LET'S TALK MONEY®
September/October 2020

The New SECURE Act and You

The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which went into effect this year, created significant changes to retirement savings rules. From later required minimum distributions (RMDs) to IRAs and 401(k)s to accelerated distributions of inherited IRAs, the SECURE Act affects nearly everyone.

More for Retirement

One significant change is that retirees get an extra year and a half to grow their IRA and 401(k) accounts before RMDs must begin. RMDs from an IRA or 401(k) plan must begin by age 72, up from age 70½. This doesn't apply if you turned age 70½ before 2020.*

One exception is you don't have to take RMDs from an employer's retirement plan until you stop working, unless you own at least 5% of the company. You can also contribute to an IRA past your RMD date as long as you have work income to offset the contribution. Previously, you had to stop contributing by age 70½, even if you continued to work.

More workers can contribute to 401(k) plans, too, starting in 2021. Part-time employees who worked at least 500 hours in each of three straight years (and reached age 21 by the end of the period) are eligible to contribute. And 401(k) plan participants should expect new disclosures estimating their lifetime income from their plans, while they may possibly see annuities as new plan options.

Other Changes

One change some IRA owners might not like is the elimination of the so-called "stretch" provision of inherited, non-spousal IRAs. Previously, non-spouse beneficiaries could stretch an inherited IRA over their lifetimes. Now, they must distribute all inherited benefits within 10 years of the original owner's death.** There are exceptions to the new rule, including the IRA owner's spouse and minor children, beneficiaries who are disabled, chronically ill or less than 10 years younger than the deceased.

The SECURE Act added some other wrinkles, allowing up to $5,000 in penalty-free distributions from IRAs and certain other plans, if amended within a year of a qualified birth or adoption and up to $10,000 from a 529 plan to pay for student loans.

**The CARES Act suspends the RMD requirement for 2020. Employer sponsored retirement plans may permit through plan amendment.*

***Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.*

Karen Petrucco
Account Manager

LTM Client Marketing
45 Prospect Ave
Albany, NY 12206

Tel: 800-243-5334
Fax: 800-720-0780
sales@ltmclientmarketing.com
www.ltmclientmarketing.com

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Ways to Lower Your Auto Insurance Bill

If you drive, most states will require that you carry liability coverage. This can prove costly, especially if you are in a higher risk group or have a poor driving record. And if you have a newer car, you may want to carry additional collision and comprehensive insurance to cover your car. There are ways, however, to lower your total insurance costs.

Common Sense

Practice safer driving habits. Teens can't become older drivers overnight to qualify for lower rates, but they can become safer drivers. If you're in the market to buy a car, understand that some models will cost more to insure than others. If you're young, good grades may get you a better rate. If you're older, a defensive driving course could lower premiums.

Consider dropping collision insurance on older vehicles, since they will drop in value with age. Collision coverage won't pay more than fair value for a total loss. Bundle other insurance policies with the same insurer for a discount and, in some states, get an additional discount for good credit or improving it.

Newer Ways to Save

Anti-theft devices, low driving mileage and increased deductibles also lower premiums. And some insurers will now install safe-driving devices that can help you lower costs if they show you have good driving habits or drive fewer miles. Ultimately, do your homework when looking for auto insurance and shop around to lower your total expenses.

Ways to Lower Your Car Rental Costs

Renting a car can involve a labyrinth of extra fees and charges, which can raise rental costs dramatically. You may, though, refuse some of these safely to lower what you pay.

Limit the Extras

Ditch the extras if you can. From GPS devices to child safety seats, car rental companies charge a fortune for extras. Bring your own when you can. Learn how much tolls are and compare them to what car rental agencies charge to include an electronic toll pass or transponder.

Explore Alternatives

Compare timeframes. Some rental companies might offer a deal on a week that costs less than renting for four days. If there are no offsetting early return fees or penalties, take the deal and return early. Also check out rental fees for picking up and dropping off outside of airports. The difference can be substantial if you opt for a little less convenience.

Use Your Own

The daily insurance fees rental companies charge are steep, and they might duplicate what you already have. Check with your auto insurer to see what's covered, and consider using a credit card that may provide an extra measure of rental car insurance coverage.

How to Repair Poor Credit

Poor credit can raise your borrowing costs or eliminate your ability to borrow altogether, and it can even disqualify you from employment opportunities. If you have poor credit, take heart in knowing you can improve your credit score. Here's how to start the process:

Understand Your Problem

Why is your credit score low? Do you make late payments or carry too much debt compared to your overall credit limit? These are two of the more common reasons consumers are denied credit, but you can increase your score now. Start by making it your mission to pay every bill on time. A recent history of on-time payments will help improve your score. If you carry too much debt, stop spending and start paying some of it down. Creditors want to see responsible customers.

Change Your History

Creditors also want to see a history of good credit habits, so your mission to improve your credit score will take some time. If you have little or no previous credit, you'll also need to demonstrate at least a small history of good financial habits. You might start with a secured credit card.

Limit Inquiries

Credit card companies and other lenders may look at your credit without your intent to borrow. Don't worry about these affecting your scores, but don't add to your debt, either. Applying frequently for new cards or loans can also hurt your score.

