

Consider This Program

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On This Show:

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Show Notes:

Topics include:

- Retirees with Student Debt
- 401(k) IRA rollover question
- The effect money has on your brain
- What happens when you unexpectedly lose your job

CONVO 1:

Google is *data* sensitive, not *date* sensitive! Pay attention!

Forbes said: "Seniors are the fastest growing group of borrowers"

- Because of co-signing
- Social Security can actually be garnished!
 - The fastest of amount of garnishing is with people on Disabilities
 - 15% can be garnished
- Student debt over the age of 60 is up 71.5% in the last 5 years.

If you'd like to pay for a grandchild to go to college, which account should that come from?

- You can give from \$15,000-\$60,000 a year
 - Cannot be for education, & cannot be for medical expenses
- You cannot take money out of your IRA or 401(k) without it being fully taxable
 - If you are 58 or younger, you could take a loan out of your 401(k)
 - Then do the distribution after you are 59.5 years old, so you don't have the taxable penalty
- If you are sending money directly to the higher education institution, there's not limit on the amount you can send



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- If you have Roth IRA & depending on where you are on the tax bracket, you may want to take it out of your Roth IRA, so you don't have to pay taxes on it
 - *Pay attention to the tax code!*

CONVO 2:

If someone decides to quit their full-time job, but stay on 20 hours a week to consult, can they still roll their 401(k) into an IRA?

- Yes, when you separate service, you have the right to roll over that 401(k) into an IRA
- Next question: Can he or she still contribute when working 20 hours a week?
 - You can only contribute to a 401(k) if the plan has a 401(k)
 - Example: If you become a consultant, you would be self-employed & have a 1099 (you have to pay Social Security tax on both sides), but you can work 20 hours & contribute to an IRA.
- Limitations on IRA income
 - Amount of earned income
 - Age
- Roth Contributions only limited by making too much money!
 - In most cases, you should be able to work 20 hours & not exceed the limitation

What are the advantages of rolling over into an IRA, rather than putting it in another 401(k) plan?

- Differences
 - 401(k)
 - The beneficiary has to be a spouse
 - You cannot take money out before the age of 59.5 years old unless you are disabled or have died
 - Advantage: You can take the money out at 55, as long as you don't have higher income
 - Disadvantage: Every time you take money out of a 401(k), there is a 20% mandatory withholding that goes to the Federal Government
 - Most people are not in the 20% bracket
 - You can make up to \$104,000 (married filing jointly) & stay within the 12% bracket
 - You've overpaid the IRS
 - IRA
 - Anyone could be a beneficiary
 - You can take money out of an IRA & put it back 60 days later (only can be done once every 365 days) with no tax withholding

CONVO 3:



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The effect money has on your brain:

- Brain scans when losing money vs. making money
 - Losing money: Brain reacts by thinking “mortal danger”
 - Making money: Brain is on a “high” similar to when on drugs
- Effects of a recurring event (3x)
 - Example: Losing money 3 months in a row.
 - How soon will I be broke?
 - Example: Making money 3 months in a row.
 - When will I be a billionaire?

We’ve had an 8 year bull-run.

Starting over

- People over the age of 50 “starting over”
 - Examples of famous people who started over:
 - Walt Disney (previously a writer for the newspaper until age 39)
 - Julia Child (previously worked for the government as an agent before becoming a French cuisine chef)
 - Things to think about when starting over:
 - Compound Interest
 - Life Expectancy
 - Tax Codes
 - Find a means of income to replace 100% of your standard of living
 - Something you enjoy!
 - “40% of people over the age of 50 years old are employed”
 - Bureau of Labor Statistics

CONVO 4:

Losing your job when you’re close to retirement due to the fast changing world of technology:

- What should you do when you’re “put out to pasture”? (Starting over)
- Finding a new job:
 - Budgeting
 - 70% Rule vs. 100% Standard of Living Rule
 - Net vs. Gross
 - Gross: before you pay the IRS
 - Net: money leftover after paying the IRS
 - Healthcare!

WRAP-UP:

- Student Loans in Retirement
- Social Security can be garnished



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- Rolling over 401(k)'s into IRA's
- Starting Over

Disclaimer: Joseph Clark is a Certified Financial Planner™ and the Managing Partner of Financial Enhancement Group, LLC an SEC Registered Investment Advisor. He is the host of "Consider This" found on WIBC Saturday mornings from 6-7a.m. as well as three other Indiana-based radio stations. Joe has served as an Adjunct Assistant Professor at Purdue University where he taught the capstone course for a degree in Financial Counseling and Planning.

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