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The Bulldog Bulletin

3rd Quarter 2017

Tips for Cutting Taxes in Retirement

Whether you're newly retired, about to retire, or thinking ahead, there are numerous benefits to tax planning in your golden years. With sound tax planning, you can protect your golden years from becoming tarnished by unnecessary taxes regardless of whether you're planning to retire 30 years from now or you've already done so.

If You're Thinking Ahead to Retirement…

Consider Investing in a Roth IRA/Roth 401(k)

When it comes to taxes and retirement, if you want to maximize what you've worked so hard to save throughout the years, it's critical to strategize how you invest your money. Anticipating how much you need to save is just the first step; planning on where you will allocate those savings is a critical component if you want to make the most of your retirement funds.

Many people assume that contributing solely to a tax-deferred employer-sponsored plan translates to a comfortable retirement. After all, what could be better than sheltering a portion of your preretirement income from taxes while taking advantage of employer-matching incentives? However, when many people retire, they're surprised to learn that their tax-deferred account withdrawals are not only taxed, but quite possibly at a higher rate than they may have anticipated.

Diversifying your retirement-savings plan by contributing to a Roth IRA or Roth 401(k) plan could give you more flexibility when it comes to tax savings during retirement. While you can't take advantage of tax-saving benefits now, withdrawals from Roth accounts are tax free, allowing more latitude in retirement. In addition to future tax-saving benefits, Roth IRA accounts can also provide the flexibility of penalty-free withdrawals of your contributions should you need access to monies for an unexpected situation prior to retirement.

Don't Forget about Other Taxable Investments

Like a Roth IRA or Roth 401(k), brokerage and/or mutual fund accounts can be valuable tax-free income sources in retirement. Unless you want to pay taxes on every withdrawal you make during your retirement years, you'll likely want income sources that aren't subject to taxes down the road. A diversified plan that includes nonretirement accounts can protect you from higher tax brackets and maximize your income throughout your retirement years.

At Retirement Age…

Have a Withdrawal Strategy

Just as you had a retirement

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Talking to Your Family about Your Estate Plan

It is essential to have this conversation with your family so they know what to expect, understand why you made certain decisions, and have time to absorb and accept your decisions. Having this conversation before your death when things can be explained will help avoid the potential relationship damage that can happen if no one understands your decisions.

Choose the Right Person for the Right Job — Try to take the emotion out of your decisions when

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Cutting Taxes

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savings plan, you'll now need a strategic withdrawal plan to shelter as much of your retirement funds as possible from taxes. The good news is, the more diversified your investments are, the more options you will have available when it comes to tax savings. Both the timing and sequence of the accounts you draw from can significantly impact what you owe the IRS each year. For example, if you have taxable investments you've held for longer than a year, it may be more prudent to tap into these first, since the maximum 20% long-term capital gains tax could be less than the income tax rate you would pay once you begin withdrawing from your tax-deferred retirement accounts. In fact, you might not pay capital gains tax at all, depending on your income bracket.

If you're over 70½, don't forget about your minimum required distributions; though there are exceptions, failure to take these distributions can invoke a penalty as high as half of the amount you neglected to withdraw.

Plan Ahead: Targeted Tax Brackets

You might also consider meeting with your financial advisor to plan ahead for the following tax year with a specific marginal tax rate in mind. You can precalculate taxable income, living expenses, and deductions before deciding how much you'll need to withdraw from your investment accounts to stay within your targeted marginal tax rate.

Consider Delaying Social Security Benefits

This strategy actually provides you with multiple money-saving options. By delaying your Social Security benefits, you'll avoid a higher tax bracket while beefing up your distributions. This isn't just applicable to younger retirees: anyone who reaches his/her full-benefit age receives an annual 8% increase for each year distributions are delayed until age 70. While not everyone can afford to postpone Social Security benefits, you may decide that delaying these benefits as long as possible is financially advantageous in the long run.

Move to an Income-Tax Free State

Many retirees don't just move to states like Arizona for the scenery. The tax-saving incentives can be just as appealing, particularly if you currently reside in a high-tax state. Willing to embrace the cold? Alaska has no state income or sales tax; and once you establish permanent residency, you'll even receive an annual oil wealth dividend check from the state's Permanent Fund. If you had plans involving temperatures of a warmer sort, consider moving to an income-tax free state such as Nevada or Florida. You might also consider states that offer tax immunity solely to retirees, exempting Social Security benefits and even qualified retirement accounts from state income tax.

Please call if you'd like to discuss these strategies in more detail. ❍❍❍

Invest Defensively

A volatile market makes most investors nervous, although there are some investors who see these market downturns as an opportunity to buy shares of companies at bargain prices. But if market corrections make your stomach turn, there are some ways you can invest to help provide some protection.

