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Truth, Knowledge, Experience *2nd Quarter 2016*

Hi Everyone,

The long term impact of BREXIT still remains to be seen. A good portion of the world's developed economies have negative interest rates. While the world focuses on the upcoming U.S. elections, leave the market worries to me and enjoy your summer vacations.

Sincerely,
Steve Geremia

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Helping Your Adult Children Without Hurting Your Retirement

Presented by Stephen Geremia

A large portion of the millennial generation has come of age during complex and challenging economic conditions. The older end of the generation entered the workforce just in time for the biggest market downturn and scariest job market in decades, while being saddled with more student loan debt than any previous generation.

While the economy and job market have since turned around, the headwinds that millennials have faced in starting their careers and making long-term financial plans have led to a few trends that are affecting their parents' generation as well. Many parents of adult millennial children find themselves wondering how much they should help their kids. For baby boomers in or near retirement, this is a big consideration, as providing financial support to a family member can affect their own retirement plans.

Staying in the nest longer

One way young adults are staying afloat is by staying in their parents' homes. By providing fledgling workers or entrepreneurs with free or cheap housing, parents arguably are preventing their young adult children from falling into greater debt—particularly in their early earning years when their incomes might not be enough to cover school loans and regular living expenses, let alone savings for the future. The expectation, of course, is that these young adults will progress in their careers and eventually have enough earning power to achieve financial independence. But can you really count on this happening? More important, what's the exit strategy?

Who's paying the bills?

Even if your kids have left your nest, are you feathering their new one? If you're still on the hook for financial support for your young (or not-so-young) adult child, you're not alone. According to a 2014 American Consumer Credit Counseling survey, more than one-third of U.S. households provide regular financial assistance to adult children, including:

- Paying rent
- Repaying student loan debt
- Covering car payments and cell phone bills

Even if you haven't dipped into your IRA to pay for your daughter's wedding (and, please, don't do that), these smaller amounts—a couple of thousand or even a few

"In my many years I have come to a conclusion that one useless man is a shame; two is a law firm and three or more is a congress."
-John Adams

Is it a loan or a gift?
Another element to consider when providing substantial financial support to your child is the annual IRS gifting limit. At what point does your monetary support become taxable? For 2016, couples can gift up to $28,000 before having to report the amount to the IRS. In some instances, the same limit can be applied if you loan the money to your child (e.g., as a down payment on a house) but either consider it interest-free or charge below-market interest. For any amounts over these limits, you'll be on the hook for taxes.
It's important to note that gift and estate tax rules differ from state to state, and each situation is different. So it's crucial to consult with a qualified tax professional about the impact to your tax bill.
Does financial support now lead to financial independence later?
As parents, your goals are noble and well intentioned. "I want to give my kids more than I had," or "I want to give them a head start to keep them out of debt," seem like great reasons to help out if you have the means to do so—but do your actions foster the habits that will lead to financial success and independence? Or are they possibly setting the expectation that you'll continue to fund a lifestyle that your children may never be able to afford on their own?
Learning to live within our means can be a challenge at any income bracket, and cutting your kids off financially or enabling bad habits is a tough line to tread. Here are some compromises you might consider:

- **Charge rent.** This seems like an easy place to start, but it can be difficult to determine an amount and stand firm on collecting it; if they can't afford it and end up months behind, your kids won't perceive any impact if they feel like they can owe you indefinitely. Don't necessarily expect market value for the room, but you have the right to set boundaries that keep both parties feeling comfortable with the arrangement.
- **If not rent, pick an expense and be consistent.** Between utilities, groceries, and other expenses, there are many different ways your millennial can be accountable for at least some household needs.
- **Set boundaries.** Separate the wants from the needs. It's okay to want to help your kids relieve the stress from crushing student loan debt, but you don't need to finance their vacation or spa visits.
- **Live within your *own* means.** Lest you want to end up on their doorstep someday when your retirement funds run out, be disciplined about sticking to your budget and savings plan.

Above all, make sure you discuss your actual spending needs both as a family and with your financial and tax professionals. You've put time and effort into building a sustainable retirement plan. Don't derail your hard work by giving away more than you can afford.

