

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Risks to avoid
- Be diverse
- Maximizing your Social Security benefits
- Referrals
- Call-in times
- And much more...

INSIDE THIS ISSUE:

5 Threats to Your Financial Life	1
Fight This Complacency	1
6 Social Security Benefit Traps to Avoid	2
Is Tax Reform Fairness or Folly?	2
We Believe in Referrals	2
Call-In Times	2
What I'm Reading...	4

Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

VOLUME 11, ISSUE 3

MARCH 2019

5 Threats to Your Financial Life

It pays to take a broad view of the risks to your financial well-being. Here are 5 of the top threats -- other than weak retirement planning, which, obviously, is a huge, complicated topic that deserves much more space than I have here.

Illness or Injury

While we would like to believe that disability "will never happen to me," it will happen to someone. Social Security Administration statistics indicate that over 25% of 20 somethings will become disabled before they retire. Injuries are actually only a small fraction of the claims. Back pain, arthritis, and other musculoskeletal disorders are the most common disabilities. Next in line is cancer.

Although the average disability lasts for over three years, fewer than half of Americans have enough liquidity to cover three months expenses. Now there's a real threat. Consider a group &/ or individual disability insurance that covers you if you can't do the work you've been doing.

Market Volatility

The greatest bull market in history has blurred our memory. It was only a decade ago that the stock market crashed, losing over 50% of its value seemingly overnight. "Average" returns can be affected by the timing of both investments and distributions, especially if a down market occurs during the early stages of distributions. Consult your financial advisor for strategies to reduce that risk.

Health Care

Health insurance premiums and deductibles continue to climb sharply. *Continued on page 3* ➔

Fight This Complacency

If your business is still going after a few years, you're in select company. That's the good news.

The bad news might be that you could be headed for oblivion, and not just because the AI robots are coming. (Though the robots ARE coming!)

We've all heard the old adage: At least 85%, and maybe as high as 98%, of new small businesses fail before they hit the five year mark.

That rate may have been even higher over the past decade.

Whether you feel the economy is going up or going to **** in a hand basket, now is the time to plug the holes in our leaky buckets.

And this economy is certainly revealing some "holes" in some of my friends' and clients' businesses, here in the area and beyond. Others are doing well, thriving even ... but I want to say that discovering business problems can be a healthy process, however painful -- and certainly always worth it.

When a small business ends up failing, often the "conventional wisdom", especially among many other accountants, or service professionals in the financial *Continued on page 3* ➔

6 Social Security Benefit Traps to Avoid

A recent *ThinkAdvisor* article reported a divergence of advice given to clients about when to claim Social Security retirement benefits. Some CPAs always advised their clients to begin claiming benefits as early as possible – age 62. Other CPAs think they are mistaken because they always recommend their client to delay claiming benefits until age 70 in order to maximize their benefits.

Really? Always?

The word “always” seldom applies when discussing Social Security benefits. It’s uncommon that an analysis would support beginning benefits at age 62. Necessity might influence the choice, but only a few of us who reach age 62 do not expect to live past 78. Age 78 and 2 months is the point at which delaying benefits until full retirement age (FRA) will result in a larger payout.

Full retirement age is between 66 and 67 for most current workers, based on the year they were born.

While many advisors have conflicting opinions on when is the best time to begin claiming retirement benefits, you should be wary of any generalized advice that includes “always.”

Social Security was never intended to provide full financial support in retirement. It does, however, provide payments based on a legal formula. Benefit payments do not rise or fall with the markets or depend on company performance.

Few workers in the private sector continue to have defined benefit pension plans. A defined benefit pension plan gives you a stated amount for retirement for the rest of your life. According to the Bureau of Labor Statistics about 22 percent (in 2012) of full-time private industry workers recently got a defined pension benefit. That compares to 42 percent as recently as 1990.

If you work for the government, it’s a different story. About 92 percent of full-time government employees got pensions in 2011.

For the rest of us, what retirement savings we have are likely subject to the whims of the market, so we should make the best of the one piece of the puzzle that will be guaranteed for the rest of our lives. Whether it’s going to keep up with inflation is a topic for another time.

Below are six crucial traps to avoid when claiming Social Security benefits:

Relying on general information

Don’t rely on your brother-in-law, friends, family, or periodicals for your information. This generic information may not be the most favorable for your unique situation. Be sure to verify it with someone who understands the intricacies of your personal situation and the Social Security rules.

