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February has been one wild ride, and I'm not talking only about the snowboarders at Pyeongchang!

In the first six days of the month our client portfolios lost an average of over 6% of their value, only to recover to (at this writing) about 2%, a not-so-unusual not-so-good month. Thanks to a distinct rally in January, year-to-date returns are right around 0. To employ an overused and politicized term, the first two months of the year have been a "nothing burger" for portfolio returns.

Hopefully you've all received your tax preparation reports and are making arrangements to have your 2017 returns prepared. Now that those are done I need to turn my attention to regulatory reporting, which will more complex this year because of new requirements. Still, I can get up and take a walk on the beach, so it's not all bad. We plan to be home on Easter Sunday.

Enjoy March! Hopefully by the time it's done Spring will be in the air.

Bruce Heling CFP CPA
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March 2018

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What Is Critical Illness Insurance?



Critical illness insurance will pay you a lump sum if you are diagnosed with certain illnesses or injuries. Examples of illnesses typically covered by critical illness insurance include heart attack, life-threatening cancer, loss of a limb, and Alzheimer's disease. Often, loss of sight, a major organ transplant, and paralysis are also covered. You can then use the cash benefit to offset the decreased income or increased expenses associated with your illness. The lump sum is tax-free.

Ironically, the need for critical illness insurance came about because people are living longer, even with serious diseases. But living a longer life also means people have more medical expenses that can deplete their health insurance and personal savings. Critical illness insurance helps pay for uncovered medical bills and household bills.

Why consider critical illness insurance?

Medical advances increase the chances that you will survive a serious illness that in the past may have killed you. But what are your chances of surviving financially, as well? Unfortunately, not good. Your illness or condition may last for years, but your savings account may not. It's likely that you will be unable to work while you're ill, so your income may decrease. In addition, your expenses may increase. You may have to pay medical deductibles and certain medical expenses out of pocket, pay for home health care and/or housekeeping, and buy equipment designed to make your life easier. The cash benefit you receive from a critical illness policy may help ensure that you have funds when you need them most.

How can you get critical illness insurance?

Critical illness insurance can be purchased as a stand-alone health policy, as part of a health insurance policy, or as a rider to a life insurance policy for an additional cost. Critical illness insurance associated with life insurance may be called critical illness life insurance (CILI). If it is purchased as part of a life insurance policy,

benefits payable for a critical illness may reduce or eliminate the death benefit your survivors can receive and may terminate the policy.

Policy provisions may vary

The critical illness policy will specify the benefit face amount — the full cash benefit payable. The full benefit is payable upon diagnosis of certain conditions or illnesses. For instance, many policies pay 100% of the benefit face amount when a covered individual has a stroke, a heart attack, or kidney failure or is diagnosed with cancer after the policy has been in effect for a certain amount of time. The policy may also specify that only partial benefits are payable under other circumstances. For instance, some policies may pay 25% of the benefit face amount (e.g., \$100,000) when you need to undergo a coronary artery bypass or when you are diagnosed with cancer before the policy has been in effect for a certain amount of time. You may also be able to buy a critical illness policy that will pay you full benefits up until age 65 and partial benefits thereafter.

Things to consider

If you are considering this type of insurance, it's vital that you understand exactly what is covered and what is not. The insurance will pay only if you contract the illnesses listed in the policy. Even then, further limitations will be defined in the policy. For example, what does the insurance company consider to be a life-threatening cancer? If you have a family history of a certain illness, will the policy exclude that illness? Are there pre-existing condition limitations? What are the age limitations? How much does it cost? Does the premium increase as you get older? When do you receive the lump sum? Is it really offering you more than your existing health plan? Finally, be aware that if you own one of these policies and never get sick, you won't get any money back.

The cost and availability of life and health insurance depend on factors such as age, health, and the type and amount of insurance purchased. Also, a physical examination may be required at the time of application.

Four Tips for Downsizing in Retirement



Have you considered downsizing in retirement?

Going through years of accumulated possessions and memories is probably not how you envisioned spending part of your retirement. It may sound like a daunting and emotionally draining task, but downsizing could be a savvy financial move, especially if you haven't reached your retirement savings goals.

1. Set goals for downsizing

Before you make any decisions, think about why you might want to downsize in the first place. Is it because you want to save on mortgage payments or other monthly expenses? Or are you looking to free up some cash to help pursue your lifestyle goals in retirement?

No matter what your specific goals may be, understanding the connection between them and downsizing can help motivate you to follow through with it.

