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Spring is here and we hope you are looking forward to the longer days and warmer temperatures. This month's newsletter has some helpful information across a variety of topics: college savings, retirement planning, and social security benefits. If we can be helpful to you with these topics, please let us know.

Best,

Dawn, Edwina, Todd, and Steve

April 2019

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Quiz: Social Security Survivor Benefits

Did you know that Social Security may pay benefits to your eligible family members when you die, helping to make their financial life easier? Take this quiz to learn more.

Questions

1. What percentage of Social Security beneficiaries receive survivor benefits?

a. 5%

b. 10%

c. 15%

2. Your child may be able to receive survivor benefits based on your Social Security earnings record if he or she is:

a. Unmarried and under age 18 (19 if still in high school)

b. Married and in college

c. Both a and b

3. Which person may be able to receive survivor benefits based on your Social Security earnings record?

a. Your spouse

b. Your former spouse

c. Both a and b

4. Your parent may be able to receive survivor benefits based on your Social Security earnings record.

a. True

b. False

5. How much is the Social Security lump-sum death benefit?

a. $155

b. $255

c. $355

Answers

1. b. About 10% of the approximately 62 million Social Security beneficiaries in December 2017 were receiving survivor benefits.[1]

2. a. A dependent child may be able to receive survivor benefits based on your earnings record if he or she is unmarried and under age 18 (19 if still in high school) or over age 18 if disabled before age 22.

3. c. Both your current and former spouse may be able to receive survivor benefits based on your earnings record if certain conditions are met. Regardless of age, both may be able to receive a benefit if they're unmarried and caring for your child who is under age 16 or disabled before age 22 and entitled to receive benefits on your record. At age 60 or older (50 or older if disabled), both may be able to receive a survivor benefit even if not caring for a child (a length of marriage requirement applies).

4. a. That's true. To be eligible, your parent must be age 62 or older and receiving at least half of his or her financial support from you at the time of your death. In addition, your parent cannot be entitled to his or her own higher Social Security benefit and must not have married after your death.

5. b. The Social Security Administration (SSA) may pay a one-time, $255 lump-sum death benefit to an eligible surviving spouse. If there is no surviving spouse, the payment may be made to an eligible dependent child. The death benefit has never increased since it was capped at its current amount in a 1954 amendment to the Social Security Act.[2]

This is just an overview. For more information on survivor benefits and eligibility rules, visit the SSA website, ssa.gov.

[1] Fast Facts & Figures About Social Security, 2018

[2] Research Notes & Special Studies by the Historian's Office, Social Security Administration

Rules on Opening a 529 Plan Account for College

529 plan assets reach $333 billion

Assets in 529 plans reached $333 billion as of September 2018 — $310 billion (93%) in college savings plans and $23 billion (7%) in prepaid tuition plans.

Source: Strategic Insight, 529 Data Highlights, 3Q 2018

Note: *Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information is available in each issuer's official statement and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, and should be read carefully before investing. Also consider whether your state offers a 529 plan that provides residents with favorable state tax benefits and other benefits, such as financial aid, scholarship funds, and protection from creditors. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated.*

Year over year, participation in 529 plans continues to rise.[1] Anyone can open an account, lifetime contribution limits are typically over $300,000, and there are tax benefits if the funds are used for college. Here are some common questions on opening an account.

Can I open an account in any state's 529 plan or am I limited to my own state's plan?

Answer: It depends on the type of 529 plan you have: college savings plan or prepaid tuition plan. With a college savings plan, you open an individual investment account and direct your contributions to one or more of the plan's investment portfolios. With a prepaid tuition plan, you purchase education credits at today's prices and redeem them in the future for college tuition. Forty-nine states (all but Wyoming) offer one or more college savings plans, but only a few states offer prepaid tuition plans.

529 college savings plans are typically available to residents of any state, and funds can be used at any accredited college in the United States or abroad. But 529 prepaid tuition plans are typically limited to state residents and apply to in-state public colleges.

Why might you decide to open an account in another state's 529 college savings plan? The other plan might offer better investment options, lower management fees, a stronger investment track record, or better customer service. If you decide to go this route, keep in mind that some states may limit certain 529 plan tax benefits, such as a state income tax deduction for contributions, to residents who join the in-state plan.

Is there an age limit on who can be a beneficiary of a 529 account?

Answer: There is no beneficiary age limit specified in Section 529 of the Internal Revenue Code, but some states may impose one. You'll need to check the rules of each plan you're considering. Also, some states may require that the account be in place for a specified minimum length of time before funds can be withdrawn. This is important if you expect to make withdrawals quickly because the beneficiary is close to college age.