Stocks with Dividend Yields Are a Good Buffer — Probably the most powerful defense against a rocky market are stocks that have healthy earnings and a good dividend payout ratio and yield. When stock prices fall, the dividend yield increases, because the cash dividend becomes a larger percentage of the purchase price of each share. You typically see less damage to high-dividend stocks when the market falls.

Consumer Staples Are Good Defensive Tools — Some of the most stable stocks are durable goods, which include products such as toothpaste, laundry soap, mouthwash, cereal, etc. Many of these are blue-chip stocks that make up the Dow Jones Industrial Average, and they have very large market capitalization. The reason they stay relatively stable is that no matter how bad the economy gets, the demand for staples remains pretty constant.

Good Companies with Repurchase Programs — There are some companies that repurchase vast amounts of their own shares. When the market falls, these companies buy stock that is being sold by investors, which helps reduce the pressure on the stock price. Long-term shareholders may also benefit from repurchases if the stock becomes undervalued, because the company is able to reduce the total outstanding shares at a quicker pace due to the lower stock price, increasing future earnings per share and cash dividends for the remaining stock.

Stocks Trading at Reasonable Valuations — Stocks associated with value investing fundamentals, such as those with low price/earnings ratios, price-to-book ratios, price/sales ratios, and conservative balance sheets, have proven to hold up well in the long term. If you review the historical metrics, you will see that value-based stocks emerge from market downturns relatively intact over the course of time. ❍❍❍

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Talking

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selecting the people who will be best at certain tasks. Once people comprehend the various roles and what they entail, they tend to understand why a particular person was selected.

The roles can range from being the executor of the estate, to the guardian of your children, to making medical decisions on your behalf. For example, you should select a very strong person to be your healthcare proxy, because this person may have to remove you from life support during a medical crisis.

Prepare the Appropriate Documents — Once you have determined who will handle the key roles for your estate, you will want to get the proper paperwork drafted and notarized. These documents may include: your will, trust, durable power of attorney, healthcare power of attorney, and guardianship designations.

Before you have the conversation, you should have the proper paperwork with copies for all involved individuals, so there is no room for misinterpretation and everyone understands the parameters of your decisions.

Prepare for the Conversation — You'll want to take the time to think through this conversation and anticipate the questions people will have. You will want them to understand what your goals are for the estate plan, what the various roles are and what they entail, and why certain people were chosen for certain roles.

It is important to think through your family dynamic in approaching this conversation. Should it be a more formal conversation that includes an attorney or financial advisor to help explain the roles and your choices? Or should it be a more casual discussion around the dinner table with only family?

Either way, you will want to make sure you set ground rules to avoid confrontation. You will want people to express their thoughts; but if it becomes argumentative, let them know the meeting will be canceled until it can be discussed rationally.

Keep the Conversation Going — Let your family know this will be an ongoing discussion as circumstances change, such as new marriages, new children, divorce, etc. By having regular conversations, you can avoid the "Mom would have wanted this" argument. Setting this expectation can help prevent future family tension based on perceptions versus what you want carried out. ❍❍❍

Tips for Your 401(k) Plan

While 401(k) plan information may seem confusing, it is not as complex as it seems and may be vital to your retirement plans. Simply put: It pays to understand your 401(k) plan. Here are a few tips to help:

❍ **Maximize contributions —** As soon as you possibly can, begin making contributions to your 401(k) plan, contributing as much as your budget will allow. In 2017, you can contribute a maximum of $18,000 to your 401(k) plan, plus an additional $6,000 catch-up contribution for those over age 50, provided this is offered by your plan. Employers may set lower limits to ensure the plan complies with nondiscrimination rules.

❍ **Take advantage of employer-matching contributions —** Many people don't take the time to learn how to take advantage of employer matching. If your company offers a matching contribution, make sure you contribute enough to take advantage of the maximum amount provided. Research your plan to determine the matching contribution, and then calculate how much you need to contribute to get the full match.

❍ **Diversify investments —** 401(k) plans typically offer numerous investment options, so review your plan's investments carefully to make sure you select ones that fit your particular goals, including an allocation plan that fits the long-term nature of the plan.

❍ **Limit company stock —** Since you know your company so well, you may feel you should make that stock a significant portion of your 401(k) plan. However, since your livelihood is already dependent upon that company, you don't want too much of your retirement funds to also be tied to the same company. Make sure you don't hold any more than 10% of your total assets in your company stock.

❍ **Review your plan annually —** Go over all these other factors annually to make sure your 401(k) plan is on track. Use the annual review as a time to review the performance of your investments, making necessary adjustments if needed.

