Nebel Financial

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Financial Solutions for the Life You Are Living and the One You Want to Live

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WINTER 2016

The Epidemic of Identity Theft

"There are two kinds of big companies in the United States. There are those who've been hacked... and those who don't know they've been hacked..."

~James Comey, FBI Director

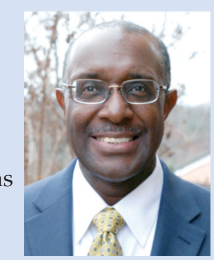
Identity theft is a growing epidemic that will continue to cause future challenges for us as we further integrate the Internet into our daily lives. Many cyber-security measures have been put in place to help protect our information from hackers, like the addition of microchips to credit cards, but these changes only attempt to shield us from attackers and do not address the problem of finding the cybercriminals and bringing them to justice.

I have talked to several local Fairfax County detectives about the efforts being done to track down cyber thieves, but they all continue to say the same thing, "There is nothing that we can do." Due to jurisdictional limitations, detectives do not have the authority to investigate a cyber-crime that has been committed against you by a person out of state. Appalled with my findings, I have taken it upon myself to reach out to Senator Mark Warner, Governor Terry McAuliffe, and Congresswoman Barbara Comstock on the subject of Identity Theft because current laws need to be changed and more needs to be done.

I will continue to put the pressure on these representatives to make changes for the betterment of all of us. In the meantime, I wanted to provide you with a list of ways to help further protect yourself and others from identity theft:

✔ Keep two to three major credit cards only (less cards to shut down if a problem

Welcome Aboard!



I would like to welcome aboard Ted Daniel's clients to my financial practice! As of 2016, I have been entrusted by Ted Daniels to serve as the new Financial Advisor on his client accounts. I have known Ted since I started working in the financial services industry 19 years ago.

Ted has always been a terrific mentor to me, whether it was mentoring me with my career or personal life. Ted enjoys helping others and always put his clients' best interests first. His passion for helping others is what drove him to start his non-profit organization, Society for Financial Education and Professional Development, in which he and an experienced team of speakers travel to schools across the country to teach financial literacy. Ted has served on the Financial Literacy Board under former President George W. Bush and current President Barack H. Obama. His focus moving forward will continue to be on this very important and underserved endeavor. I applaud him and wish him the best of luck!

Sincerely,

Andrew D. Wade, CFP®
President

Identity Theft

Continued from page 1

occurs)

- ✔ Monitor credit cards and bank accounts at least weekly (for unauthorized activity online)
- ✔ Update/change passwords frequently
- ✔ Consider adding a code word to your bank accounts
- ✔ Go to:

www.AnnualCreditReport.com

From annual credit report: run Experian, then six months later, run Transunion, then six months later, run Equifax. This is a free way to make sure that nothing is compromised. A credit score is not included, but I do not believe it is necessary if you check your credit reports.

- ✔ Help protect those close to you that are most vulnerable, like the elderly and disabled.
- ✔ File a tax return EVEN if you owe no taxes. Scammers fraudulently filing for people that do not file is a bigger problem than people realize.

At the end of the day, the opportunities the Internet brings vastly outweighs the threats. Do not let the small percentage of cybercriminals scare you away from living your life and reaching your financial goals. ❍❍❍

Sincerely,

Andrew D. Wade, CFP®
President

NEW and Permanent Tax Break: Age 70½ or Over

Wow! This is a big one. If you are over the age of 70½, taking your Required Minimum Distributions (RMD) from a retirement account, AND you regularly give to charitable causes, please keep reading.

This rule has now been made permanent. If you do not need your RMD for income and want to make a charitable donation OR would like to take your RMD in a more cost-effective (tax-efficient) manner, you now have the opportunity to transfer the retirement distribution directly to your charity of choice without having to report it as income. It is pretty simple; let's say your RMD for year 2016 is $10,000.00. In the past, this $10,000.00 distribution would be considered taxable income. Depending on your current adjusted gross income (AGI), this could require you writing a large check worth hundreds and possibly thousands of dollars to the IRS. Having to include your RMD distribution as income increases your AGI.