Can more than one 529 account be opened for the same child?

Answer: Yes. You (or anyone else) can open multiple 529 accounts for the same beneficiary, as long as you do so under different 529 plans (college savings plan or prepaid tuition plan). For example, you could open a college savings plan account with State A and State B for the same beneficiary, or you could open a college savings plan account and a prepaid tuition plan account with State A for the same beneficiary. But you can't open two college savings plan accounts in the same 529 plan in State A for the same beneficiary.

Also keep in mind that if you do open multiple 529 accounts for the same beneficiary, each plan has its own lifetime contribution limit, and contributions can't be made after the limit is reached. Some states consider the accounts in other states to determine whether the limit has been reached. For these states, the total balance of all plans (in all states) cannot exceed the maximum lifetime contribution limit.

Can I open a 529 account in anticipation of my future grandchild?

Answer: Technically, no, because the beneficiary must have a Social Security number. But you can do so in a roundabout way. First, you'll need to open an account and name as the beneficiary a family member who will be related to your future grandchild. Then when your grandchild is born, you (the account owner) can change the beneficiary to your grandchild. Check the details carefully of any plan you're considering because some plans may impose age restrictions on the beneficiary, such as being under age 21. This may pose a problem if you plan to name your adult son or daughter as the initial beneficiary.

What happens if I open a 529 plan in one state and then move to another state?

Answer: Essentially, nothing happens if you have a college savings plan. But most prepaid tuition plans require that either the account owner or the beneficiary be a resident of the state operating the plan. So if you move to another state, you may have to cash in the prepaid tuition plan.

If you have a college savings plan, you can simply leave the account open and keep contributing to it. Alternatively, you can switch 529 plans by rolling over the assets from that plan to a new 529 plan. You can keep the same beneficiary when you do the rollover (under IRS rules, you're allowed one 529 plan same-beneficiary rollover once every 12 months), but check the details of each plan for any potential restrictions. If you decide to stay with your original 529 plan, just remember that your new state might limit any potential 529 plan tax benefits to residents who participate in the in-state plan.

[1] Strategic Insight, 529 Data Highlights, 3Q 2018

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How Does Your Employer's Retirement Plan Compare?

To compare your plan's offerings and features with those described in this article, review your plan materials or ask your Human Resources Department for its Summary Plan Description.

Diversification is a strategy that helps manage investment risk; it does not guarantee a profit or protect against investment loss.

Mutual funds and target-date funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from the fund company or your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Each year, the Plan Sponsor Council of America (PSCA) surveys employers to gauge trends in retirement plan features and participation. Results are used by employers and plan participants to benchmark their plans against overall averages. How does your plan compare to the most recent survey results, released at the end of 2018?[1]

Participation and savings rates

Plan participation (that is, the percentage of participants contributing to the plan) was on the rise, increasing from 77% in 2010 to 85% in 2017. Employees in the financial, insurance and real estate, manufacturing, and technology and telecommunications sectors were most likely to contribute (more than 85% of eligible employees), while those in the transportation, utility, and energy sectors (75.6%) and wholesale distribution and retail trade sectors (59.7%) were least likely.

The average amount participants contributed to their plans rose from 6.2% of salary in 2010 to 7.1% in 2017. Participants in the health-care sector contributed the most (8.7%), while those in durable goods manufacturing contributed the least (6.3%).

Roth option on the rise

Roth contributions are growing in popularity among 401(k) plans. Unlike traditional pre-tax contributions that are deducted from a paycheck before income taxes are assessed, Roth contributions are made in after-tax dollars. The primary benefit is that "qualified" withdrawals from a Roth account are tax-free. A withdrawal is qualified if the account has been held for at least five years and it has been made after the participant reaches age 59½, dies, or becomes disabled.

The percentage of plans allowing participants to make Roth contributions rose from 45.5% in 2010 to nearly 70% in 2017. Almost 20% of eligible employees made Roth contributions.

Company contributions

Nearly all employers surveyed contributed to their employees' plans through matching contributions, non-matching contributions, or a combination of both. And it appears that employers have become more generous over time, as the average company contribution rose from 3.5% in 2010 to 5.1% in 2017. Moreover, many employers impose a vesting schedule on their contributions through which plan participants earn the right to keep the company contributions over time. In 2017, less than 40% of companies allowed their employees to become immediately vested in the company contributions.

Investment options

When it comes to your retirement plan, how many options would you prefer on your investment menu? Too few funds could limit the opportunity for an appropriate level of diversification, while too many funds might cause an overwhelming decision-making process. So what's the "right" number?