Getting and Reading Your Credit Report

Your credit report affects everything from getting a charge card to getting a job, so it pays to know how to request and understand it.

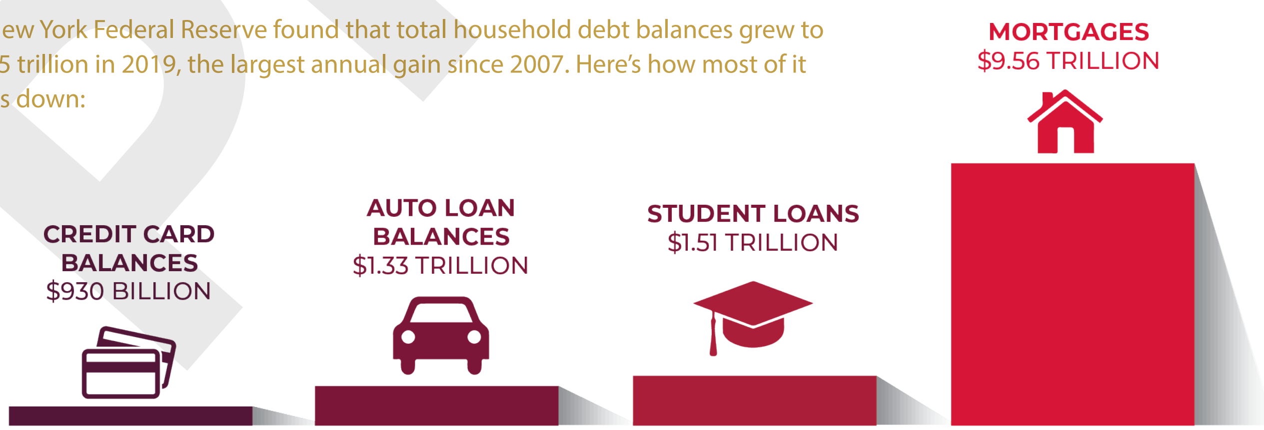
Your Rights- Normally you have a right to see a free credit report once every 12 months—more often if you are refused credit during this time. But, due to the pandemic, the three credit reporting bureaus — Experian, Equifax, and TransUnion—are allowing Americans to access their credit reports for free once per week until April 21, 2021. Get it online at https://www.annualcreditreport.com. You'll need to provide personal information, including your date of birth and social security number, to receive the report.

What's There - Once you receive the report, you'll want to check for the accuracy of your personal information, credit accounts (including mortgages, loans and card balances), status (either negative or positive) and inquiries. It may also include any bankruptcies and liens. Make sure every account belongs to you and that the information for every account on each report is accurate.

If you find an error, the credit bureau and creditor that reported the error must correct it. Each credit reporting agency posts the steps you need to take to correct any mistake, but they usually start with putting your complaint and the specifics in writing.

Debt on the Rise

The New York Federal Reserve found that total household debt balances grew to $14.15 trillion in 2019, the largest annual gain since 2007. Here's how most of it breaks down:



www.newyorkfed.org/newsevents/news/research/2020/20200211

12 Obstacles to Investing Success

A disciplined investing strategy, whether for a child's college costs or your retirement, can help you potentially grow your savings over time. However, success depends in part on avoiding obstacles that can trip you up and understanding uncertainty is always a part of investing. When investing for the long haul, beware of these obstacles:

1. Starting late

Time means everything when it comes to investing success, so use it to your advantage.

2. Underestimating time

Time may not literally fly by, but ask any older person how quickly it seems to go. Don't put off to tomorrow what you can start today.

3. Overreacting

The coronavirus outbreak sent stock and bond markets into dizzying spins, as investors fled the stock market for relatively safer investments. Those with long-term horizons who stay the course may withstand the onslaught if this mimics recoveries from previous market-shaking events.

4. Under-reacting

"Buy and hold" should not apply to every investing decision. If your investments have poor long-term prospects or no longer fit your strategy, consider selling them.

5. Investing too aggressively

If you're in or near retirement, you may not have the time to recover from down markets. Invest appropriately.

6. Investing too conservativley

With enough time you may overcome market downturns, so invest for growth when you have time.

7. Paying too much

High investment fees and charges detract from net earnings, so make sure your returns are worth the cost.

8. Staying too loyal

Loyal employees may like to own their employers' stocks, but too much of a good thing is a bad thing. Diversify.*

9. Duplicating efforts

Know how target-date and balanced mutual funds affect your asset allocation mix.

10. Following the herd

Jumping late on a hot investment's bandwagon can become a costly investing mistake.

11. Timing the market

Even the professionals can't do it, so don't try.

12. Avoiding help

Talk to a financial professional for help with your investing strategy.

**Diversification cannot eliminate the risk of investment losses. Past performance won't guarantee future results. An investment in stocks or mutual funds can result in a loss of principal.*

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

May 13, 2020

Reference: **FR2020-0420-0303/E**
Link Reference : FR2020-0221-0257

Org Id: 23568

1. Lets Talk Money Newsletter Sept - Oct 2020 Standard
   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Natlyn D. Murrain
Associate Principal Analyst

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