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For Women, a Pay Gap Could Lead to a Retirement Gap

Women in the workforce generally earn less than men. While the gender pay gap is narrowing, it is still significant. The difference in wages, coupled with other factors, can lead to a shortfall in retirement savings for women.

Statistically speaking

Generally, women work fewer years and contribute less toward their retirement than men, resulting in lower lifetime savings. According to the U.S. Department of Labor:

- 56.7% of women work at gainful employment, which accounts for 46.8% of the labor force
- The median annual earnings for women is $39,621 — 21.4% less than the median annual earnings for men
- Women are more likely to work in part-time jobs that don't qualify for a retirement plan
- Of the 63 million working women between the ages of 21 and 64, just 44% participate in a retirement plan
- Working women are more likely than men to interrupt their careers to take care of family members
- On average, a woman retiring at age 65 can expect to live another 20 years, two years longer than a man of the same age

All else being equal, these factors mean women are more likely than men to face a retirement income shortfall. If you do find yourself facing a potential shortfall, here are some options to consider.

Plan now

Estimate how much income you'll need. Find out how much you can expect to receive from Social Security, pension plans, and other available sources. Then set a retirement savings goal and keep track of your progress.

Save, save, save

Save as much as you can. Take full advantage of IRAs and employer-sponsored retirement plans such as 401(k)s. Any investment earnings in these plans accumulate tax deferred — or tax-free, in the case of Roth accounts. Once you reach age 50, utilize special "catch-up" rules that let you make contributions over and above the normal limits (you can contribute an extra $1,000 to IRAs, and an extra $6,000 to 401(k) plans in 2017). If your employer matches your contributions, try to contribute at least as much as necessary to get the full company match — it's free money. Distributions from traditional IRAs and most employer-sponsored retirement plans are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

Delay retirement

One way of dealing with a projected income shortfall is to stay in the workforce longer than you had planned. By doing so, you can continue supporting yourself with a salary rather than dipping into your retirement savings. And if you delay taking Social Security benefits, your monthly payment will increase.

Think about investing more aggressively

It's not uncommon for women to invest more conservatively than men. You may want to revisit your investment choices, particularly if you're still at least 10 to 15 years from retirement. Consider whether it makes sense to be slightly more aggressive. If you're willing to accept more risk, you may be able to increase your potential return. However, there are no guarantees; as you take on more risk, your potential for loss (including the risk of loss of principal) grows as well.

Consider these common factors that can affect retirement income

When planning for your retirement, consider investment risk, inflation, taxes, and health-related expenses — factors that can affect your income and savings. While many of these same issues can affect your income during your working years, you may not notice their influence because you're not depending on your savings as a major source of income. However, these common factors can greatly affect your retirement income, so it's important to plan for them.

Does Your Business Need a Buy-Sell Agreement?

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

An individual disability income policy could help replace a percentage of your income (up to the policy limits) if you're unable to work as a result of an illness or injury. The policy will stay in force, regardless of your employment situation, as long as you pay the premiums.

When you're mired deep in the day-to-day challenges of the management of your business, it's often hard to step out of the trees and take a good hard look at the forest. But at various points in the business cycle, it's important to do just that. For example, one of the key decisions you'll need to consider is what would happen to your business if you decide to step away, or you die or become permanently disabled. A buy-sell agreement can be a useful tool in helping you plan for these circumstances.

What is a buy-sell agreement?

A buy-sell agreement is a legally binding agreement that establishes when, to whom, and at what price you can sell your interest in a business. Buy-sell agreements are also known as business continuation agreements and buyout agreements.

You can create a buy-sell as a separate agreement or you can include certain provisions addressing the buy-sell issues in a business's operating agreement. Regardless, the agreement or provisions must clearly identify the potential buyer, any restrictions and limitations, and the conditions under which a sale will occur. Under the terms of the agreement, you and the buyer enter into a contract for the transfer of your business interest by you (or your estate) at the time of a specified triggering event. Typical triggering events include death, long-term disability, retirement, divorce, personal insolvency or bankruptcy, criminal conviction, loss of professional license, and resignation or termination of employment.

