



Your Financial Future

Playing Catch-Up with Your 401(k) or IRA



A recent survey of baby boomers (ages 53 to 69) found that just 24% were confident they would have enough money to last throughout retirement. Forty-five percent had no retirement savings at all, and of those who did

have savings, 42% had saved less than \$100,000.¹

Your own savings may be on more solid ground, but regardless of your current balance, it's smart to keep it growing. If you're 50 or older, you could benefit by making catch-up contributions to tax-advantaged retirement accounts. You might be surprised by how much your nest egg could grow late in your working career.

Contribution limits

The federal contribution limit in 2016 and 2017 for all IRAs combined is \$5,500, plus a \$1,000 catch-up contribution for those 50 and older, for a total of \$6,500. An extra \$1,000 might not seem like much, but it could make a big difference by the time you're ready to retire (see table). You have until the April 18, 2017, tax filing deadline to make IRA contributions for 2016. The sooner you contribute, the more time the funds will have to pursue potential growth.

The deferral limit in 2016 and 2017 for employer-sponsored retirement plans such as 401(k), 403(b), and most 457(b) plans is \$18,000, plus a \$6,000 catch-up contribution for workers 50 and older, for a total of \$24,000. However, some employer-sponsored plans may have maximums that are lower than the federal contribution limit. Unlike the case with IRAs, contributions to employer-sponsored plans must be made by the end of the calendar year, so be sure to adjust your contributions early enough in the year to take full advantage of the catch-up opportunity.

The following table shows the amount that a 50-year-old might accrue by age 65 or 70, based on making maximum annual contributions (at current rates) to an IRA or a 401(k) plan:

Potential Savings a 50-Year-Old Could Accumulate		Without Catch-Up	With Catch-Up
IRA	By Age 65	\$128,018	\$151,294
	By Age 70	\$202,321	\$239,106
401(k)	By Age 65	\$418,697	\$558,623
	By Age 70	\$662,141	\$882,854

Example assumes a 6% average annual return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. It assumes contributions are made at end of the calendar year. Rates of return vary over time, particularly for long-term investments. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary.

Special 403(b) and 457(b) plan rules

403(b) and 457(b) plans can (but aren't required to) provide their own special catch-up opportunities. The 403(b) special rule, available to participants with at least 15 years of service, may permit an additional \$3,000 annual deferral for up to five years (certain additional limits apply). A participant can use this special rule and the age 50 catch-up rule in the same year. Therefore, a participant eligible for both could contribute up to \$27,000 to his or her 403(b) plan account (the \$18,000 regular deferral limit, plus the \$3,000 special catch-up, plus the \$6,000 age 50 catch-up).

The 457(b) plan special rule allows participants who have not deferred the maximum amount in prior years to contribute up to twice the normal deferral limit (that is, up to \$36,000 in 2016 and 2017) in the three years prior to reaching the plan's normal retirement age. (However, these additional catch-up contributions can't exceed the total of the prior years' unused deferrals.) 457(b) participants who elect to use this special catch-up rule cannot also use the age 50 catch-up rule in the same year.

¹ "Boomer Expectations for Retirement 2016," Insured Retirement Institute.

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Happy New Year!

In 2017, I am looking forward to helping my clients make wise decisions about their money.

Focusing the light of knowledge on the financial pieces of the puzzle that are known and on those that are not known is my goal. Many people came into my office last year who were "in the dark" about their own or their family's finances. I was happy to help them understand their financial picture and help them gather the "unknown" info! I am making it my goal this year to educate and shed light on what is going on in your financial lives!

Divorcing? Divorce has one of the greatest financial impacts on a person's life. As a Certified Divorce Financial Analyst, and a CFP(R), my passion is to educate my clients on the money issues involved in their divorce. On JAN 21st at 10am -I will be teaching the financial part of the free Divorce Options workshop. See NOCOURT.ORG for more details. Please share!

Best Wishes for a good 2017!

Pam

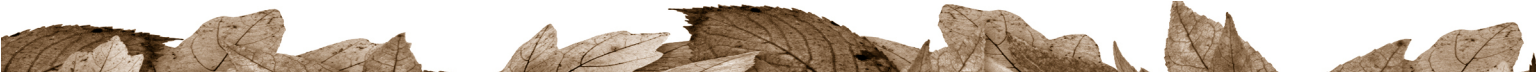
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Key Retirement and Tax Numbers for 2017
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Key Retirement and Tax Numbers for 2017



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2017.

Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$18,000 in compensation in 2017 (the same as in 2016); employees age 50 and older can defer up to an additional \$6,000 in 2017 (the same as in 2016).
- Employees participating in a SIMPLE retirement plan can defer up to \$12,500 in 2017 (the same as in 2016), and employees age 50 and older will be able to defer up to an additional \$3,000 in 2017 (the same as in 2016).

IRAs

The limit on annual contributions to an IRA remains unchanged at \$5,500 in 2017, with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2016	2017
Single/head of household (HOH)	\$61,000 - \$71,000	\$62,000 - \$72,000
Married filing jointly (MFJ)	\$98,000 - \$118,000	\$99,000 - \$119,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2017 phaseout range is \$186,000 - \$196,000 (up from \$184,000 - \$194,000 in 2016) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals making contributions to a Roth IRA are:

	2016	2017
Single/HOH	\$117,000 - \$132,000	\$118,000 - \$133,000
MFJ	\$184,000 - \$194,000	\$186,000 - \$196,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion remains at \$14,000.
- The gift and estate tax basic exclusion amount for 2017 is \$5,490,000, up from \$5,450,000 in 2016.

Personal exemption

The personal exemption amount remains at \$4,050. For 2017, personal exemptions begin to phase out once AGI exceeds \$261,500 (single), \$287,650 (HOH), \$313,800 (MFJ), or \$156,900 (MFS).

Note: These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2016 threshold amounts were \$259,400 (single), \$285,350 (HOH), \$311,300 (MFJ), and \$155,650 (MFS).

Standard deduction

These amounts have been adjusted as follows:

	2016	2017
Single	\$6,300	\$6,350
HOH	\$9,300	\$9,350
MFJ	\$12,600	\$12,700
MFS	\$6,300	\$6,350

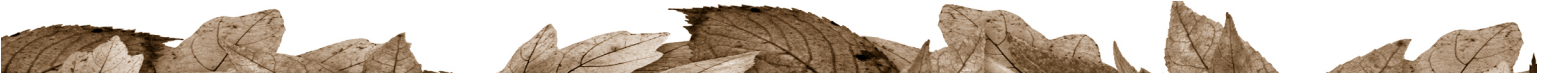
Note: The 2016 and 2017 additional standard deduction amount (age 65 or older, or blind) is \$1,550 for single/HOH or \$1,250 for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

Alternative minimum tax (AMT)

AMT amounts have been adjusted as follows:

	2016	2017
Maximum AMT exemption amount		
Single/HOH	\$53,900	\$54,300
MFJ	\$83,800	\$84,500
MFS	\$41,900	\$42,250
Exemption phaseout threshold		
Single/HOH	\$119,700	\$120,700
MFJ	\$159,700	\$160,900
MFS	\$79,850	\$80,450
26% on AMTI* up to this amount, 28% on AMTI above this amount		
MFS	\$93,150	\$93,900
All others	\$186,300	\$187,800

*Alternative minimum taxable income



Growth, Value, or Both



"I always say if you aren't investing for value, what are you investing for? And the idea that value and growth are two different things makes no sense.... Growth is part of the value equation."

—Warren Buffett

The terms growth and value are often used to describe two different investment strategies, yet many investors may want both qualities in an investment. Famed investor Warren Buffett put it this way in a 2015 interview: "I always say if you aren't investing for value, what are you investing for? And the idea that value and growth are two different things makes no sense.... Growth is part of the value equation."¹

Even so, analysts may look at specific stocks as offering more growth potential than value, and vice versa. And these concepts are used to construct many mutual funds and exchange-traded funds (ETFs). So it's helpful to understand the opposing ideas, even if you want the best of both in your portfolio.

Poised to grow?

As the name suggests, growth stocks are associated with companies that appear to have above-average growth potential. These companies might be on the verge of a market breakthrough or acquisition, or they may occupy a strong position in a growing industry.

Growth companies may place more emphasis on reinvesting profits than on paying dividends (although many large growth companies do offer dividends). Investors hope to benefit from future capital appreciation of growth stocks, which tend to be considered higher risk than value stocks. However, it's equally important for growth and value stocks to have strong fundamentals.

Undervalued?

Value stocks are associated with companies that appear to be undervalued by the market or are in an industry that is currently out of favor. Unlike growth stocks, which might seem expensive and overvalued, value stocks may be priced lower in relation to their earnings, assets, or growth potential.

Established companies are more likely than younger companies to be considered value stocks, and these firms may emphasize paying dividends over reinvesting profits. An investor who purchases a value stock typically expects the broader market to eventually recognize the company's full potential, which may result in rising share prices. One risk with this approach is that a stock considered to be undervalued because of legal or management difficulties or tough competition might not be able to recover from the setback.