Many tax breaks are tied to how high your AGI is. With a higher AGI, you could potentially lose exemptions, lose deductions, lose tax credits, and be subject to various phase-out restrictions as well as AMT tax. Also, there is a new 3.8% healthcare tax on investments if your income is too high. Lastly, the premiums you pay on Medicare Part B and D are also directly tied to your AGI. The lowest premium is $121.80 per month and goes up to $389.80 for the higher income person. I recommend working closely with your accountant, CPA, or a TurboTax help guide to see if you are near a threshold where this little tool may help even more.

Required Minimum Distribution (RMD) Reminder:

Most people believe that you need to begin taking your RMD when you turn 70 or 70½. You actually do not need to begin taking your first distribution until **April 1 of the year following the year you turn 70½.** The advantage of this, of course, is funds keep working for you into the following year. Example: If you turn age 70 in December of 2015 (70½ in June of 2016), you are not required to take your RMD until the following April 1 of 2017. If you were to postpone taking your RMD, like in this example, your retirement continues to work for you. Note that if you were to postpone taking the RMD in this manner, then you will need to take two distributions in 2017, the year you turn 72 (one before April 1 and one before December 31). Yes, the IRS has interesting rules regarding their calculations! ❍❍❍

Sincerely,

Andrew D. Wade, CFP®
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Protecting Your Income with Disability Insurance

The biggest risk to your future financial security isn't the chance that the stock market will crash or the possibility your company could go belly up at a moment's notice. These risks pale in comparison to a risk that many people don't ever consider: The chance that you could become disabled and not able to work.

Disability is one of the leading causes of bankruptcy in the U.S., and it's more common than many people realize. Just over 25% of today's 20-year-olds will experience a disability before they retire, according to the Council for Disability Awareness. Overall, 38 million Americans are disabled, or roughly 12% of the total population. And with the average long-term disability lasting two years, few people have the financial resources to endure a lengthy period of unemployment.

That's where disability insurance comes in. Put simply, this type of coverage replaces a portion of your income if you're no longer able to work. It's one of the most essential types of insurance protection out there. It's also one of the most overlooked.

The Limits of Social Security

Many people assume that Social Security will provide for them if they can't work. But while Social Security Disability Income (SSDI) is an important source of income for many, it won't pay that much, and it can take months or years for claims to be approved. In May 2015, the average monthly benefit for disabled workers was just $1,165. Disability insurance, on the other hand, starts paying claims much more quickly. Plus, the amount you get is determined based on your income, and you have the freedom to choose the level of coverage you need.

Two Types of Disability Coverage

Disability insurance comes in two broad types: short term and long term. Short-term policies pay benefits fairly quickly — usually within a few days or weeks of when your disability starts. As the name suggests, benefits will only be paid out for a short amount of time, usually a few months.

You may already have short-term disability insurance through your employer. Or, if you live in California, New York, Hawaii, New Jersey, or Rhode Island, you're probably paying into a state-run short-term disability insurance program. This short-term coverage can be extremely useful if you have an accident or illness that requires a relatively brief time off work to recover. For example, women may be able to use short-term disability to take time off work with pay after having a baby, or you may use it to supplement income for a few months after breaking your leg in a car accident.

But what if you have an accident that has a longer recovery time than just a few months? Or even worse, could keep you out of work indefinitely? That's where long-term disability insurance comes in. Long-term disability pays a portion of your income, usually anywhere from 50% to 70% (you choose how much when you select your policy). Coverage usually begins within a few months of becoming disabled and how long it lasts depends on your policy. In some cases, coverage may only continue for a few years. In others, you may continue to receive benefits for as long as you are disabled (the latter is more expensive, of course).

Every long-term disability policy is slightly different. Sometimes the benefits you receive may be taxable (if your employer pays the premiums), though in other cases, they may be tax free (if you paid the premiums yourself). You'll also need to pay attention to the own-occupation or any-occupation clause. The latter only pays benefits as long as you are unable to work at any type of job. For example, let's say you were previously a truck driver but are disabled and can no longer drive. If your LTD insurance is any occupation, you'll only get benefits if you also can't work in any other occupation that you could be reasonably expected to perform. If you're capable of working at another job, your claim may be denied. In contrast, own occupation coverage pays benefits when you're unable to work in your chosen profession.