A well-crafted buy-sell agreement creates a market for your business interest, establishes its price, and provides cash to complete the business purchase. The ability to fix the purchase price as the taxable value of your business makes a buy-sell agreement especially useful in estate planning. That's because if death is the triggering event, it can help reduce the estate tax burden on your heirs. Additionally, because funding for a buy-sell agreement is typically arranged when the agreement is executed, you're able to ensure that funds will be available when needed, providing your estate with liquidity that may be needed for expenses and taxes.

Pricing the company and funding a buy-sell agreement

A buy-sell should establish a formula for determining the purchase price or state the price outright. Without establishing this price in advance, lengthy disputes and lawsuits can arise at the time the ownership interest must be bought back. When the buy-sell involves family members, it must also be proven that the transaction is comparable to an arms-length sale between unrelated people and was entered into for a bona fide business purpose.

After determining the value of the business, you, your advisors, and other parties to the agreement will determine the best way to fund the transaction and the triggers appropriate for your business situation. There are many different ways to fund a buy-sell agreement, including a sinking fund, cash, borrowed funds, installment sale, self-canceling installment note, private annuity, life insurance, and disability insurance. Depending on the situation, one or more of the possible methods may be used.

Types of structures

Buy-sell agreements can be structured to meet the needs of both the business and its owner(s), taking into consideration tax consequences and individual goals. Following are three types of buy-sell agreements, along with brief descriptions of each:

- An **entity purchase (or redemption) buy-sell** obligates the business to buy the interests of the departing owner(s).
- With a **cross-purchase buy-sell,** each owner agrees to buy a share of the departing owner's interest. The business is not a party to the transaction.
- A **wait-and-see buy-sell** is used when the parties are unsure whether the business or the owners will buy the business interest. Typically, the business is given the first option, and if it is not exercised, the remaining owners are given the opportunity. If the remaining owners do not wish to buy, the business must purchase the interest.

Other considerations

Keep in mind that there are costs and possible disadvantages involved in establishing a buy-sell agreement. One such disadvantage is that the agreement typically limits your freedom to sell the business to outside parties.

If you think that a buy-sell agreement might benefit you and your business, consult your attorney, accountant, and financial professional.

Medicare and Your Employer Health Plan

The U.S. Bureau of Labor Statistics projects that the labor force will grow to about 164 million workers by 2024. Approximately 13 million of these workers (roughly 8%) will be age 65 and older.

Source: U.S. Bureau of Labor Statistics, Older workers: Labor force trends and career options, May 2017

If you plan to continue working after you reach age 65, you may be wondering how Medicare coordinates with your employer's group health plan. When you're eligible for both types of coverage, you'll need to consider the benefits and costs, and navigate an array of rules.

How does Medicare work with your group health plan?

You can generally wait to enroll in Medicare if you have group health insurance through your employer or your spouse's employer. Most employers can't require employees or covered spouses to enroll in Medicare to retain eligibility for their group health benefits. However, some small employers can, so contact your plan's benefits administrator to find out if you're required to sign up for Medicare when you reach age 65.

If you have Medicare and group health coverage, both insurers may cover your medical costs, based on "coordination of benefit" rules. The primary insurer pays your claim first, up to the limits of the policy. The secondary insurer pays your claim only if there are costs the primary insurer didn't cover, but may not pay all the uncovered costs.

Who is the primary insurer? If your employer has 20 or more employees, your employer group health plan is primary and your Medicare coverage is secondary. If your employer has fewer than 20 employees, your Medicare coverage is primary and your employer group health plan is secondary.

Your employer can tell you more about how your group health coverage works with Medicare.

Should you wait to enroll in Medicare?

Medicare Part A helps pay for inpatient hospital care as well as skilled nursing facility, hospice, and home health care. Because Medicare hospital insurance is free for most people, you may want to enroll in Part A even if you have employer coverage. It could be helpful to have both types of insurance to fill any coverage gaps. However, if you have to pay for Part A, you'll need to factor the cost of premiums into your decision.

Medicare Part B medical insurance, which helps pay for physician services and outpatient expenses, requires premium payments, so it would be wise to compare the costs and benefits of Medicare to your employer's plan. If you're satisfied with your employer coverage, you may be able to wait to enroll in Part B.

