April 2016

MONTHLY NEWSLETTER

TFS Insurance Advisor

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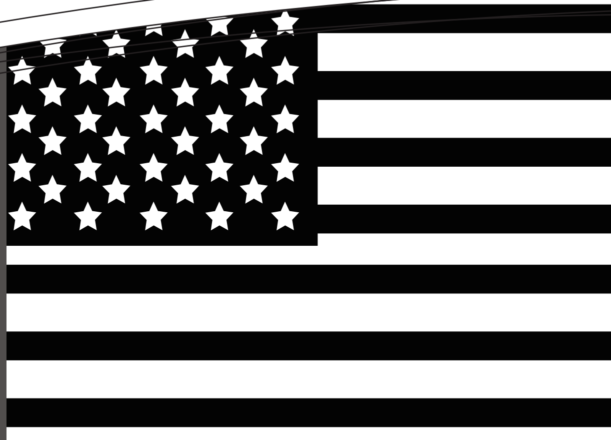

From the Desk of

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this issue:

Tax Freedom Day is April 24th

Tax Freedom Day® is the day when the nation as a whole has earned enough money to pay off its total tax bill for the year. Tax Freedom Day provides Americans with an easy way to gauge the overall tax take — a task that can otherwise be daunting due to the multiplicity of taxes at various levels of government and "hidden" taxes and fees that are often buried in the cost of living. Tax Freedom Day is computed by dividing total tax collections by the nation's income, as reported by the Bureau of Economic Analysis. Every dollar that is officially called income by the government is counted, and every payment that is officially considered a tax is counted. The resulting percentage is then converted into days of a 365-day calendar year.

Are you taking advantage of the benefits of tax deferral?
One of the benefits of an annuity is tax deferral, because you don't pay taxes on your earnings until you withdraw your funds. Tax-deferred annuities make your money work harder with triple-compounding by:

- Earning interest on your principal
- Earning interest on your interest
- Earning interest on your tax savings...because your interest is not subject to current income tax in an annuity until it's withdrawn, 100% of your interest can continue to compound instead of being withdrawn currently for tax payments.

Taking advantage of tax deferral may increase your earning power. For example, if your federal tax bracket is 25%, and you earn 2.50% on your investment in your tax-deferred annuity, you would need to earn a rate of 3.33% in a taxable investment to match the earnings of your annuity.

If your 2015 federal tax rate is:	15.00%	25.00%	28.00%	33.00%	35.00%
And your tax-deferred rate is:	*You would have to earn this rate in a taxable investment to match the earnings of a fixed annuity:*				
1.00%	1.18%	1.33%	1.39%	1.49%	1.54%
1.50%	1.76%	2.00%	2.08%	2.24%	2.31%
2.00%	2.35%	2.67%	2.78%	2.99%	3.08%
2.50%	2.94%	3.33%	3.47%	3.73%	3.85%
3.00%	3.53%	4.00%	4.17%	4.48%	4.62%
3.50%	4.12%	4.67%	4.86%	5.22%	5.38%
4.00%	4.71%	5.33%	5.56%	5.97%	6.15%
4.50%	5.29%	6.00%	6.25%	6.72%	6.92%
5.00%	5.88%	6.67%	6.94%	7.46%	7.69%

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'Tis the Season for "I Do"

Becoming a couple brings a lot of financial opportunities, but merging finances does require a lot of work initially and it requires maintenance to keep everything up to date. These are some of the important issues that should be discussed both before and after the wedding:

THE BIG PICTURE |
As a couple, you need to decide together as early as possible: long-term career goals, retirement plans, buying a home, and so on. Building upon a shared vision will make the individual issues easier in the long-run.

EVALUATE YOUR BALANCE SHEET |
You have to know how much you own and how much you owe. Putting together a combined balance sheet will help you understand your current situation so you can make financial plans for your future.

INVESTING |
First, you should discuss how much money you will need to be financially secure at retirement. Additionally, you should check your current portfolio and rebalance if necessary. Taking age and overall goals into consideration will help you determine how aggressively you want to invest.

BUDGETING |
You need to come to an agreement on how much

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The Bigger They Are...

Why do some star athletes soar with their finances and others plummet into poverty? Sometimes it just depends on innate judgment when big bucks start flowing. But the guiding hand of a conscientious advisor can prevent some of the disasters in these case studies, and help any other people who suddenly find themselves in the ultra-high-income stratosphere.

