Greater Midwest
Financial Group LLC

Greater Midwest Financial Group Quarterly News
January 2019

Our Newsletter includes news that's fit to print. We hope you find it refreshing!

- **<u>GMFG Corner:</u>** Who are we and what are we up to? We thought you might enjoy getting to know us better.

- **<u>Premier Education/Practical Application Corner:</u>** A must read! In this edition you'll find:

    - **Debunking a Few Popular Retirement Myths –** It seems high time to dispel some of these misconceptions.

    - **Ways to Ease the Cost of College –** A look at grants, scholarships, 529 plans, and other methods.

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GMFG Corner

- **Employee of the Quarter – Congratulations to Sarah Banken!** Sarah is doing an excellent job taking over the Securities Department and does everything in detail with a great attitude!

- **Congratulations to Tanya & Chris Schmidt on their marriage!** A beautiful marriage ceremony and reception was held on Saturday, October 13. Some of the GMFG staff were able to attend and let's just say we all had a great time dancing the night away. Congrats to the happy couple!

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- **Congratulations to Diane Marquardt on her 20 years of service with GMFG and her retirement coming up in March 2019!** We greatly appreciate Diane's dedication and loyalty to GMFG over the past 20 years and wish her the best in her retirement. She will be missed!

- **We are delighted to announce that GMFG supported the following charities/organizations this quarter**:

- **The Courage Kenny Rehabilitation Institute** – This program offers innovative programs, ground-breaking research and exceptional services that help people achieve health, wellness and independence.
- **GMFG Match** – In the spirit of the holidays, GMFG offered to match $1 for $1, up to $500, employee contributions made to a charitable organization of their choice. Several employees participated and donations were made to churches, the University of MN Foundation, Leep, and Children's Minnesota.
- **StaroftheNorthEnglishCockerSpanielFanciers -** The American Kennel Club is dedicated to upholding the integrity of its Registry, promoting the sport of purebred dogs and breeding for type and function.

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Education Corner

Debunking a Few Popular Retirement Myths

It seems high time to dispel some of these misconceptions.

Generalizations about money and retirement linger. Some have been around for decades, and some new clichés have recently joined their ranks. Let's examine a few.

"When I'm retired, I won't really have to invest anymore." Society still sees retirement as an end instead of a beginning – a finish line for a career. In reality, retirement is the start of a new and promising phase of life that could last a few decades. If you don't keep one or two feet in the investment markets (most notably the equities markets), you risk quickly losing purchasing power as even moderate inflation will devalue the dollars you've saved. Keep saving, keep earning, and keep investing.

"My taxes will be lower when I retire." Not necessarily. You may earn less, and that could put you in a lower tax bracket. On the other hand, you may end up waving goodbye to some of the tax breaks you enjoyed while working, and state and local taxes will almost certainly rise with time. In addition, you could pay taxes on money withdrawn from IRAs and other qualified retirement plans, perhaps even a portion of your Social Security benefits. While your earned income may decrease, you may end up losing a comparatively larger percentage of it to taxes after you retire.[1]

"I started saving too late; I have no hope of retiring – I'll have to work until I'm 85." If your nest egg is less than six figures, working longer may be the best thing you can do. You will have X fewer years of retirement to plan for, which means you can keep earning a salary, and your savings can compound longer. Don't lose hope: remember that you can make larger, catch-up contributions to IRAs after 50, and remember that you can really sock away some savings in workplace retirement plans. If you are 50 or older this year, you can put as much as $24,500 into a 401(k) plan. Some participants in 403(b) or 457(b) plans are also allowed that privilege. You can downsize and reduce debts and expenses to effectively give you more retirement money. You can also stay invested (see above).[2]

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"Medicare will take care of me when I'm really old." Not true. Medicare may (this is not guaranteed) pay for up to 100 days of long-term care expenses you incur. If you need months or years of long-term care, you will pay for it out of pocket if you lack long-term care insurance. According to Genworth Financial's Cost of Care Survey, the average yearly cost of a semi-private room in a nursing home is $235 a day ($85,775 per year).[3,4]

"I should help my kids with college costs before I retire." That's a nice thought, but you don't have to follow through on it. Remember, there is no retiree "financial aid." Your student can work, save, or borrow to pay for the cost of college, with decades ahead to pay back any loans. You can't go to the bank and get a "retirement loan." Moreover, if you outlive your money your kids may end up taking you in and you will be a financial burden to them. Putting your financial needs above theirs is fair and smart as you approach retirement.

"I'll live on less when I'm retired." We all have the cliché in our minds of a retired couple in their seventies or eighties living modestly, hardly eating out, and asking about senior discounts. In the later phase of retirement, couples often choose to live on less, sometimes out of necessity. The initial phase of retirement may be a different story. For many, the first few years of retirement mean traveling, new adventures, and "living it up" a little – all of which may mean new retirees may actually "live on more" out of the retirement gate.

"No one really retires anymore." Well, it is true than many baby boomers will probably keep working to some degree. Some people love to work and want to work as long as they can. What if you can't, though? What if your employer shocks you and suddenly lets you go? What if your health won't let you work 40 hours or even 10 hours a week? You could retire more abruptly than you believe you will. This is why even workaholics need a solid retirement plan.