Late-enrollment penalties typically apply if you do not enroll in Medicare Part A and Part B when you are first eligible. However, if you are covered by a group health plan based on current employment, these penalties generally do not apply as long as you follow certain rules. You can sign up for Medicare Part A and/or Part B at any time as long as you are covered by a group health plan through your own employment or your spouse's employment. When you stop working or your coverage ends, you have eight months to sign up without penalty. This eight-month period starts the month after your employment ends or the month after your employer group health coverage ends (whichever occurs first). Visit medicare.gov for more information.

What if you have an HSA?

If you have a high-deductible health plan through work, keep in mind that you cannot contribute to a health savings account (HSA) after you enroll in Medicare (A or B). The good news is that the HSA is yours, even if you can no longer contribute to it, and you can use the tax-advantaged funds to pay Medicare premiums and other qualified medical expenses. So it might be helpful to build your HSA balance before enrolling in Medicare.

Whether you should opt out of premium-free Part A in order to contribute to an HSA depends on what you consider to be more valuable: secondary hospital insurance coverage or tax-advantaged contributions to pay future expenses. HSA funds can be withdrawn free of federal income tax and penalties provided the money is spent on qualified health-care expenses. HSA contributions and earnings may or may not be subject to state taxes.

How are Medicare claims handled?

Once you enroll in Medicare, tell your health-care providers that you have coverage in addition to Medicare to help ensure that claims are submitted properly. You can also contact the Medicare Benefits Coordination & Recovery Center (BCRC) at (855) 798-2627 if you have questions about how your claims will be handled.

Medicare rules are complex, and these are only guidelines. Different rules and considerations apply if you have retiree health coverage through your former employer (or your spouse's employer) or other types of health coverage. For more detailed information, visit medicare.gov.

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If I donate used property to charity, what documentation is needed?

The documentation needed to obtain a federal income tax deduction for donating used property to a charity typically depends on the value of the property. In general, do not attach the documentation to your income tax return. Keep the records so that you can provide them to the IRS if requested to do so.

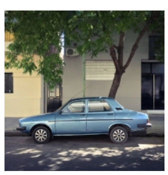
If you claim a deduction of less than $250, you must have a receipt from the charitable organization (a letter acknowledging your contribution will suffice) that shows the name of the organization, the date and location of your contribution, and a reasonably detailed description of the property. You must also have a record of the fair market value (FMV) of the property (and how you determined it) at the time of the contribution.

If you claim a charitable deduction for $250 or more, you must substantiate the contribution with a contemporaneous written acknowledgment of the contribution from the charity. The acknowledgment must contain the name of the charity and a reasonably detailed description of the property. The acknowledgment must also include either (1) a statement that no goods and services were provided by the charity in return for the contribution, (2) a good-faith estimate of the value of such goods and services (these reduce the amount of the charitable deduction), or (3) a statement that the goods and services were token benefits or consisted entirely of insubstantial membership benefits or intangible religious benefits.

If the value of the contribution is over $500, your records must also include how you acquired the property (e.g., purchase, gift, inheritance, or exchange), when you obtained the property, and the cost or other basis of the property (including any adjustments).

If you claim a deduction of over $5,000 for a noncash charitable contribution of one item or a group of similar items, you must also obtain a qualified written appraisal of the donated property from a qualified appraiser.

If the amount of your deduction for all noncash contributions is more than $500, you must file IRS Form 8283 with your federal income tax return.



How much can I deduct if I donate my car to charity?

If you donate your car to charity, you can claim an income tax deduction for the donation if you itemize your deductions on your federal income tax return.

The fair market value (FMV) of your car represents the maximum deduction you may take on your federal income tax return. Certain commercial firms and trade organizations publish monthly or seasonal guides for different regions of the country that contain dealer sale prices or average dealer prices for recent-model cars. While these prices are not "official" and the publications are not considered appraisals of any specific donated property, they do provide clues for making an appraisal and suggest relative prices for comparison with current sales and offerings in your area. In certain circumstances, if the tax deduction you claim for your car is greater than $5,000, you may need a written appraisal of the car's FMV from a qualified appraiser.

If the charity sells your car and you claim a deduction of more than $500, you can deduct the lesser of (1) the gross proceeds of the sale (as indicated on IRS Form 1098-C) or (2) the car's FMV on the date of your contribution. In the following circumstances, you can generally deduct the car's FMV at the time of your contribution: The charity is going to significantly use your car instead of selling it; the charity is going to fix up the car materially before selling it; or the charity is going to give the car away or sell it (at a price well below its FMV) to a needy individual as part of its charitable mission. In this instance, IRS Form 1098-C should indicate which of the exceptions applies.