Questions to Ask When You Inherit a Home

Presented by Stephen Geremia

Buying a home is one of the most stressful experiences and biggest financial commitments of many people's lives. But inheriting a home from a parent or relative can be equally stressful and complex in ways you may not anticipate. As you cope with a loved one's death and all the emotions it stirs up, you'll need to decide whether you should sell the home, live in it, or rent it out.

Unfortunately, inheriting a house isn't always a financial gain. The good news is that you can avoid many potential pitfalls by asking the right questions. Here are some key factors to consider before you make any decisions about the house you've inherited.

Is there a mortgage on the property?
If so, will the estate assets be used to cover it? If there aren't enough assets to pay off the mortgage, or if the other heirs don't agree to do so, you can take on the deceased's mortgage in order to keep the house—as long as you have the means and desire to assume the debt. In this case, you'll want to consider refinancing to see if you can get a better rate or lower monthly payment.

If the house is "underwater" (i.e., the home's current value is less than what is owed on the mortgage), you may decide to walk away from the property and let it go into foreclosure. Of course, before making any decision, you should seek the guidance of an estate attorney.

Would it make sense to keep the home?
Although selling a family home can be a painful process, it's important not to let nostalgia jeopardize your financial well-being. Even if you're able to manage the mortgage, does the home have any other value to you? Ask yourself these questions:

- Is it a property you're going to use, either for vacations or to live in yourself?
- Do you have the time and money to handle the maintenance and upkeep the house will require?
- If you plan to use it for rental income, would renovations be needed? Would you be willing to hire a property manager (if you can't manage the rental yourself)?

What does the local real estate market look like?
If you're thinking of selling or renting the home, do your due diligence on the local market. A knowledgeable real estate agent can advise you about the options in your area, discuss comparable properties and what they've sold or rented for, and help you determine if any renovations would be worth the time and money. (Real estate laws differ from state to state, so it's important to work with a professional licensed in the state where the property is located.)

If you plan to sell, keep in mind that high-end finishes and other upgrades won't necessarily get you your money back if the neighborhood isn't made up of similarly designed homes. Rather than investing in renovations, listing the house "as is" for a lower price may result in a quicker sale.

What are the potential implications for your taxes?
Upon inheriting the house, you will receive a stepped-up cost basis: the property's fair market value at the date of the former owner's death.

- **If you decide to sell**, this means that, even if the home has appreciated significantly since your loved one purchased it, you'll only pay long-term capital gains on the sale price over that stepped-up basis.
- **If you decide to live in the house**, you may face higher property taxes due to the step-up in cost basis. On the other hand, if you eventually sell, you can avoid capital gains if you reside there for at least two of the past five years.
- **If you decide to rent out the house**, you can deduct certain improvements and the depreciation of the house itself against your taxable rental income. Just keep in mind that you'll have to reimburse the IRS for that depreciation if you eventually sell.

Mortgage-Shopping Basics
Presented by Stephen Geremia

Whether you're buying your first home or looking to purchase a vacation home or another property, it's important to determine how much debt you can comfortably take on and to compare mortgages to find the most appropriate option for your situation. The following tips can help:

- **Be realistic about what you can afford.** As with any purchase, it's important not to spend more than your budget allows. This is especially true with a mortgage. Review your essential expenses to estimate what you can reasonably pay on a monthly basis—and be sure to factor in not only your mortgage payment, but property taxes, utilities, insurance, and maintenance as well. You should have enough left over to be able to set aside money for an emergency fund. And don't forget to consider your discretionary spending habits and hobbies; taking on a home is a big financial commitment, and it may not be worth it right now if you have to give up too many of the things you love to do.

Know the difference between a mortgage lender and a mortgage broker. Mortgage brokers find mortgage lenders for you; they don't lend money directly. Brokers have access to numerous lenders and choices, but they charge a fee for their services. If you plan to work with a broker, be sure to ask about this cost. You can use more than one broker at once—or even a combination of brokers and lenders—to help you in your search.