There are a lot of other details to consider before purchasing disability insurance. You'll want to find out whether the policy comes with inflation protection, whether receiving other benefits will affect your monthly benefit, whether there are survivor benefits, and how disability is defined. All these factors will affect whether or not a policy is a good fit for your needs.

If you have questions about whether your current disability insurance coverage is adequate, or if you're considering buying a policy for the first time, please call to discuss this in more detail. ❍❍❍

FR2015-0813-0202

Finding an Advocate

The longer I am in the business, the stronger I feel the need for every person to have an "Advocate," especially as they age. An Advocate is one who acts on the behalf of another who cannot act on their own or may need a helping hand. An Advocate can be a family member or someone who is trusted. As you get older, life's challenges can increase and having someone dependable can help. Regardless if you have children or grandchildren, it is critical to find that family member or trusted friend to be your advocate.

It is important to bring the advocate on board as far as how your bills get paid (monthly vs. annually), where your investments are located, if funds are withdrawn from certain accounts or reinvested. If certain investment accounts are not withdrawn from in a timely manner, there can be a 50% excise tax. There can also be critical medical decisions that may need to be made. Most attorneys do not hesitate to create a Living Will or Advance Medical Directive. These documents often end up in a drawer and sometimes not utilized. Unfortunately, most people think of these documents as simply stating a person's wishes or assigning a family member to make end-of-life decisions. The reality is there are many decisions and logistics that need to be figured out, long before life's final stages.

You could have "done everything right" and end up residing in a state-of-the-art, long-term-care facility, but it is still necessary to have someone that has a pulse on what is being paid for or not being paid for regarding your care. The same goes for settling a person's estate. I have seen enough times when an attorney is left 100% in charge, and things do not go as the person had intended. There can be high fees and unnecessary logistics when something could have been so simple. It could be as easy as registering a nonretirement account from an Individual Account to a Transfer on Death (TOD) account; updating a Will with a current Executor/Executrix; or updating a beneficiary on a retirement account. It can be beneficial and quicker to avoid probate with proper titling of assets. The person's Accountant, Attorney, and Financial Advisor should be consulted by the Advocate during the process. It can save considerable time and energy to communicate during what can already be a difficult time. Again, having appropriate documents is essential, but just as important is having an Advocate working on behalf of you and your family.

Sincerely,

Andrew D. Wade, CFP®
President

The Role of Bonds in Your Portfolio

Why should you consider bonds for your portfolio? The primary reasons include:

✔ **Bonds add diversification to your portfolio.** One strategy to help counter the effects of stock market volatility is to add investments to your portfolio that aren't highly correlated with the stock market. Historically, stocks have a low positive correlation with corporate and government bonds.

✔ **Bonds offer fixed, periodic interest payments and the return of your principal at maturity.** Thus, even in the event of a significant market decline, you'll receive some return in the form of interest payments, and you receive your principal at maturity.

✔ **Bonds are often better suited to short- and medium-term financial goals.** If you'll need your money in a few years, you may not want to keep those funds in stocks.

How much you should allocate to the bond portion of your portfolio will depend on your circumstances; but over time, that percentage is likely to change. This percentage should increase as you become more averse to putting your capital at risk. ❍❍❍

Financial Thoughts

In a recent study, the top financial concerns of women were running out of money (80%), retirement planning (64%), providing for family (53%), long-term care (47%), and widowhood (32%). The top financial concerns for men were investment returns (76%), retirement planning (65%), providing for family (51%), running out of money (48%), and estate planning (38%) (Source: *InvestmentNews*, July 27, 2015).

Approximately 61% of baby boomers feel a lot of debt is unattractive in a potential partner, while only 41% of millennials feel the same way (Source: *Money*, June 2015).

In a recent survey, baby boomers indicated that they valued the following traits in a partner: sense of humor (93%), financial responsibility (92%), intellectual compatibility (79%), and physical attractiveness (44%) (Source: *Money*, June 2015).

When asked how much they have saved for emergencies, 26% of respondents indicated nothing, 24% said less than three months worth of expenses, 17% said three to six months' worth of expenses, 23% said six months' worth or more, and 9% did not answer (Source: *Money*, June 2015). ❍❍❍