If the charity sells your donated car for $500 or less, you can deduct the lesser of $500 or the FMV of your car on the date of your contribution. However, if one of the exceptions noted above applies, you may generally deduct the FMV of your car.

Charitable contribution deductions are generally limited to 50% of your adjusted gross income (AGI), or 30% or 20% of AGI depending on the type of charity and the property donated. Disallowed amounts can generally be carried over and deducted in the following five years, subject to the percentage limits in those years. Your overall itemized deductions may also be limited based on the amount of your AGI.

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Aging Without Support

Probably the most forgotten minority in America is the "elder orphans"—aging retirees who no longer have a spouse (if they ever had one), no kids and no caregiver.

According to The Gerontologist magazine, about one-third of 45 to 63-year-olds are single, and most of them never married or are divorced. Meanwhile, about 15% of 40-44-year-old women have no children. These statistics don't tell the full story of a small but significant aging population who are growing older without a support network—the American Geriatric Society thinks that nearly one-quarter of Americans over age 65 lack someone to care for them if they become physically incapacitated or experience cognitive decline. And many will; statistics show that 69% of Americans will need long-term care at some point in their lives—usually later in life.

How are these people coping? An article in a recent issue of U.S. News & World Report says that the best advice is to plan for long-term care needs with an LTC policy and/or a home that is retrofitted for an elderly occupant. It's also important to make social connections and avoid being lonely. A 2012 study found that the loneliest older adults were nearly twice as likely to die within six years as the least lonely, regardless of health behaviors or social status. The post powerful finding was that human connection helps ward off depression.

One way to raise the connection level is to retire in a college town, where the elder orphan is surrounded by young people and can stay engaged with activities like mentoring. At the same time, it is recommended that these people find like-minded retirees who can look out for each other. Some have actually gone so far as to create communities that act like surrogate families.

The elder orphans need someone to speak up for them if they're incapacitated, which means finding a friend who knows their Social Security number, keeps their insurance card, knows which medications they take, and can be designated as the durable power of attorney for health care against the day when they start losing cognitive capacity. As a last resort, this person could be hired; an attorney who specializes in elder care law might either serve in that capacity or find a professional who is willing to do so.

Source:

- http://health.usnews.com/health-news/health-wellness/articles/2015/10/26/no-spouse-no-kids-no-caregiver-how-to-prepare-to-age-alone?src=usn_tw

Aging Dilemma

Should today's 70-year-old American be considered "old?" How do you define that term these days? Statistically, your average 70-year-old has just a 2% chance of dying within a year. The estimated upper limits of average life expectancy is now 97, and a rapidly growing number of 70-year-olds will live past age 100.

Perhaps more importantly, today's 70-year-olds are in much better shape than their grandparents were at the same age. In most developed countries, healthy life expectancy from age 50 is growing faster than life expectancy itself, suggesting that the period of diminished vigor and ill health towards the end of life is being compressed.

A recent series of articles in the *Economist* magazine suggest that we need a new term for people age 65 to 85, who are generally hale and hearty, capable of knowledge-based work on an equal footing with 25-year-olds, and who are increasingly being shunted out of the workforce as if they were invalids or, well, "old." Indeed, the article suggests that if this cohort does NOT start returning to the workplace, the impact could be catastrophic on society as a whole.

Globally, a combination of falling birth rates and increasing lifespans threaten to increase the "old-age dependency ratio" (the ratio of retired people to active workers) from 13% in 2015 to 38% by the end of the century. That, in turn, could lead to huge fiscal strains on our pension and Social Security systems, because fewer workers would be paying for retirement benefits for more retirees.

What to do? The article notes that, in the past, whenever a new life stage was identified, deep societal and economic changes followed in the wake. A new focus on childhood in the 19th century paved the way for child-protection laws, mandatory schooling and a host of new businesses, from toymaking to children's books. When teenagers were first singled out as a distinct demographic in America in the 1940s, they turned out to be a great source of economic value, thanks to their willingness to work part-time and spend their income freely on new goods and services.

