Nebel Financial

Office Hours: 8 AM to 4 PM
Monday through Friday

Andrew D. Wade, CFP®
President
Nebel Financial Services, LLC
6926-F Little River Tnpk., Annandale, VA 22003
703-658-0080 • Fax: 703-658-0097
awade@sterneagee.com
www.nebelfinancial.com

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

Evenings/Weekends by Appointment Only

FALL 2015

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Finally, the Website Is Up and Running! www.nebelfinancial.com

We are excited to announce that our website has finally gone live! This has been a project in the making for a while. The website was created to give you updated information regarding all things financial.

There are several areas that we thought would be beneficial to the beginner as well as the advanced investor. The **Resources** tab gives you access to online calculators, news-letters, and a glossary of financial terms. The news-letters are intended to be unbiased, informative, and up to date!

The **Market Watch** tab can give you detailed information about a particular security, as well as the latest data on different market indexes. There are also ways to chart the history of various securities.

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A Tax-Planning Perspective

With marginal income tax rates of up to 39.6%, income taxes can have a significant effect on your financial situation. There are basically three strategies that can help reduce your income tax bill:

1. **Reduce or eliminate taxes.** The objective is to receive income in a nontaxable form or to find additional tax deductions, exemptions, or credits. Or investigate investments that generate capital gains, such as growth stocks. Gains are not taxed until the investment is sold; and if held for over one year, capital gains are subject to the capital gains tax rate.

2. **Postpone the payment of income taxes until sometime in the future.** By postponing tax payment, your earnings compound on the entire balance, including the portion that will eventually be paid in taxes. You may also be in a lower tax bracket when the taxes are paid.

3. **Shift the tax burden to another individual.** The objective of this technique is to transfer assets to other individuals so any income on those assets becomes taxable to those individuals. Typically, however, you have to give up control of the asset. ❍❍❍

Website

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The **About Us** tab is probably the most comprehensive as far as what Nebel Financial Services LLC. has to offer. There are areas under this tab that are specific to individual/family needs as well as business needs. Here you will also find our own quarterly newsletters. Under Andrew's Corner, you'll find articles that we have authored. These are intended for the investor just starting out as well as investors at advanced ages. In addition, you'll find the history of Nebel Financial Services LLC., biographies of our staff, as well as our Community Involvement for Year 2015.

We have found that most clients enjoy reading a hard copy of the newsletter, while a few have opted to receive via e-mail. If you would like to receive the newsletter by e-mail or even not at all, please do not hesitate to contact us by phone at 703-658-0080 or by e-mail at awade@sterneagee.com.

Sincerely,

Andrew D. Wade, CFP®
President

Do You Need Life Insurance?

Life insurance is one of those things many people know they probably need, but they don't really want to think about. After all, considering life insurance involves planning for what will happen after we're gone — an uncomfortable subject for many people.

But life insurance is actually a key part of your financial plan. While not everyone needs to buy this type of insurance, everyone should think about it and make a considered decision about whether it's something they need to purchase.

Anyone who has people dependent on them financially or who would be negatively affected by their death should consider buying life insurance. If you have children, a spouse who doesn't work, family members who have cosigned on your student loans or mortgage, or elderly parents you care for, life insurance can help ensure that these people don't face additional financial burdens during an already difficult time.

When might you be able to forego life insurance? If you're single, have no dependents, and have little debt, life insurance may be unnecessary. If you're retired, you may also no longer need the protection that life insurance provides, since your retirement assets will theoretically be enough to provide for your loved ones after you're gone. However, if you are retired and support a spouse, children, or others who would have difficulty getting by financially after your death (perhaps because you receive a generous pension benefit today that will shrink or disappear after your death), you may still want to consider insurance.

Life insurance can also be an estate-planning tool. If you have a large estate and are worried about the effect estate taxes will have on what you leave to your heirs, the proceeds of a life insurance policy can be used to cover those expenses.

