

The Loop

An Insight Financial Advisor Newsletter

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If you contribute the maximum to your 401(k) Plan, then congratulations! You are among a small percentage of Americans to do so. However, many of these super savers do not realize they can also add to an IRA. Many mistakenly assume they cannot do both, or more commonly assume they make too much money and are not eligible.

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Little Known Method to Max-Out Retirement Savings

Written by: John R Calmes, CFP®

If you contribute the maximum to your 401(k) Plan, then congratulations! You are among a small percentage of Americans to do so. However, many of these super savers do not realize they can also add to an IRA. Many mistakenly assume they cannot do both, or more commonly assume they make too much money and are not eligible.

In 2017, phase-outs for Roth contributions begin at \$189,000 and the phase-out for deductibility on IRA's begin at \$99,000 (married filing jointly, both spouses covered). So to follow the logic of many investors, if your AGI is over \$189,000, you are out of luck. Fortunately, that is not true!



Anyone with earned income can make a non-deductible IRA contribution with no income limitations. Although you do not get a deduction upfront, tax on earnings is deferred. In addition, if you do not currently have any other IRA accounts (401(k) or 403(b) accounts not included), then you can take advantage of the “back-door Roth IRA

loophole” wherein you immediately convert your non-deductible IRA contribution into a Roth IRA. Since you did not take a deduction, and there are no earnings yet, there is no tax due. So essentially you made a Roth contribution, with a little more administrative effort. Furthermore, the new tax law explicitly allows for this “loophole.”

As with most tax and investment planning topics, there are a number of factors to consider. For instance, since the IRS considers multiple IRA accounts as one, if you do have other IRA accounts and implement a Roth conversion, there may be a negative taxable event. Also, be sure to always track your non-deductible IRA contributions on Form 8606 with your tax return. This form should be filed in the year you made the non-deductible contribution and every year thereafter.

If you feel that either of these strategies would be a good fit, please call our office to discuss. Enlisting an expert to walk you through these advanced planning techniques could help you avoid an unintended outcome.

This article was written by
John R Calmes, CFP®
Financial Advisor



How are Gym Memberships like Financial Planners?

Written by: Heather N Calmes

“It’s time for me to get in shape!” you exclaim as you excitedly begin your research into the local gym amenities and prices. You walk in your chosen gym with a fresh sense of vigor. It’s going to work, you’re going to get fit, and it has to work this time because you’re paying for it. Inevitably though, you end up fizzling out and the gym happily collects your membership fee while you stay home and continue your bad habits.

Why would you pay for something and not use it?

You feel like paying for it is enough.

We find this happens with Financial Advisors too. Someone will put in the time to research Advisors in their area, meet with several of them to find a good fit, dig up all their statements and documents for review, turn over their Social Security Number and other private information, sign documents ... and then in a few months they fizzle out. Our office sends out a search party to make sure they haven’t got lost, but other advisors...?



Just like with the gym you’ve got to put work into becoming financially fit!

Simply hiring a Financial Advisor isn’t going to make you wealthy, just as getting a gym membership won’t make you fit. Building and maintaining financial independence takes time, focus, and effort. Paying for an advisor isn’t enough; you have to put in the effort to show up to your meetings, review your accounts, and implement recommendations. A Financial Advisor is there to guide and assist you, but it is your money, you are in control of it. As Wanda always says...

“Those who pay attention to their money tend to have more of it.”

One last bit of financial advice, on the house... cancel any gym membership you’re not using.

This article was written by
Heather N Calmes
Marketing Director



Wanda Delgado Attends Cambridge Premier Club 2018

Written by: Heather N Calmes

I am pleased to announce Wanda Delgado was recognized once again by our broker-dealer, Cambridge Investment Research, Inc. and participated in Cambridge's Premier Club conference in Marco Island, Florida. Cambridge independent advisors are invited to participate based on their dedication to service excellence while staying true to Cambridge's core values of integrity, commitment, flexibility, and kindness.



The conference focused on renewing a commitment to excellence in serving clients and an unwavering dedication to independence. Wanda took advantage of educational events, networking opportunities, and of course just a touch of celebration.

"I am honored to be included in this year's Premier Club. My inclusion in these events lets me know Cambridge values me as an advisor, my team at Insight Financial Advisors, and YOU our clients!"