Focused funds

Identifying specific growth or value investments requires time, knowledge, and experience to analyze stock data. A more convenient and

accessible way to add growth or value stocks to your portfolio may be through mutual funds or ETFs that focus on these categories. Such funds often have the word "growth" or "value" in their names. However, there could be a wide variety of objectives and stock holdings among funds labeled growth or value.

Also keep in mind that you might find growth, value, or both in a broad range of investments that do not employ growth or value strategies.

Diversification

Holding growth and value stocks and/or funds is one way to diversify the stock portion of your portfolio. Over the past 20 years, the average annual return for value stocks was about 1.5 percentage points higher than that of growth stocks (8.54% versus 7.02%). Yet growth stocks outperformed value stocks in eight of those years — in some years by large margins. This suggests that growth and value stocks may respond differently to varying market conditions.²

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

The return and principal value of stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares.

Mutual funds and ETFs 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 your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

¹ CNBC.com, March 2, 2015

² Thomson Reuters, 2016, for the period 9/30/1996 to 9/30/2016. Growth stocks are represented by the Russell 3000 Growth Index. Value stocks are represented by the Russell 3000 Value Index. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is not a guarantee of future results.

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How can technology help me manage my money?

It may seem that there's an app or software program for every purpose, and that includes managing your money. Here are some examples where technology may be useful in helping you get a handle on your money.

Creating a budget: There are multiple apps available that enable you to input your monthly income and expenses to generate a budget that fits your needs. Plus, some programs are able to categorize and track transactions, which could help you see exactly how much you spend in certain areas on a month-to-month basis.

Setting reminders: Do you occasionally forget to pay a particular bill? Or are you looking for a regular reminder to keep an eye on your account balances? Look for an app that lets you schedule reminders that suit your needs, whether it's an alarm that goes off for monthly bills or a service that automates payments you might otherwise forget to make.

Digitizing services: You're probably aware of your bank's direct-deposit services, but did you know that you can send payments, request

refunds, and view transaction history using your bank's mobile app? You can also find apps that feature calculators designed to help you make investment decisions, as well as determine your net worth, calculate the time value of your money, and estimate your insurance needs, among other things.

Shopping (and saving): Some apps are designed specifically to help you save money in a variety of ways, from searching for the best local deals to calculating the cost of driving from point A to point B. If you'd like to dial back your spending, look for an app that can help you cut costs. For example, apps can compare the cost of groceries at one store against another, or help you find the lowest gas prices in your area. That way, you can put the extra money you have from being a savvy shopper toward a long-term goal, such as retirement.

With some exploration, you may find additional money-related apps. But bear in mind that even though many apps and services promise security, technology isn't always reliable, and you could fall victim to hackers. Think carefully before you provide information pertaining to your bank account and income/spending history.



What should I evaluate when considering a new job offer?

Today, few people stay with one employer until retirement. Instead, it's likely that at some point during your career, you'll be searching for a new job. You may be looking for more money, greater career opportunities, or more flexibility. Or you may be forced to look for new employment if your company restructures. Whatever the reason, at some point in your working life you might be faced with a new job offer. Should you take it? Here are some things to evaluate.

Salary: How does the salary offer stack up against your previous job? If the offer is less than you expected, find out when you can expect performance reviews and/or pay increases (a typical company will review your salary at least annually). You can compare your salary offer to the salary range for others working in the same industry by looking at salary-related websites. In addition, consider the availability of bonuses, commissions, and/or profit-sharing plans that can increase your total income, and find out whether they're dependent on your own job performance, the company's performance, or a combination of both.

Employee benefits: What benefits does the company offer, and how much of the cost will you bear as an employee? A good employee benefits package can add the equivalent of thousands of dollars to your base pay. Benefits may include a retirement plan (hopefully with employer matching contributions); health, dental, and vision insurance; disability, life, and long-term care insurance; vacation time and sick leave; flexible spending accounts for health and dependent care expenses; tuition reimbursement; student loan assistance; child-care programs; transit programs; counseling services; pet insurance; and other miscellaneous benefits.

Personal and professional consequences: Will you be better off financially if you take the job? Is there schedule flexibility? Will you need to work a lot of overtime? Travel extensively? Consider any related costs of taking the job, such as transportation and day care. Also take a close look at the company's work environment and culture. You may be getting a good salary and great benefits, but if the work environment doesn't suit you, you may want to think twice.