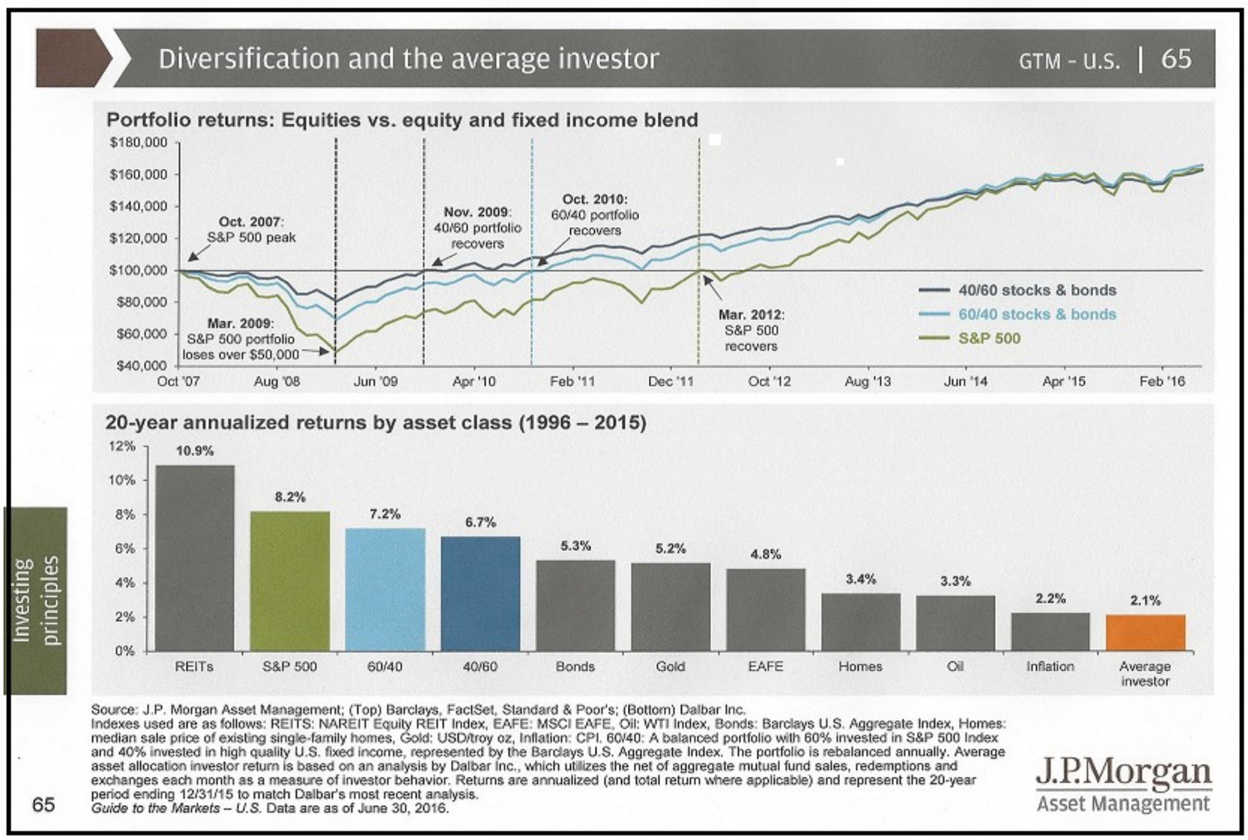
Shop around, especially on Fridays. In addition to checking with your bank, shop around for mortgages at credit unions, mortgage companies, and even online. Since mortgage prices change daily, it's important to review mortgage terms on the same day. If you want more time to consider your options, do your looking on Fridays, as prices will generally hold through the weekend.

Compare. Be sure you understand the complete cost of each mortgage, including mortgage rates, points, and fees. Ask all prospective lenders for the same information—loan amount, loan term, and type of loan—so you can effectively compare your options. For adjustable rates, ask lenders to calculate how much your monthly mortgage payments will be for one year, five years, and so on.

Negotiate. Once you've found a mortgage lender and loan, start negotiating for the best possible deal. Don't hesitate to ask your morbroker to put all the costs of the mortgage in writing, and consider asking them to waive or reduce the mortgage fee or to lower the rate or points.

Lock in your rate. After negotiations have been finalized, ask your broker or lender for a written lock-in to protect you from an increase in the rate while you complete the mortgage process. If you have to pay a fee for this, you can generally get a refund at the mortgage closing. If the mortgage rate decreases before closing, you may be able to ask for some kind of adjustment.

In addition to following these tips, get advice from people you trust who've been through the process before. Friends and family members are one resource; your real estate agent can also provide referrals to trusted lenders with whom he or she may have long-term relationships. You might also wish to consider hiring a real estate at-



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