It's true, you can take full credit for Wanda's involvement in the Cambridge Premier Club! The Premier Club is made up of the top 300 advisors working with Cambridge Investment Research. You got us into the top 10% of advisors! Thank you!

New IFA Website Coming Soon!

Written by: Heather N Calmes

We're getting a makeover! Well, our website is anyway, and we couldn't be more excited. Expect the same great information on who we are, what we do, and how to find us with a more modern look. We expect to launch the updated website sometime in April, so keep your eyes peeled.



Investment Committee Meeting

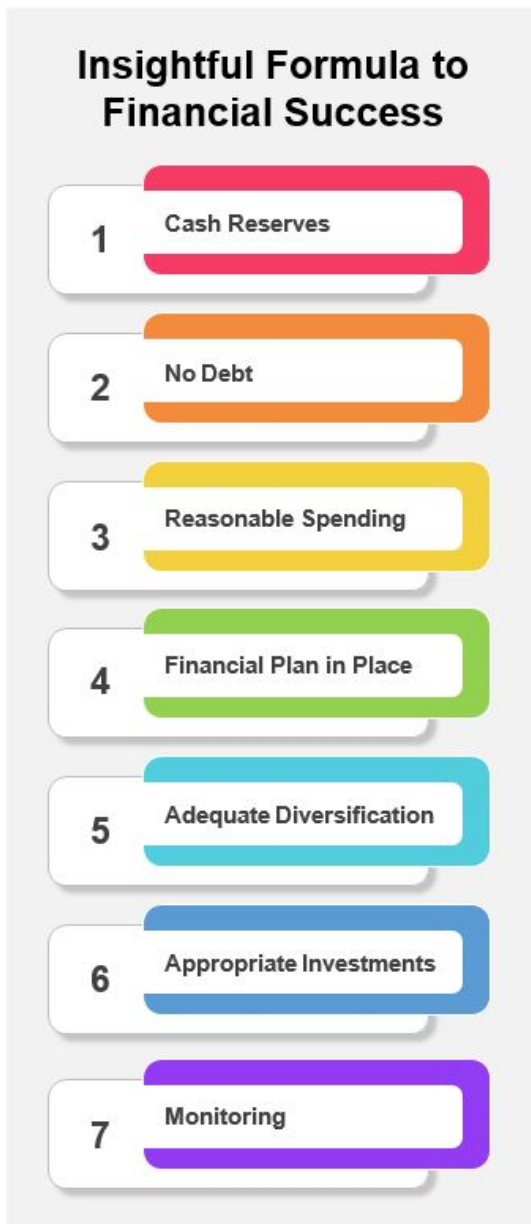
Written by: John R Calmes, CFP®

IFA held their quarterly Investment Committee meeting on March 22nd. The committee evaluated their recommended fund list, reviewed current allocation recommendations, and updated their

investment policy for advisory accounts. Changes to most portfolios should occur in the next 1 to 2 months, including rebalancing transactions.

Insightful Formula to Financial Success

Written by: Wanda Delgado



There is a fairly simple formula for financial success that I have been using during my 30+ years in this industry and I'm going to give it to you. In fact, we've put together a graphic (pictured on the left) to show you the secret sauce...

Yep! It's the same few things I talk about at every client meeting, in practically every newsletter, and inevitably at just about every social gathering. Although you may have heard or seen me discuss these topics before, it is always important to have a reminder. We've already covered Part 1 – Cash Reserves in a previous issue of The Loop, so let's move on to Part 2 – No Debt ...

Continue to *Debt Dragon* on page 6

This article was written by
Wanda L Delgado, CFP®
Registered Principal



Debt Dragon

Insightful Formula to Financial Success, Part 2

Credit cards, borrowing, loans, mortgages, liabilities, obligations, liens, indentured. Owing money can be more complex and dangerous than it seems. Let's explore a few words on this subject.

“If you think nobody cares if you're alive, try missing a couple of car payments.” -Earl Wilson

This is the part everyone knows: When someone borrows money, debt is created and it takes on a life of its own. Debt repayment turns into instant higher overhead. It's predictably inflexible and is a drain on earning power – and often one's personal freedom. The biggest problem is that naïve borrowers focus only on the cash they borrowed and momentarily on the items they bought with the loan. That monthly payment may sprout into a larger payment if the interest rate changes; and it can mushroom if the borrower allows it to compound by making minimum payments – like on a credit card. That debt has a claim on the paycheck and the borrower does not have the power to change the terms. Unless he pays off the balance.

