

Financial *notes*

INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

FROM THE OFFICE OF DR. SCOTT STRATTON, CERTIFIED FINANCIAL PLANNER (TM)

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Dear Scott,

Welcome to the February edition of my monthly financial newsletter. In our tumultuous markets, it feels like change is ever present. While part of my job is to keep abreast of the latest news and developments, I think I can also add value by being able to stand back from the noise and day to day hubbub of the markets and think long term for clients. We all feel fear and greed, but I believe the key is sticking to a rational long-term plan.

The Roth 401(k)

Just hearing about the Roth 401(k) for the first time?

The Roth 401k/403b was first available in 2006, but it wasn't until this year that we've seen wide spread acceptance by employers to offer the Roth option. Is it a good idea for you? Like a Roth IRA, Roth 401k contributions are made with after-tax dollars and then grow tax-free for retirement. Obviously, that means you lose the tax deduction that you are receiving from your 401k, so if you are currently in a high tax bracket and anticipate being in a low bracket in retirement, it may make more sense to continue with the deductible 401k.



Like the Roth IRA, the Roth 401k is a terrific idea for younger employees who have many years to allow their account to compound and can afford to pay the taxes now. A key benefit of the Roth 401k is that there is no income limit, so that unlike the Roth IRA, anyone can participate. One difference between the Roth 401k and the Roth IRA is that the Roth 401k is subject to required minimum distributions (RMD) after age 70 ½. However, this can be avoided simply by rolling your Roth 401k into a Roth IRA after you leave your job. Once the money is in the Roth IRA, you are not required to touch it. For a wealthy investor who does not need additional money for retirement, the Roth 401k allows your money to grow income tax free for your heirs.



The best compliment you can give me is the referral of a friend or family member!

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THIS MONTH, SCOTT IS...

My orchestra concert in February will be a pops concert featuring Broadway music. This season, our theme is "High Five", which has included the fifth symphonies of Beethoven and Dvorak so far, and in April and May the fifth symphony

If your company offers a match, please note that the company portion will still be in a pre-tax / tax-deferred account, and only *your* contributions will be in a tax-free Roth account. Employees can contribute up to \$15,500, or \$20,500 if age 50 or older. If you do the Roth 401k, you are still eligible to do a Roth IRA outside of work. Have more questions for your personal situation? Send me an email, or give me a call.

of Mahler and Shostakovich (A trombone player's dream!) Call me if you'd like tickets.

www.lascolinassymphony.org

www.garlandsymphony.org

www.symphonyarlington.org



Annual Credit Report

You've probably seen ads on TV for a free credit report. Those ads usually require you to pay for some service to get the "free" report. However, the Fair and Accurate Credit Transactions Act (FACT Act) requires the three main rating agencies, Equifax, Experian, and TransUnion, to each provide you with one free report every 12 months. It's a good idea to look at your credit report to correct any discrepancies. The website for your real free report is www.annualcreditreport.com.

Redefining Retirement

Many people have a negative attitude about the idea of retirement. They envision sitting in a rocking chair all day watching TV. But that stereotype is a thing of the past. Today's retirees are rejecting the idea that retirement is defined by



inactivity and lack of challenge. Many younger workers tell me that they don't ever want to retire, but I find that many people in their 50s and 60s are looking to make a *transition* in their work lives. Not a transition to no work, but to less work, or to a new career or passion. Most people aren't interested in punching the clock at age 67, or working 60 hours a week to build someone else's company. The wave of baby boomers retiring in the next two decades will create new paradigms for what it means to be "retired".

Rather than define retirement as being without work, I think of retirement as freedom - the ability to do the type and quantity of work that you want, and the financial freedom to travel and do the things you want. My goal is to help clients get to a financial position where they work because they want to and not because they have to. That can be a very liberating position, which can transform attitudes about work. If you have enough assets that you don't ever have to work again, you can work for the creative challenge and the joy of making a difference. With life expectancies rising well into the

eighties, retirement today can last for 30 or more years. The mental exercise of work and staying active will become increasingly important to today's retirees. Some will spend as many years in retirement as they did working.

Even if you aren't "planning" to retire, you still need a retirement plan. Think of it as your financial freedom plan instead!

Many people take no care of their money till they come nearly to the end of it, and others do just the same with their time.

JOHANN WOLFGANG VON GOETHE

As always, please feel free to call me anytime with any questions or concerns. I'm here to help! Thank you for your business.

Sincerely,

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