Omitting critical considerations

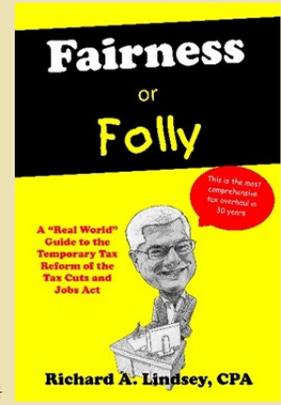
Income needs, physical health, life expectancy, and desire to continue working should all be *Continued on back cover* ↪

Is Tax Reform Fairness or Folly?

Congress and the IRS keep things all stirred up. Nothing stays the same. The tax laws are full of rules, exceptions to the rules, rules that become effective on the third Thursday in March and expire on the last Tuesday in November, rules that apply in special, limited circumstances, rules that applied last year, but not this year. So many rules it can make your head spin.

Fairness or Folly by Richard A. Lindsey, CPA is your “Real World” guide to the temporary tax reform changes brought about by the Tax Cuts and Jobs Act. The book explores many of the numerous changes in the tax code in an easy to read manner. It’s not designed to help you become a tax expert, but to start the conversation between us.

Fairness or Folly is available from Amazon.com or Lindsey & Waldo. Call 251-633-4070 or email us at taxpert@CPAMobileAL.com for your copy. *



We Believe in Referrals

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you’ll find a list of areas in which we know very credible, ethical, and outstanding professionals. If you’re looking for a professional in a specific area we’ve listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- Chiropractor
- Phone Repair
- Auto/Home/Life Insurance
- Banker
- Home Insulation
- Realtor
- Mortgage Broker
- Cultured Marble
- Veterinarian
- Architect
- Business Coach
- Payroll Processing
- Identity Theft Protection
- Home Inspector
- Attorney
- Air Conditioning Repair
- Senior Relocation Services
- Promotional Products

This month’s special Member-Only call-in times for Lindsey’s Insider’s Circle will be 3/18/19 from 2:00 to 4:00 pm.

To schedule your appointment, contact Kristen at (251) 633-4070.

Not a member yet?

Find out how to become one TODAY!

5 Threats to Your Financial Life—*continued from page 1*

A Health Savings Account (HSA) allows tax-deductible contributions and tax-free withdrawals for qualifying expenses. Long-term care insurance provides a huge what-if for retirement planning.

Lawsuits

The United States is reportedly home to 80% of the world's attorneys. Most Americans would have difficulty affording the legal fees on either side of a case. Without proper protection, the losing party could suffer financial ruin.

The first essential line of defense is legal insurance followed by liability protection on auto and homeowner's policies. An umbrella policy can extend your coverage beyond the normal limits of these coverages to add even more security.

Taxes

Everyone's favorite uncle will always be there to collect his share. Working with qualified advisors (that's us) can help you limit this burden.

Don't overlook the funding of retirement accounts in the chase to reduce current year taxes. In the long-term, this may not be a tax-savings but rather a compounding tax postponement. People often forget, or downplay, the effect income taxes will have on their retirement distributions. *



Fight This Complacency — *continued from page 1*

arena, is that the reason for that failure is "undercapitalization" and "poor fiscal management".

But see, I can point you to businesses that have failed with enough money to do everything they needed to do ten times over. And yet still, some management consultant will tell you it's "poor management ability".

I suggest to you that what it is, in most cases, is that once the business owner was in business, **they were done thinking they needed to sell.**

It's amazing, but many people in many types of businesses believe they don't have to sell. For example, most doctors believe that they don't have to sell. There are a lot of restaurant owners who believe that. Incredibly, there's a lot of retail store owners who believe that "we open the doors and the customers come to us," and "we don't have to 'sell' anyone."

I think you see how dangerous that thinking is. It may not be "classic" cold-calling or prospecting ... but can you really believe that the patient consultations with doctors aren't also a form of sales process?

You obviously have some method you use to promote your business, or you wouldn't even be in existence. But you probably only have one method or two methods or three methods that you use consistently. So, a good way to add a boost to your bottom line is to increase the number of methods you use.

The more methods, the more business. As marketing legend Dan Kennedy said, "Diversity is the creative opposite of laziness." So, you need to think, "How can I use more methods to

attract the right kind of people to do business with me -- more than any other competitor will use?"

The more methods, the more business.

