ENSEMBLE
WEALTH MANAGEMENT

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IN THIS ISSUE OF INVESTOR INSIGHTS

INVESTOR INSIGHTS

Creating a clear path through retirement

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Living the Dream

March is Asset Management Awareness month, and we're here to help. Inside you'll find a featured article about Riskalyze, a program we utilize to help measure your personal risk tolerance compared to your current portfolio. Find the button on the homepage of our website to try it out!

MARVELOUS MARCH

Our Community Recycle Day was a huge success last month and we appreciate all of our clients, friends, and neighbors who joined us to support a great cause. We collected 119 eyeglasses for donation to the Lions Club. Our entire team helped collect recyclable items and greet our guests with treats and goodie bags. Mark your calendars for next year's event which will be on February 10th, 2018! We've also been busy having a blast with our Welcoming Widows Meetup group. Our group is for widowed women (past, present, or near future) in the desert to build friendships and socialize, while we provide a fun activity to attend once a month. Last month, our ladies enjoyed a wine & paint party at Pinot's Palette in Rancho Mirage and everyone went home with their original artwork! Call Taylor if you know anyone who would like to join our group.

All About IRA's

Investing for retirement with an IRA can make a lot of sense. If you're unsure about IRAs and their rules, here's everything you need to know to make the most of them.

An IRA is a fantastic retirement saving tool, but many Americans don't take advantage of it, and when they do, they fail to make the most of it. If you're among them, don't worry. Here are some rules to help you build a bigger nest egg with an IRA.

What are IRAs?

As a refresher, you can get big tax benefits by saving money for retirement in a traditional IRA or a Roth IRA.

In 2017, you can set aside up to $5,500 of your earnings in either a traditional IRA or a Roth IRA or a combination of the two. If you're 50 years old or older, then you can save up to $6,500 of your earnings in an IRA.

Traditional IRAs can be funded with pre-tax money, which means that money you put in now isn't taxed at your current tax rate. Instead, that money, and any future gains, are taxed when its withdrawn. Because of this feature, traditional IRAs can make sense if you think your income tax rate in retirement will be lower than it is today.

Alternatively, Roth IRAs are funded with after-tax money, which means you're paying taxes on your contributions now so that you can withdraw them -- and future gains -- tax-free in retirement. Because of up-front taxation, a Roth IRA can make sense if you expect your income tax rate in retirement to be higher than it is today.

Some important IRA withdrawal rules

In the case of a traditional IRA, if you don't wait until you're at least 59.5 years old, the IRS will charge you income taxes on any money that you withdraw, plus a 10% penalty, unless you qualify for an early withdrawal exemption.

In the case of a Roth IRA, you can withdraw your contributions tax-free at any age without a penalty, as long as the Roth IRA has been established for at least five years. However, any gains that you withdraw prior to reaching age 59.5 can be subject to income tax and penalties.

Both traditional IRAs and Roth IRAs do allow penalty free, early withdrawals in specific instances. The big ones to know about include purchasing a first home (up to $10,000), or paying college tuition for an immediate relative, such as a spouse or child.

The rules for taking advantage of these exemptions can be quite complex, so make sure you consult a tax professional before taking any early withdrawals. We can refer you to a trusted professional if needed. After all, the last thing you want is a surprise at tax time!

Overall, a Roth IRA might be a better option if you think you'll need to withdraw contributions five or more years from now, and you won't be 59.5 years old or qualify for an early withdrawal exemption at that time.

Navigating the IRA income caps

In order to qualify for a tax deduction on a traditional IRA contribution, your modified adjusted gross income has to be below set limits if you, or your spouse, are covered by a retirement plan at work. Similarly, in order to contribute to a Roth IRA, your modified adjusted gross income needs to be below set limits too.

If you're single, you can make a contribution to a Roth IRA as long as your adjusted income is less than $118,000. You can make a partial contribution if your adjusted income is between $118,000 and $133,000.

If you're married filing jointly and covered by a retirement plan at work, then you can take a tax deduction on your traditional IRA contribution, as long as your adjusted income is below $99,000. A partial deduction is possible if your adjusted income is between $99,000 and $119,000.

If you're not covered by a plan at work but your spouse is, then you can make a tax deductible contribution to traditional IRA if your adjusted income is below $186,000 or a partial deduction if your adjusted income is between $186,000 and $196,000.

If you're married filing jointly, you can contribute to a Roth IRA as long as your adjusted income is below $184,000. A partial contribution can be made if your income is between $184,000 and $194,000.

Once you've contributed to an IRA, you'll need to pick some investments & we're here to help. If you think you're close to these limits and you're unsure of how to calculate your modified adjusted gross income, give us a call and we can walk you through it.

Kind Regards,

Michael Clark, CFP & Garrett Yack

riskalyze

At Ensemble Wealth Management, we've implemented Riskalyze, the world's first first risk alignment platform, which mathematically pinpoints a client's Risk Number® and equips advisors to empower fearless investors.

Built on a Nobel Prize-winning framework, Riskalyze quantifies the semantics of the financial advice industry, replacing confusing and subjective terms like "moderately conservative" and "moderately aggressive" with the Risk Number, a number between 1 and 99 that pinpoints a client's exact comfort zone for downside risk and potential upside gain. Advisors then build an investment portfolio to match the client's Risk Number and chart a clearly defined path to the client's goals. Together we can take the guesswork out of your financial future. So, how does it work? Read below...

Capture Your Risk Number®

The first step is to answer a 5-minute questionnaire that covers topics such as portfolio size, top financial goals, and what you're willing to risk for potential gains. Then we'll pinpoint your exact Risk Number to guide our decision making process.

Align Your Portfolio

After pinpointing your Risk Number, we'll craft a portfolio that aligns with your personal preferences and priorities, allowing you to feel comfortable with your expected outcomes. The resulting proposed portfolio will include projections for the potential gains and losses we should expect over time.

Want Your Risk Score?

Call Taylor at 760-341-8932 ext. 105 for access to the questionnaire or for more details.

https://www.fool.com/retirement/2017/02/17/does-thinking-about-your-ira-give-you-heartburn-le.aspx

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