for their future generations. In business since 1972, we work with clients on a national basis.

Integrated Financial

Private Client Advisory

At Integrated Financial we help guide you through the process of creating a financial blueprint. We will work with you to:

- Review your individual situation and personal objectives. Every family's financial situation is unique. The more we know about you, the more precise considerations we can offer and the more we can help you. We will take the time to discuss your hopes, dreams and objectives — the things that really matter to you.

- Analyze and review your needs. As needed, we will work with you to identify and prioritize your objectives, and then help establish benchmark goals. This is important because we live in a world of unlimited choices. People often fail to achieve objectives because they try to accomplish too much at once, or they don't attach specific deadlines to their goals. By breaking down your goals to specific objectives, you can look at available resources and decide which goals are realistic, which need to be adjusted and scaled down, and any that simply must be abandoned.

- Develop and implement a strategy to help you achieve your goals. Based on our conversation and analysis, we can offer solutions to help you achieve your financial goals.

- Coordinate your financial activities. If you would like, we can also coordinate your insurance and financial activities for you with the other members of your team of financial, tax and legal advisers.

- Monitor progress; provide ongoing service as your situation and needs change over time. Planning is not a one-shot deal. Strategies need to be adjusted periodically as your life and the tax laws change. We will work with you over the years to help keep your program on track with your changing needs.

Through The Nautilus Group, a unique organization comprised of individuals with credentials in law, accounting and insurance, we can assist you and your advisors in creating the most innovative strategies with the highest standards of confidentiality and service.

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