There is no "generic" retirement experience, and therefore, there is no one-size-fits-all retirement plan. Each individual, couple, or family needs a strategy tailored to their particular money situation and life and financial objectives.

Citations. 1 - money.usnews.com/money/retirement/iras/articles/2017-04-03/5-new-taxes-to-watch-out-for-in-retirement [4/3/18]
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Ways to Ease the Cost of College

A look at grants, scholarships, 529 plans, and other methods.

How much could a college education cost in the 2030s? You may want to take a deep breath and sit down before reading the next paragraph.

A MassMutual analysis projects that four years of tuition, room, and board at a private college will cost nearly $369,000 in 2031. An article at CNBC offers a slightly cheaper estimate, putting the total expense at $303,000 for a freshman setting foot on campus in 2036. (Today, the cost of four years at a private university is less than half that.) How about the price tag for four years of tuition, room, and board at a public university in that year? The same CNBC article says that it may reach $184,000.[1,2]

Even today, finding enough money to pay for college can be an enormous challenge. There are obvious ways to counter the cost: a student can work full time and apply much of the income toward school or assume student loans. Fortunately, there are other ways – ways that you may want to explore if you do not want your child to take a hard-scrabble path through school or get soaked with debt.

Ideally, you use money you never have to repay. Grants and scholarships are more plentiful than many students (and parents) realize, and some go begging for applicants. Grants are based on need; scholarships, on merit. Grants can be issued incrementally or in lump sums to a student; most are awarded on a first-come, first-serve basis, which is why it is so crucial to fill out the Free Application for Federal Student Aid (FAFSA) early. A school accepting your student will evaluate your student's FAFSA, then send an award letter detailing his or her eligibility for federal and state grants. As for scholarships, there are literally millions of them. Sallie Mae provides a convenient online search tool to explore more than 5 million such awards, and you can use it to drill down to opportunities that are strong possibilities for your student.[3]

Through a 529 plan, you can invest to meet future college costs. 529 plans come in two varieties, and both varieties have common tax advantages. 529 plan earnings are exempt from federal income tax, and 529 plan assets may be withdrawn, tax free, so long as the money pays for qualified education expenses. While there are no federal tax breaks linked to 529 plan contributions, more than 30 states offer state income tax deductions or credits for them.[4]

Some 529 plans are prepaid tuition plans, giving you the potential to prepay up to 100% of your student's future tuition at a public university within your state (most of these plans do not pay for housing costs). You may be able to convert a prepaid tuition plan so that the assets can be used to pay tuition at an out-of-state university or private college. (There is also the Private College 529 Plan, which 250+ private colleges and universities collectively support.)[4]

The great majority of 529 plans are college savings plans, analogous to Roth IRAs. In a college savings plan, you can direct your contributions into equity investments, which offer you the possibility of tax-advantaged growth and compounding. (If the investments perform badly, your college fund may shrink.)[4]

You may choose to fund a 529 plan account incrementally or with a lump sum. States put different limits on the amount of money that a 529 account can hold, but six-figure balances are often permissible. You can invest in any state's 529 plan and pay for higher education expenses with 529 plan assets at any qualified U.S. college or university.[4,5]

Whole life insurance could help. If you have a permanent life insurance policy with some cash value, you could take a loan from (or even cash out) the policy and apply the amount toward college costs. The value of a life insurance policy does not factor into a student's financial aid calculation (which many parents do not realize). If you take a loan from a life insurance policy, you will reduce the death benefit; repay the loan in full, and you will restore its full value.[6]

Some families use Roth IRA assets to pay for college. A Roth IRA gives you a degree of flexibility that a 529 plan does not. Suppose your child does not go to college. (While this may seem highly improbable, some young adults do start successful careers without a college education.) In that event, you still have a Roth IRA: a tax-favored retirement savings account with the potential for tax-free withdrawals.[7]

A Roth IRA is not a perfect college savings vehicle, however. First, the annual contribution limit is low compared to a 529 plan. Second, while you may withdraw an amount equal to your contributions without penalty at any time of life, a Roth IRA's earnings represent taxable income when withdrawn. Third, while Roth IRA assets are not countable assets on the FAFSA, tax-free Roth IRA contributions, once withdrawn, still amount to untaxed income for your student (i.e., the Roth IRA beneficiary), and they lower a student's eligibility for need-based aid.[7]

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Going to college should not mean going into debt. Would you like to plan, save, and invest to reduce or avoid that consequence? Then talk with a financial professional who is well versed in college planning. The variety of options available may pleasantly surprise you.

 Citations. 1 - forbes.com/sites/megangorman/2018/08/23/balancing-the-high-cost-of-child-care-and-college-savings [8/23/18] 2 - tinyurl.com/y9on33n6 [6/23/18] 3 - salliemae.com/college-planning/financial-aid/understand-college-grants/ [11/15/18] 4 - savingforcollege.com/intro-to-529s/what-is-a-529-plan [8/29/18] 5 - thebalance.com/529-limits-contributions-balances-taxes-4138359 [9/19/18] 6 - nextavenue.org/life-insurance-pay-childs-college/ [9/18/18] 7 - savingforcollege.com/article/can-a-roth-ira-be-used-to-pay-for-college [8/1/18]