2. Determine the best time to downsize

It's said that timing is everything, so choosing when to downsize will be an important decision to make. One benefit of downsizing early in retirement is that mortgage payments and other related expenses (such as utilities and real estate taxes) could decrease, presuming that you are downsizing to a less expensive residence. This could mean you have extra funds to pursue new hobbies and activities right away in retirement. You might even be fortunate enough to have sufficient funds from the sale of a larger home to pay for a smaller home with cash, thus eliminating or decreasing your mortgage payment, or significantly increasing cash flow.

But there may be advantages to delaying downsizing. If you wait to do it later in retirement, you might have a better sense of just how much you need to downsize to support your current lifestyle. Plus, timing your downsizing plans with a stronger real estate market could mean that you sell and/or purchase a new home at a more opportune time.

3. Be realistic about costs

There are several costs to think about if you are downsizing your home: the worth of your current home, the cost of a new home, and the fees and expenses associated with relocating. Before you start boxing up your belongings, run the numbers. Start by contacting local real estate agents to receive estimates of your home's value. Compare the estimates so you can develop an idea of how much you might be able to get for your home. Research online to see what homes in your neighborhood have

sold for recently — this can also help you determine your home's potential selling price.

Take similar steps when you look for your new home. One option that might be available is to rent a new house or apartment for a length of time before buying it. That way, you'll learn whether the home and the location suit you, helping you avoid buyer's remorse.

If you're buying a new home, don't forget to account for the down payment, home inspection, closing costs, and other associated charges. Factoring all of the numbers into the equation may reveal whether downsizing makes the most sense for you and your financial situation.

4. Consider downsizing your belongings, not just your home

For some people, downsizing might simply mean cutting down on clutter rather than relocating. It's easier said than done, particularly if you've amassed many belongings over time. When purging your home, consider the following:

- **Take your time.** Don't feel pressured to clear out your entire home in one fell swoop. Instead, make a plan to do one room or section of your home at a time.
- **Involve your children.** If you have kids, consider asking them for their help. Many hands make light work, and your children may end up expressing interest in items they would like to have.
- **Sell valuables.** Maybe you can't find a new home for that antique necklace you never wear or the rare baseball cards collecting dust in your attic. Consider having those items appraised and selling them to an auction house or online. Depending on how many items you're selling and their worth, you could wind up with quite a bit of money that you can use to help cushion your retirement fund.
- **Donate gently used items.** Find out if there are any local organizations in your community that could benefit from furniture, clothing, or any other possessions in good condition that you want to get rid of. Some donation outlets may even offer free pickup of certain items, saving you time and hassle.
- **Clear out junk.** Chances are you've accumulated items that you simply won't be able to give away or sell. Discard belongings that serve no purpose other than taking up space in your home. You might be surprised by how much room you could free up.

Weathering the Storm: Are You Prepared?



Severe weather can test even the most seasoned homeowners. And while storm hazards such as power outages, downed trees, and flooding can result in costly damage to your home, they can also put your family's safety at risk. The key to making it through a storm safely is to be prepared.

Protect your home

Before a storm arrives, you'll want to take proactive steps to prevent damage to your home, such as:

- Cleaning your gutters and downspouts so that water can flow freely away from your home
- Inspecting and repairing roof shingles and flashing to prevent water damage
- Trimming overhanging tree limbs
- Securing loose objects (e.g., grills and patio furniture)
- Parking your car and storing any heavy equipment (e.g., lawnmower) inside a garage
- Investing in storm windows, doors, and shutters

Have an emergency plan/stock up on supplies

A severe storm can cause power outages that last for days. It can also result in downed power lines, fallen trees, and flooding that make roads impassable. You'll want to have an emergency plan that identifies a place nearby where you can safely stay if you lose power for an extended period of time.

In addition, you should gather the necessary supplies you'll need to stay safe both during and after a storm. The following are some items to put together in an emergency supply kit.

Food/supplies. Stock up on enough nonperishable food to sustain you and your family for several days. You'll also want to store other items that are specific to your family's needs, such as infant formula, diapers, pet food, clothing, and blankets.

First aid/medicine. Be prepared for any possible medical needs by having a first aid kit. Also talk to your doctor about obtaining an extra prescription for important medications you take such as heart and blood pressure medications, insulin, and asthma inhalers.

Communication/safety items. Make sure your cell phones and other methods of electronic communication are fully charged before the storm arrives. Also gather additional safety items, such as matches, flashlights, batteries, and an AM/FM radio.

Important documents/valuables. Place important documents, such as personal records (e.g., birth and marriage certificates), property records (e.g., insurance policies), medical records, financial information (e.g., bank or credit card information), and any valuables in a secure location that is easily accessible in case of an emergency.