Even if you may not have needed life insurance in the past, it's important to remember your life insurance needs can change over time. Generally, whenever you experience a major life event, it's a good idea to review your life insurance needs. Events that might trigger a need to buy a new policy or increase your coverage include getting married, having a baby, buying a house, getting divorced, or receiving a major promotion or raise at work.

The amount of life insurance coverage you need depends on your specific situation. Some may simply tell you to buy coverage worth eight or 10 times your annual income, but that's not always an accurate estimate of your actual needs. A better rule of thumb is to first estimate how much money your loved ones would need immediately after your death to cover your final expenses (such as funeral costs and outstanding debts). Then estimate how much cash your family will need to sustain themselves after your death; that number can be hard to determine, but you should think about your lost income, whether your spouse will be able to continue working, possible college costs for your children, and other expenses. Finally, combine those two numbers to get a sense of your total life insurance needs.

If you're having trouble determining how much life insurance you need to protect your family or you're not sure what type of policy is best for you, please call to discuss your individual needs. ❍❍❍

Easing into Retirement

In recent years, talk of longer life expectancies, uncertain Social Security benefits, declining pension benefits, unknown inflation rates, and low retirement savings have made retiring at a relatively young age seem difficult. More and more people are coming to the conclusion that either retiring later or continuing to work during retirement is necessary to ensure that they remain financially comfortable for the rest of their lives.

Working doesn't necessarily mean you have to stay with your current employer. Rather, many individuals are taking on totally different jobs that can allow them to try something new, provide more free time by working less, or ensure less stress. Besides the nonfinancial reasons for working, there are several financial reasons that make this an important retirement strategy:

✔ **You have more time to save.** Each additional year you work is an additional year you can continue to save for retirement.

✔ **You shorten your retirement period.** The longer you work, the less time you'll spend in retirement, which means you'll need less money to fund that retirement.

✔ **You can delay Social Security benefits.** Each additional year you wait to take Social Security benefits, up to age 70, will permanently increase your monthly benefit.

✔ **You keep health insurance benefits.** One of the most significant costs in retirement is health care, and you can delay that cost by working at a job that provides this benefit.

Some companies are helping employees with retirement issues by allowing phased retirement, in which hours are gradually reduced until full retirement. If your employer offers a phased retirement program, find out these details before signing up:

✔ **How will phased retirement affect your benefits?** Many pension benefits are calculated based on your earnings in the last few years of your working career. If you don't want to take pension benefits yet, make sure your pension will be calculated using earnings while you worked full-time. You may also be able to draw a pension and work part-time.

✔ **What will happen to your salary with reduced hours?** Will you receive a pro-rata share of your pay or will a different pay scale be used? Will you be entitled to pay increases in the future? Make sure you agree on how you will be paid before moving to part-time status.

✔ **Will you be eligible for health insurance benefits?** Find out the company's policy regarding health insurance benefits for part-time workers. This will be especially important if you move to part-time status before age 65, since you won't be eligible for Medicare.

✔ **What other details should you investigate?** Make sure there is a mutual understanding about your hours. Can you take time off to travel? Is this a permanent or short-term arrangement? If you don't like part-time work, can you go back to your full-time job?

If your employer doesn't offer a phased retirement program or you want to try something new, investigate your options before quitting your job. Some factors to consider include:

✔ How do you plan to spend your retirement? If you plan to travel a lot, how will work fit into that schedule? If you plan to split your time between two homes in two locations, how will you be able to work?

✔ What interests you? Would you be happier pursuing a job that takes advantage of skills from your current job, or would you like to try something totally different? Do you need to obtain additional skills or go back to school?

✔ Do you want a job with significant responsibility, or are you trying to reduce the stress in your life?

✔ Are you passionate about an interest or hobby that you may be able to turn into a business? Do you want to start your own business? If so, do you have the financial resources, without risking funds for your retirement?

✔ Is there a cause that is important to you? Is it time to move to the nonprofit sector, finding an opportunity that matters to you on a personal level?