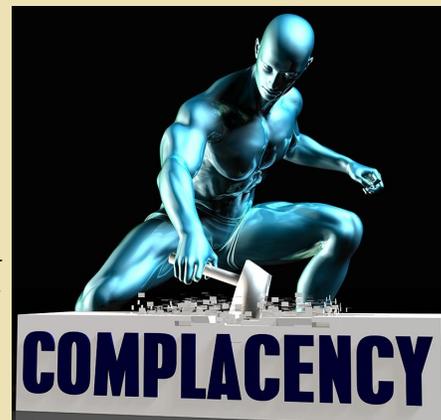
Hopefully that thinking process has begun to take place for you today. Again, I don't pretend to be a "guru" ... I just see what works, and I pass it on.

One of the methods that I see works well is word of mouth. You see that too, right? The hard part is creating a system to get referrals instead of waiting, and hoping, they come to you.

Hint: the best referrals you get probably won't come from your current customer/client/patient.

A major part of that system is networking. No, I'm emphatically not talking about going to various meetings and passing out business cards. I'm talking about building relationships with other like-minded business professionals. Professionals who are also interested in growing their businesses. If you're interested in meeting the professionals we work with, we'd be happy to introduce you.

*"If a man has any greatness in him, it comes to light, not in one flamboyant hour, but in the ledger of his daily work." - Beryl Markham **





LINDSEY & WALDO, LLC
CERTIFIED PUBLIC ACCOUNTANTS

1050 Hillcrest Road, Suite A
Mobile, AL 36695
(251) 633-4070—phone
(251) 633-4071—fax
www.CPAMobileAL.com

PRSRT STD
U.S. POSTAGE
PAID
PERMIT NO. 435
MOBILE, AL



To be removed from our mailing list, call/email us:
(251) 633-4070 or info@CPAMobileAL.com.

6 Social Security Benefit Traps to Avoid

continued from page 2

considered when deciding when to apply for benefits. Even if you decide to retire early, it could be advantageous to delay claiming Social Security benefits if your family history indicates you are likely to live well into your nineties.

Misunderstanding key calculations

Understanding the way benefits are calculated is important. Benefits are based on the average of the highest earning 35 years up to \$128,700 each year (the 2018 inflation-adjusted Social Security wage base). If you worked less than 35 years, then zero is used. Obviously, including zeros brings down the average earnings. If you have missing years, and you're able, you may want to plan to work longer in order to eliminate the zeros, raising your average earnings.

Failing to coordinate benefits

Looking at Social Security in isolation may yield a different advantageous result than when considered through the lens of your total financial assets. For example, it could be a viable strategy for someone with a portfolio of after-tax assets to consider drawing on those assets and delay the start of Social Security benefits. Delaying benefits increases your benefit amount by 8% per year for each year you delay claiming benefits after you reach FRA.

Claiming benefits too early

Several factors must be weighed before deciding when to begin claiming benefits. Life expectancy, health, income needs, spousal and survivor benefits, and work plans should be considered. If you begin claiming benefits before your FRA, benefits are reduced between 5% and 6.7% annually from age 62 through FRA. The reduction is permanent.

Overlooking spousal and survivor benefits

Many people fall into the trap of thinking about claiming Social

Security benefits as an individual decision when it should be a household decision. Sometimes, the first inclination, if all you do is look at your individual lifespan, is to go ahead and begin receiving benefits at FRA or sooner. However, you also need to think about your spouse's lifespan. Consider the following:

- Spouses can elect to receive payments that are based on their own work record, or up to 50% of their spouse's benefit, whichever is greater.
- Those married at least 10 years before divorce can claim benefits based on their ex-spouses work record, if greater than their own.
- When a spouse dies, the survivor can inherit the deceased spouse's benefit, if greater than their own.

Your goal should be to maximize your total Social Security benefits. Unfortunately, there is no "always" answer that fits everyone. Social Security can be viewed as longevity insurance. That piece of your retirement income that is expected to last your lifetime.*

What I'm Reading...

NOW

Dance with the Enemy by Rob Sinclair

Who's in Your Room?: The Secret to Creating Your Best Life by Ivan Misner, Ph.D., Stewart Emery, L.H.D., and Rick Sapio

RECENTLY

The Twelve Pathways to Christmas by Andy Wood

Good to Great by Jim Collins



Rich people have small TVs and big libraries, and poor people have small libraries and big TVs.

— Zig Ziglar —