# Wilson Advisors Financial Briefs December, 2018


Wilson Advisors, LLC

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**Wilson Advisors, LLC**

"We align your behaviors with your intentions."

## Healthcare, Expensive Now, Expensive in Retirement

In all of my years of doing advisory work one of the areas of planning that most people miss is planning for healthcare expenses. Since Medicare kicks in at age 65 many people believe that healthcare in retirement is either free or low cost so they don't even plan for healthcare costs in retirement. This is particularly true for those planning on retiring early. If someone retires at age 60 and their employer currently covers most of their healthcare costs, then they will be shocked to discover how much it will cost them to continue paying for their healthcare all by themselves. Even after Medicare kicks in (age 65) there is still a significant cost to healthcare. To help you better understand healthcare costs in retirement and plan accordingly, please go to www.wilsonadvisorsLLC.com and click on "Financial Education" and then the link "Nationwide Healthcare in Retirement". Fill out the one page form and send it to me at JeffB@WilsonAdvisorsLLC.com or mail to me at the address on this newsletter.

## Can I Take Money Out Penalty Free?

I have an IRA and a 401(k) subject to a Qualified Domestic Relations Order (QDRO). I am in a financial crisis and am wondering if I can take some money from my IRA penalty free. I am a few years away from 59.5, working part-time (making under $9,000 per year), recently divorced, and cannot find full-time or another part-time job as of yet. Can I withdraw from my IRA without a penalty?

You have two options for a penalty free withdrawal from your IRA:

1) Take equal payments for the next 5 years in an amount approved by the IRS. You can use a 72t calculator for this.
2) If you are disabled, then you can take money without a penalty you just need to prove at the end of the year on taxes that you are disabled.

## Taking Money Out (Cont)

On the 401(k), the same exemptions also apply but with two more exceptions:

3) If you have a QDRO assigning you money
4) If you separated from the employer at or after age 55 (50 for law enforcement).

So it looks like using the QDRO to get money from the 401(k) is your best and fastest option at this point for a penalty free withdrawal. However, given the low income- there would be virtually no taxes on a modest amount from the IRA. So if necessary, pay the 10% penalty and take money from there too.

It's not easy reading but here is the official IRS worksheet on it: https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions

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## Diversification Of Account Types?

Many of you have heard about diversifying your portfolio. For most of you that means a balance of stocks, bonds and mutual funds that allow you to make money while guarding against downturns in one or even a few of the positions in your retirement account.

That is sound advice but have you also thought about diversifying by account types as well? Many of you have a 401(k) or a 403b or a 457 for retirement and that is an excellent start particularly if your employer matches some of your contribution. For most, the plan is to draw from that account to cover expenses in retirement. But if the account drops in value in the first few years of your retirement due to a weak stock market while you are taking money out of the account then that will significantly reduce the number of years you can fund your retirement and potentially cause you to run out of money. That is where diversification by account types comes in. If your primary account is losing money due to a slump in the market it may be better to take income from another less volatile account.

Less volatile accounts could include an annuity with an income rider or an insurance policy with a cash balance or even your emergency account at your bank if a true emergency arises.

A strategy that we follow in many cases is to have some money in an account that generates income every month like a pension. This account diversification strategy works because it reduces the odds that you will run out of money and also reduces the odds that you will have to take a decrease in income due to poor market performance. We believe that every client should have a consistent income strategy, an emergency strategy and yes even a growth strategy to keep up with inflation. All of these should work together as a complete portfolio that leads to a confident and comfortable retirement.

There are too many diversification strategies to cover in this article. Every client situation is different so every client portfolio is customized to their specific situation.

It is best to contact your financial advisor and ask about how you can plan for a more consistent and reliable income in retirement.

If you do not have a financial advisor, contact us at Wilson Advisors, LLC at 734.864.7440

## My Adopted Charity for 2018

The Hope Network is a Christian organization in Michigan that helps people with disabilities live independently. Check out their website for more details!

Toll Free: 800.695.7273
https://hopenetwork.org

## Brindley's Market Commentary

The market overall is still volatile and in response to that we have seen a softening of the language the Fed Chairman is using regarding interest rate increases. That has moderately spurred the market on over the past few days. As of this writing the market is now waiting to see how the G20 meeting goes between President Trump and China's president Xi Jinping. It seems like the market is making adjustments based on the news of the day. That leads to the volatile market that we are seeing right now.

It appears that the economy is moderating but I would say that the fundamentals are still strong. With that said investors are getting nervous and watching every news item they can get their hands on. That can be a little dangerous as a nervous and emotional investor can be their own worst enemy.

The market reacts uneasily to uncertainty, and that's in abundance now: a possible Dec. 8 government shutdown, the high-stakes Trump-Xi meeting over the weekend, and persistent stock market weakness that may prompt a shift in thinking at the Federal Reserve – the biggest uncertainty of all.

I believe that instead of two or three rate hikes in 2019 we are looking at maybe one or two. When Fed Chairman Powell indicated that there may be an increase in rate hikes the market did not react well. It appears that he is rethinking that strategy for now and I anticipate a more positive December barring any surprises at the G20 Summit.

*On money: Save it when you need it least. Spend it when you need it most. -Franco Modigliani*