This is the part everyone should know: Debt is re-paid with after-tax dollars. A hypothetical \$10,000 borrowed and spent must be paid back with another \$3,000 of earnings to pay the 30% marginal income tax. Yes, and then there is the interest. That

must be paid back with after-tax dollars too. Mortgage interest on a home loan may be deductible, but then, it may not under current tax law. This detail can be the thing that wrecks someone's cash flow as they have to earn the repayment, the interest AND the income tax to repay the loan.

This is another thing everyone knows: If the borrower can't repay the loan, the debt doesn't go away easily. Collection agencies may be relentless in their pursuit. Yes, bankruptcy is an option; and it costs money to file BK. There's the court filing costs and attorney fees. A chapter 7 bankruptcy stays on credit reports for 10 years from the filing date. Failure to repay fouls up the ability to obtain credit at a decent rate for up to 10 years.

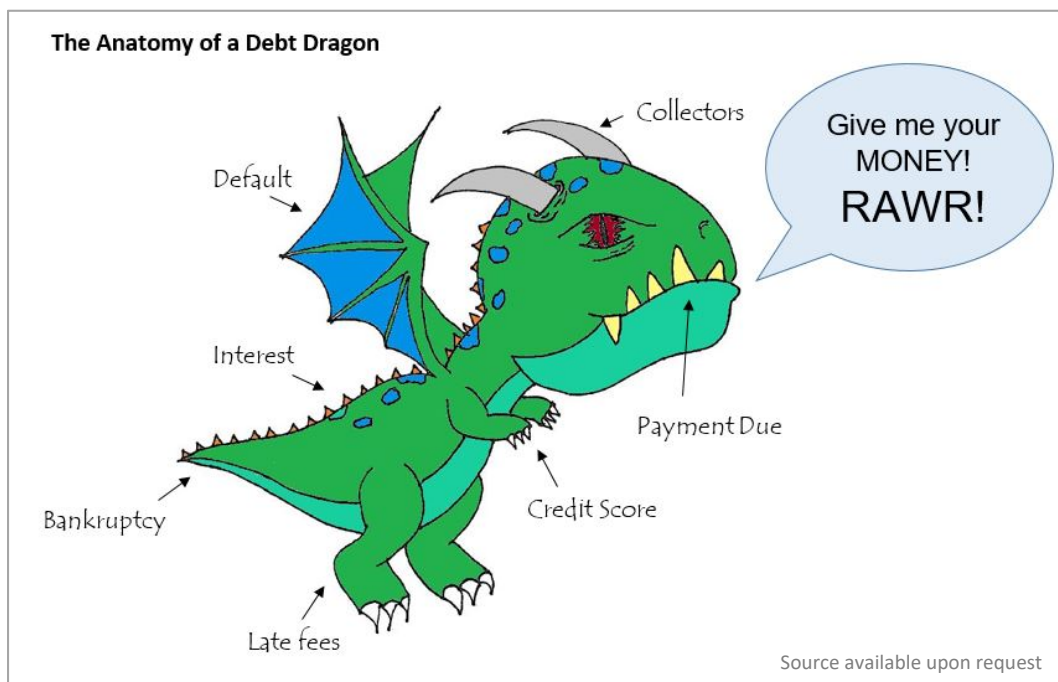
This is another thing everyone should know: Even if the lender goes out of business, that bad loan has value to someone who thinks they can collect. There is a market for those bad loans, and they outlive the defunct lender. The borrowers still owe the balance of the loan. A failure to make repayments in good order, or worse, a bankruptcy may ruin career prospects. Many industries monitor the credit history of it licensed or credentialed members. (Ours does.) A bad credit record could mean a loss of a precious license and a good career.

Debt Dragon Continued...

Yet another thing everyone knows: Smart borrowers stay away from taking out loans to pay for short-term needs or wants. Save cash for that vacation, restaurant meals, tickets to theme parks, or awesome shoes. By the time the payment is due, the vacation tan has faded; the next meal is on the table, etc.

Yet another thing everyone should know: If taking a loan is necessary, match the liability

with the asset. Borrow for those things that last and can build equity: house, automobile, or business equipment. Taking a 5 year loan for a solid automobile with a competitive interest rate can be a good idea; taking a 10 year auto loan – not so much. If the cost of a restaurant meal lands on the credit card, pay off the card when the statement arrives. If the payment is too high, learn to cook at home.



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