According to an article in *InvestmentNews,* an appropriate number of investment options (typically mutual funds) is 15 to 20.[2] And according to the PSCA, employers seem to be following this guideline, as the average number of funds offered among survey respondents was 20.

The most common types of funds offered were indexed domestic equity funds (84.6% of plans), followed by actively managed domestic equity funds (83.6%), actively managed domestic bond funds (78.9%), and actively managed international/global equity funds (77.9%). Target-date funds — those that offer a diversified mix of different types of investments based on a participant's target retirement date — were offered in 70.6% of plans.

Overall, the two most popular types of funds, based on percentage of assets invested, were target-date funds and actively managed domestic equity funds.[3]

[1] PSCA, 61st Annual Survey

[2] *InvestmentNews,* February 16, 2018

[3] The return and principal value of mutual funds fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost. A bond fund is a mutual fund that comprises mostly bonds and other debt instruments. The mix of bonds depends on each fund's focus and stated objectives. Bond funds are subject to the same inflation, interest rate, and credit risks as their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. Investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, as well as economic and political risk unique to the specific country; this may result in greater share price volatility. The target date is the approximate date when an investor plans to withdraw money. The mix of investments in the target-date fund becomes more conservative as the date grows closer. The further away the date, the greater the risks the fund usually takes. The principal value is not guaranteed at any time, including on or after the target date. There is no guarantee that a target-date fund will meet its stated objectives. It is important to note that no two target-date funds with the same target date are alike. Typically, they won't have the same asset allocation, investment holdings, turnover rate, or glide path.

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Do I need to get a REAL ID when I renew my license?

If you need to renew your driver's license, you may want to get a REAL ID. The REAL ID Act, passed by Congress in 2005, enacts the 9/11 Commission's recommendation that the federal government set minimum security standards for state-issued driver's licenses and identification cards.

Beginning October 1, 2020, residents of every state and territory will need to present a REAL ID-compliant license/identification card, or another acceptable form of identification (such as a passport), to access federal facilities, enter nuclear power plants, and board commercial aircraft. Although implementation has been slow, states have made progress in meeting the REAL ID Act's recommendations. A majority of states and territories, along with the District of Columbia, have complied with all REAL ID requirements. The remaining noncompliant jurisdictions have been granted a temporary extension from the Department of Homeland Security.[1]

To obtain a REAL ID, you must apply in person at your state's department of motor vehicles (or other approved service center). Your picture will be taken and signature captured electronically. You must provide more documentation than you would normally need for a standard driver's license or identification card. A REAL ID requires that you show (in original or certified form) proof of identity and lawful presence (e.g., U.S. passport, birth certificate), state residency (e.g., mortgage statement, utility bill), and Social Security number (e.g., Social Security card, paystub). In addition, if your current name doesn't match the one on your proof of identity document, you must prove your legal name change (e.g., marriage certificate).

When states first implemented REAL ID recommendations, applicants were faced with delays and long wait times. However, many states have since streamlined the process by allowing applicants to start the application process online. For more information on applying for a REAL ID, you can visit your state's department of motor vehicles website or dhs.gov/real-id.

[1] Department of Homeland Security, REAL ID Compliance Extension Updates, October 2018

How do I replace my Social Security card?

Chances are, you probably have your Social Security number memorized, so you may not have had to use your card in awhile. However, there are times when you may be required to show your actual card, such as when you start a new job or need to access certain government services. Fortunately, replacing a lost or stolen card is a relatively easy process.

In order to obtain a new card, you need to prove your citizenship or lawful noncitizen status, and your age and identity from a list of approved documentation (e.g., U.S. passport, driver's license, birth certificate). All documentation provided must be either original or in certified form (notarized copies or photocopies will not be accepted).

Next, you need to fill out an *Application for a Social Security Card* and bring or mail the application, along with the approved documentation, to your local Social Security office. Once the Social Security Administration (SSA) has your information and verified your documents, you should receive a replacement card within 10 to 14 business days.

In certain circumstances, you may be able to apply for a replacement card online using a my Social Security online account. You can apply online for a replacement card if you:

- Are a U.S. citizen age 18 or older with a U.S. mailing address (this includes APO, FPO, and DPO addresses)
- Are not requesting a name change or any other change to your card
- Have a driver's license or state-issued identification card from a participating state or the District of Columbia

Be wary of businesses that offer to replace your Social Security card for a fee. The SSA provides those services free of charge. Keep in mind that you are limited to three replacement cards in a year and 10 during your lifetime, although certain exceptions apply.

For more information on replacing a lost or stolen card, visit the Social Security Administration website at ssa.gov.

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