Retirement is in the midst of being redefined once again. The last generation was able to retire to a life of total leisure due to the generosity of company pension benefits and Social Security. But longer life expectancies, less-generous benefits, and declining asset values mean it is time to redefine retirement. What many are seeking is not so much total leisure as more leisure or a more meaningful lifestyle. Many are finding that those goals can be accomplished while still working, with those additional working years providing more financial security. If you'd like to discuss work and its role in your retirement, please call. ❍❍❍

5 Surprising Facts about Saving in America

Most of us know that Americans just aren't saving enough. But do you really know the truth about savings in the U.S.? Here are five facts that may surprise you.

1. Many people have virtually nothing saved. Thirty-six percent of people have less than $1,000 saved, according to a 2014 survey by the Employee Benefit Research Institute. The reasons for these low savings are many, including stagnant wage growth, inflation, and previous crises that have led people to deplete their savings. Whatever the reasons, the consequences of not having a financial cushion tend to be the same for most people, including more debt and greater financial insecurity.

2. Even high-earning Americans often have little in savings. The bottom 20% of income earners have enough cash on hand to survive just nine days, according to 2015 research by The Pew Charitable Trusts. Yet what's more surprising is that even households with significant income are teetering on the edge of financial instability. The same study found that those households in the top 20% of income only have enough liquid savings to replace lost income for 52 days.

3. Americans are saving far less than they did in the past. The personal savings rate in the U.S. was just 4.9% as of December 2014, according to data from the Federal Reserve Bank of St. Louis. Forty years ago, in December 1974, it was just under 14%. Not only are savings rates low across the board, but some people actually have negative savings.

4. Americans want to live comfortably in retirement, but they aren't willing to sacrifice and save for it. Sixty-one percent of Americans admit they are not sacrificing a lot when it comes to saving for retirement. In fact, people are more likely to be saving for a vacation than retirement.

5. It's not just a lack of willpower that's keeping us from saving. Some people just live beyond their means. But the recent recession, and the plunge in home values and the job losses that came with it, led many people to draw from their savings to survive. The fact is, real wages for American workers haven't budged for decades, according to the Pew Research Center, and that may be making it difficult for many to save. ❍❍❍

Tax-Efficient Investing

Using strategies that defer the payment of taxes for as long as possible can make a substantial difference in your portfolio's ultimate size. Consider the following tax-efficient strategies:

✔ **Minimize portfolio turnover.** Carefully evaluate your investment choices, selecting those you'll be comfortable owning for years.

✔ **Place investments that generate ordinary income or you want to trade frequently in your tax-deferred accounts.** Since income and realized capital gains inside tax-deferred accounts aren't taxed until withdrawn, you defer paying taxes on that income.

✔ **Analyze the tax consequences before rebalancing your portfolio, which is a taxable event.** You should generally avoid selling investments for reasons other than poor performance. You can bring your asset allocation back in line through other means.

✔ **Utilize losses to offset capital gains.** Selling investments at a loss can offset capital gains for that year, reducing your total tax liability. Excess losses may be used to offset up to $3,000 of ordinary income and the unused portion may be carried forward indefinitely. ❍❍❍

Financial Thoughts

When asked what their worst financial habits were, 14% of respondents said spending more money than they made, 28% said spending too much on unnecessary things, and 23% said not saving any money (Source: Allianz LoveFamilyMoney Study, January 2014).

The average dollar amount spent before discussing it with a spouse is $396 for women and $1,231 for men (Source: Experian Credit Score Marriage Survey Report, 2014).

The risk of early death is 32% higher for single men than married men and 23% higher for single women than married women. The average married man outlives the average unmarried man in the United States by eight to 17 years (Source: *American Journal of Epidemiology*, March 2015).

Young men and women of married parents living in intact homes are 44% more likely to graduate from college (Source: *REP.*, March 2015).

In 2014, the average cost of an American wedding was $29,858. The average amount couples spent on an engagement ring was $5,598 (Source: *Real Weddings Survey*, 2015).

Divorce reduces the average person's wealth by 77% (Source: *REP.*, March 2015). ❍❍❍