The next most logical shift in our thinking could be separating out people age 65-80 from the traditional "old" and "retiree" category—and calling them something different. (The article doesn't offer a suggested name.) They might continue at their desks, or downshift into the kinds of part-time work that emphasize knowledge and relationships. Many who experienced mandatory retirement retired to the so-called gig economy. Though gigging is usually seen as something that young people do, in many ways it suits older people better.

They are often content to work part-time, are not looking for career progression and are better able to deal with the precariousness of such jobs. The article notes that a quarter of drivers for Uber are over 50.

More broadly, a quarter of all Americans who say they work in the "sharing economy" are over 55. Businesses that offer on-demand lawyers, accountants, teachers and personal assistants are finding plenty of recruits among older people.

Still others are preparing for life beyond traditional retirement by becoming entrepreneurs. In America people between 55 and 65 are now 65% more likely to start up companies than those between 20 and 34. In Britain 40% of new founders are over 50, and almost 60% of the over-70s who are still working are self-employed.

One large economic contribution made by older people that does not show up in the numbers is unpaid work. In Italy and Portugal around one grandmother in five provides daily care for a grandchild, estimates Karen Glaser from King's College London. That frees parents to go out to work, saving huge sums on child care.

All of these changes represent societal adjustments to a reality that isn't well-publicized: that the traditional retirement age increasingly makes no sense in terms of health, longevity and the ability to contribute. The sooner we find a label for healthy people age 65 to 80, the faster we can start recognizing their potential to contribute.

Source:
- https://www.economist.com/news/special-report/21724745-ageing-populations-could-be-boon-rather-curse-happen-lot?fsrc=scn/tw/te/bl/ed/gettingtogripswithlongevity

Custom Insurance

When you think of insurance, chances are what first comes to mind is life insurance, which protects against premature death and therefore the loss of a lifetime of income. You might also think of car insurance, which helps pay the costs of an accident, and disability insurance, long-term care insurance and homeowners' insurance. The underlying mathematics of these contracts, used by actuaries, involves risk pooling, where many people contribute to a large pool of assets, and then the pool of assets will pay out to a relative few people who experience a car accident, or suffer a temporary or permanent disability, or die young. People pay a relatively small amount to be protected from relatively large catastrophes.

The outlier in the insurance world is health insurance, which was theoretically designed to pool peoples' assets so that individuals who suffered a catastrophic illness would be able to pay their hospital bills out of the common pool. But health insurance today is basically a flat monthly fee for all of a person's medical care, with most people receiving "benefits" every time they visit the doctor or hospital.

Recently, a number of startup insurance firms, backed by more than $700 million of venture capital, are looking for ways to apply risk pooling to other aspects of your life. Several of them are creating on-demand insurance. A company called Trov, recently launched in the U.S. after operating in Australia and the U.K., now features an app for quickly insuring personal and work items like laptops, smartphones and high-end cameras.

A similar system, called Cover, lets you take a snapshot of an item you want to insure, and Cover will write a policy on the spot. New York-based Sure, another entrant, is building out a mobile app offering quick insurance quotes for things like weddings, lost baggage, flight cancellations and pet health.

Even traditional insurance markets are being disrupted. A startup insurance company called Metromile will give you an auto insurance policy that is priced based on how many miles you drive. If you rack up more miles than the base rate, the rate will automatically go up. In the homeowners' insurance space, a two-year-old company called Lemonade provides homeowners and renters insurance priced using artificial intelligence algorithms. Hippo, based in Silicon Valley, is an online seller of homeowners' policies with stronger protections for common valuables like home electronics.

In the life insurance field, where most policies are still sold face-to-face, a company called Ladder has raised $16 million to build a platform that will offer direct-to-consumer term insurance online.

This is almost certainly on the beginning of a revolution in one of the stodgiest areas of the global economy. There is no questioning the benefits of risk pooling: it smooths out the potentially catastrophic bumps in the road of life. What the startups are realizing is that there are many more kinds of bumps than the traditional insurance world is currently covering, and there are ways to gain more efficiency than the by-hand sales of traditional insurance. It will be interesting to see where this goes.

Source:

- https://techcrunch.com/2017/07/29/startups-want-to-change-what-you-insure-and-how-you-insure-it/amp/