Review your insurance coverage

Review all of your insurance policies (e.g., homeowners, renters, and auto) to make sure that you have appropriate coverage for your property and belongings. Your home and its contents should be insured to their full replacement cost, including any new additions, remodels, and furniture. To assist with post-storm insurance claims, be sure to take pictures/videos and make an inventory of your home and valuables in case they are damaged or destroyed.

Keep in mind that certain types of storm damage (e.g., flood and hurricane) may not be covered by a standard policy or may require you to pay a separate deductible. If you live in a high-risk storm area, you may need to purchase insurance specifically designed for floods and hurricanes. Contact your insurance agent to determine if you need to purchase additional insurance above and beyond traditional coverage.

After the storm

If your home suffers severe storm damage from a natural disaster, you may be eligible for immediate disaster relief funds and special programs through the Federal Emergency Management Agency (FEMA) and various state/local government agencies.

You'll also need to file a claim for storm damage with your insurance company. To make the claims process easier, take pictures to document the damage — both inside and outside of your home — as soon as possible. While your claim is being processed, take steps to prevent further damage (e.g., putting a tarp on a damaged roof), since the insurance company may not cover any additional damage that occurs after the storm passes.

Keep in mind that the process for filing an insurance claim can take time, especially if your home is in an area that has been impacted by a large-scale storm. As a result, you should contact your insurer with any questions you may have regarding the claims process.

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How does working affect Social Security retirement benefits?

If you're thinking about working as long as possible to increase your retirement savings, you may be wondering whether you can receive Social Security retirement benefits while you're still employed. The answer is yes. But depending on your age, earnings from work may affect the amount of your Social Security benefit.

If you're younger than full retirement age and make more than the annual earnings limit (\$17,040 in 2018), part of your benefits will be withheld, reducing the amount you receive from Social Security. If you're under full retirement age for the entire year, \$1 is deducted from your benefit for every \$2 you earn above the annual limit.

In the year you reach full retirement age, \$1 is deducted from your benefit for every \$3 you earn above a different limit (\$45,360 in 2018).

Starting with the month you reach full retirement age, your benefit won't be reduced, no matter how much you earn.

Earnings that count toward these limits are wages from a job or net earnings from

self-employment. Pensions, annuities, investment income, interest, and veterans or other government benefits do not count. Employee contributions to a pension or a retirement plan do count if the amount is included in your gross wages.

The Social Security Administration (SSA) may begin to withhold the required amount, up to your whole monthly benefit, as soon as it determines you are on track to surpass the annual limit. However, even if your benefits are reduced, you'll receive a higher monthly benefit at full retirement age, because the SSA will recalculate your benefit and give you credit for any earnings withheld earlier. So the effect that working has on your benefits is only temporary, and your earnings may actually increase your benefit later.

These are just the basics, and other rules may apply. The Retirement Earnings Test Calculator, available at the Social Security website, ssa.gov, can help you estimate how earnings before full retirement age might affect your benefit.



Will a government pension reduce my Social Security benefits?

If you earned a government pension from a job not subject to Social Security tax withholding ("noncovered employment") and are also eligible for Social Security benefits through a job where Social Security taxes were withheld, two provisions might reduce your benefits: the windfall elimination provision (WEP) and the government pension offset (GPO).

The WEP affects how a worker's Social Security benefit is calculated. If you're subject to the WEP, your benefit is calculated using a modified formula, possibly resulting in a benefit reduction. The amount of the reduction depends on the year you turn 62 and the number of years in which you had substantial earnings and paid into Social Security (no reduction applies to those with 30 years or more of substantial earnings). The reduction cannot be more than one-half of your pension from noncovered employment. Spousal and dependent benefits may also be reduced, but not survivor benefits.

The GPO may affect spousal or survivor benefits if the spouse or survivor earned a

government pension from noncovered employment. In this case, the GPO may reduce Social Security benefits by up to two-thirds of the amount of the pension.

For example, if you receive a \$900 monthly government pension and are eligible for a \$1,000 monthly Social Security spousal benefit, you would receive only \$400 per month from Social Security [\$1,000 minus \$600 (2/3 times \$900) equals \$400]. You would still receive your \$900 pension, so your combined benefit would be \$1,300.

Not all government employees are subject to these provisions. For example, federal employees under the Federal Employees Retirement System are exempt because they pay Social Security taxes on earnings. However, public-sector employees in some states do not pay Social Security taxes, and thus could be subject to the WEP. The GPO affects pensions from noncovered federal, state, or local government employment.

Rules and calculations for the WEP and the GPO are complex. Visit the Social Security website, ssa.gov, for more information.