Hall of Fame...

Ryan Broyles
AGE: 28
SPORTS HIGHLIGHT: Set an NCAA record for most receptions with 349.
CAREER EARNINGS: About $3 million.
FAME: Broyles was a promising wide receiver who banked about $3 million, but he caught a whole lot of good financial sense, living like a moderate middle-class earner.

Shaquille O'Neal
AGE: 44
SPORTS HIGHLIGHT: NBA Most Valuable Player in 2000.
CAREER EARNINGS: About $292 million in NBA salary, and an estimated equal amount from off-the-court ventures.
FAME: O'Neal is one of the all-time stars of basketball but he shines the spotlight on annuities as essential to securing a firm financial future.

Roger Staubach
AGE: 74
SPORTS HIGHLIGHT: Named MVP of the 1971 Super Bowl after leading the Dallas Cowboys to a win over the Miami Dolphins, 24-3.
CAREER EARNINGS: The sale of the Staubach Co. for $663 million in 2008 dwarfed his football earnings. Staubach handed off 88 percent of the money to more than 300 of his employees.
FAME: Staubach was known as Captain America back in the day, but did you know he was a super insurance agent off the field?

Fall of Shame...

Jack Johnson
AGE: 29
SPORTS HIGHLIGHT: Played for Team USA at the 2010 Winter Olympics in Vancouver.
CAREER EARNINGS: About $22.5 million.
SHAME: Johnson trusted his parents as financial guardians after signing his multi-million-dollar contract, but they apparently didn't reciprocate the love as they racked up bills in the millions.

Sheryl Swoopes
AGE: 45
SPORTS HIGHLIGHT: The first player to be signed by the WNBA when it was created in 1996.
CAREER EARNINGS: More than $50 million.
SHAME: Swoopes ran through reportedly $50 million in a sneaker deal to end up not being able to even pay her rent.

Mike Tyson
AGE: 49
SPORTS HIGHLIGHT: The youngest boxer to win the WBC, WBA, and IBF heavyweight titles.
CAREER EARNINGS: More than $300 million from boxing alone.
SHAME: Tyson flailed his way through his fortune and ended up flat on the mat under $38 million in debt.

Source: insurancenewsnet, April 2016

Case Study: Using Life Insurance to Equalize An Inheritance

Randy Erikson, age 50, is a successful business owner. Randy and his wife, Susan, have two sons. Their oldest son, Jeff, has spent the past eight years helping grow the family business; and, their other son, Sean, chose a different career path. Under current arrangements, Jeff would inherit the family business valued at $1,500,000 and Sean would receive $500,000 in non-business assets. Randy and Susan would like to leave their children a more equitable inheritance.

Option #1: The Erickson's can purchase $1,000,000 of life insurance that would pay out at the death of the last surviving parent, and Sean would be the beneficiary of this policy. Adding this to the current $500,000 of estate value will leave both sons with an equal inheritance of $1,500,000.

Option 2: To acknowledge Jeff's contributions to the family business, the Erickson's can leave Jeff the business and purchase only $500,000 of life insurance with Sean as the beneficiary. This would leave Sean with a total inheritance of $1,000,000. The additional value that Jeff would receive takes into consideration that the business must remain successful in order for Jeff to benefit from his share of the inheritance. It also recognizes that he will likely need to put in additional effort once his father is no longer around to help him run the business.

**This example is fictitious in nature and only represents a situation a consumer would face.*

Six Potential 401(k) Rollover Pitfalls

You're about to receive a distribution from your 401(k) plan, and you're considering a rollover to a traditional IRA. While these transactions are normally straightforward and trouble free, there are some pitfalls you'll want to avoid.

1. Consider the pros and cons of a rollover.
The first mistake some people make is failing to consider the pros and cons of a rollover to an IRA in the first place. You can leave your money in the 401(k) plan if your balance is over $5,000. And if you're changing jobs, you may also be able to roll your distribution over to your new employer's 401(k) plan.