❍ **Don't touch your plan for other purposes —** If you leave or lose your job prior to retirement, make sure to protect your 401(k) plan. Any 401(k) loans will likely have to be repaid within a month or two of leaving your job. Otherwise, the loan will be considered a distribution, and taxes and penalties may be assessed. Don't be tempted to cash out your 401(k) plan. Not only will you be reducing your retirement savings, but you may have to pay steep taxes and penalties. Instead, either leave the funds in your former employer's 401(k) plan, or roll your balance over to an individual retirement account (IRA) or to another employer's 401(k) plan. ❍❍❍

Financial Data

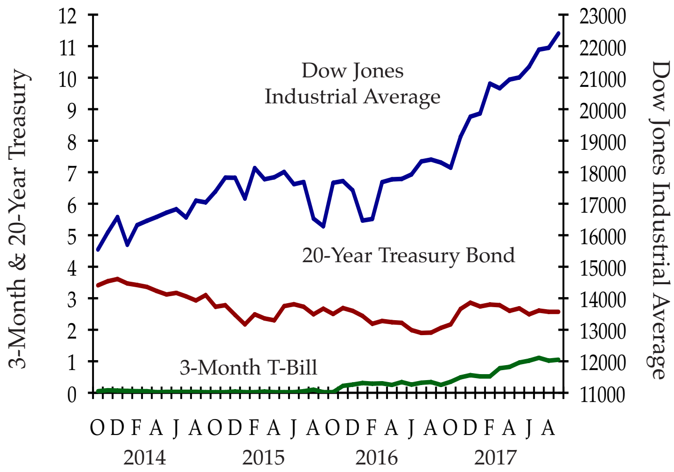
Indicator	Jul-17	Aug-17	Sep-17	Dec-16	Sep-16
	Month-end				
Prime rate	4.25	4.25	4.25	3.75	3.50
Money market rate	0.29	0.26	0.27	0.29	0.28
3-month T-bill yield	1.11	1.02	1.05	0.56	0.25
20-year T-bond yield	2.61	2.57	2.57	2.86	2.06
Dow Jones Corp.	2.96	2.95	2.97	3.17	2.57
30-year fixed mortgage	3.54	3.39	3.43	3.68	2.85
GDP (adj. annual rate)#	+2.10	+1.20	+3.10	+2.10	+1.40

Indicator	Jul-17	Aug-17	Sep-17	YTD	12-Mon.
	Month-end			% Change	
Dow Jones Industrials	21891.12	21948.10	22405.09	13.4%	22.4%
Standard & Poor's 500	2470.30	2471.65	2519.36	12.5%	16.2%
Nasdaq Composite	6348.12	6428.66	6495.96	20.7%	22.3%
Gold	1267.55	1311.75	1283.10	10.7%	-3.0%
Consumer price index@	245.00	244.80	245.50	1.7%	2.0%
Unemployment rate@	4.40	4.30	4.40	-4.3%	-10.2%
Index of leading ind.@	127.90	128.30	128.80	3.9%	3.8%

— 4th, 1st, 2nd quarter @ — Jun, Jul, Aug Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

October 2013 to September 2017



Past performance is not a guarantee of future results.

News and Announcements

Consider a Bond Tent

The good news is you finally saved enough to retire and now have a large portfolio. The bad news? If the market takes a serious downturn, the impact on your portfolio could be a disaster.

History has shown that the sequence of returns generated by a portfolio from one year to the next can hugely affect the total return generated over time. While long-term average returns determine how much money you make, the timing of those returns is equally important.

For example, if you retire during the bottom of a bear market, you will see your holdings rise as the market recovers, but you will also see the overall portfolio growth reduced because of the amount of money withdrawn in early retirement.

An important strategy to consider is building a bond tent before you retire. This strategy increases the allocation of bonds during the 10 years or so prior to retirement; and then bonds are sold from this portion of your portfolio during the first 10 to 15 years of retirement, providing you with an income stream.

The reason this strategy is called a bond tent is that if you were to look at it on a line graph, the bonds in a portfolio steadily rise until they reach a peak at retirement and then fall as the bonds are sold, which makes a tent shape.

The strategy works by reallocating a traditional 60/40 mix of stocks and bonds to an allocation of 50% or 60% in bonds by the time you retire.

The bond holdings are then sold during the first half of retirement until the original mix is once again reached. This provides portfolio protection against major losses due to market downturns in the first half of retirement. The portion of your portfolio that is still in stocks will continue on the path for long-term growth to fund your later years of retirement as well as provide protection against inflation. ❍❍❍ FR2017-0515-0049