- Though IRAs typically offer significantly more investment opportunities and withdrawal flexibility, your 401(k) plan may offer investments that can't be replicated in an IRA (or can't be replicated at an equivalent cost).
- 401(k) plans offer virtually unlimited protection from your creditors under federal law (assuming the plan is covered by ERISA; solo 401(k)s are not), whereas federal law protects your IRAs from creditors only if you declare bankruptcy. Any IRA creditor protection outside of bankruptcy depends on your particular state's law.
- 401(k) plans may allow employee loans.
- And most 401(k) plans don't provide an annuity payout option, while some IRAs do.

2. Not every distribution can be rolled over to an IRA. For example, required minimum distributions can't be rolled over. Neither can hardship withdrawals or certain periodic payments. Do so and you may have an excess contribution to deal with.

3. Use direct rollovers and avoid 60-day rollovers. While it may be tempting to give yourself a free 60-day loan, it's generally a mistake to use 60-day rollovers rather than direct (trustee to trustee) rollovers. If the plan sends the money to you, it's required to withhold 20% of the taxable amount. If you later want to roll the entire amount of the original distribution over to an IRA, you'll need to use other sources to make up the 20% the plan withheld. In addition, there's no need to taunt the rollover gods by risking inadvertent violation of the 60-day limit.

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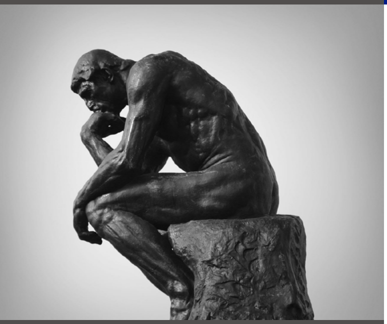
you will spend and save every month. Any big spending decisions should be taken together while you should be flexible about smaller purchases.

JOINT OR SINGLE BANK ACCOUNTS |
The most important thing is to make the decision of whether or not you want to open a joint account or maintain separate accounts, as a couple. You may also decide to have a joint account for major expenses as well as a pair of separate accounts, but the decision of how much money to put into each account should be mutual.

BUYING A HOME |
This is probably the biggest financial decision early on in any marriage and needs to be discussed thoroughly between you and your spouse. Factors such as proximity to work, space for children and/or parents that may be living with you and joint ownership are the primary considerations in making a home purchase.

INSURANCE |
Life, health and disability insurance are all things you should consider before and after marriage. If the family is heavily dependent on the earnings of one spouse, life and disability insurance may be necessary. You should figure out what kind of insurance coverage your employer/employers provide your family — as you may want to purchase additional coverage.



HERE'S A THOUGHT...

"Our greatest glory is not in never falling but in rising every time we fall."

- Confucius

4. Remember the 10% penalty tax. Taxable distributions you receive from a 401(k) plan before age 59½ are normally subject to a 10% early distribution penalty, but a special rule lets you avoid the tax if you receive your distribution as a result of leaving your job during or after the year you turn age 55 (age 50 for qualified public safety employees). But this special rule doesn't carry over to IRAs. If you roll your distribution over to an IRA, you'll need to wait until age 59½ before you can withdraw those dollars from the IRA without the 10% penalty (unless another exception applies). So if you think you may need to use the funds before age 59½, a rollover to an IRA could be a costly mistake.

5. Learn about net unrealized appreciation (NUA). If your 401(k) plan distribution includes employer stock that's appreciated over the years, rolling that stock over into an IRA could be a serious mistake. Normally, distributions from 401(k) plans are subject to ordinary income taxes. But a special rule applies when you receive a distribution of employer stock from your plan: You pay ordinary income tax only on the cost of the stock at the time it was purchased for you by the plan. Any appreciation in the stock generally receives more favorable long-term capital gains treatment, regardless of how long you've owned the stock. (Any additional appreciation after the stock is distributed to you is either long-term or short-term capital gains, depending on your holding period.) These special NUA rules don't apply if you roll the stock over to an IRA.

6. And if you're rolling over Roth 401(k) dollars to a Roth IRA... If your Roth 401(k) distribution isn't qualified (tax-free) because you haven't yet satisfied the five-year holding period, be aware that when you roll those dollars into your Roth IRA, they'll now be subject to the Roth IRA's five-year holding period, no matter how long those dollars were in the 401(k) plan. So, for example, if you establish your first Roth IRA to accept your rollover, you'll have to wait five more years until your distribution from the Roth IRA will be qualified and tax-free.

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