



# Dillard

## Financial Solutions, Inc.

Quarterly Newsletter

January 2016

## Are You at Risk of Outliving Your Retirement Income?

STEVE DILLARD

Hello and Happy New Year from Dillard Financial Solutions, Inc.! Over the past 6 months, a lot of people who have already retired and those that are planning to retire, have asked us this very question — *Am I at risk of running out of money before I die?*

The Federal Government is reporting that people born today will likely live past the age of 100. Individuals that are retired, and those that are planning to retire, need to plan for a longer retirement. Many of you have grown accustomed to a certain lifestyle, but the fact is, your retirement money will not last if you continue to live your same lifestyle on a reduced monthly income.

Most retirees need a minimum of about 4.5% of their nest egg each month to enjoy retirement the way they enjoyed their working years. Now is the time to take the steps necessary to determine if your income will sustain the lifestyle you have grown accustomed to, or if you will need to make adjustments to your long term plan to draw from alternate sources for longer payouts that will last you to age 100 and beyond. This will be a very serious problem in the future.

"What if?" is a big question that we will all have to answer eventually, whether we're ready for it or not. It is likely that those of us alive today will see age 80, 85 or 90. Do you have the funds necessary to last into your 80's or even your 90's? What if you live longer than that? Only God knows how long you will live, but you can control your retirement income so that you have enough money to last you regardless of how long you live.

Our Federal Employee Retirement Income Analysis will take your current retirement income plan and show you how it can provide the lifestyle you're used to while also keeping up with the steadily rising costs attributed to inflation. Thanks to our smarter retirement strategies, we have over 4,000 clients in South Carolina who are able to live the lifestyle they've grown accustomed to well past the age of 100 without fear of running out of money.

To receive a complimentary analysis, please contact us today at [info@dillardfinancial.com](mailto:info@dillardfinancial.com) or call us toll-free at 800.692.7643!

God Bless,  
Steve Dillard, ChFEBC<sup>SM</sup>



We are a **Verified Vendor** on the United States  
Federal Contractor Registry  
DUNS: 078747605

Sources: [www.nafa.com](http://www.nafa.com), [www.banking.sc.gov](http://www.banking.sc.gov) and [www.sec.gov](http://www.sec.gov)

\*Returns are guaranteed by the reserves of the insurance companies.



**Steve and Teresa Dillard**  
Chartered Federal Employee Benefit Consultants<sup>SM</sup>

# TAX SAVINGS AT RETIREMENT

UNDERSTANDING THE TAX-FREE BENEFITS OF THE ROTH IRA  
COULD SAVE YOU THOUSANDS DURING RETIREMENT.

**What is a Roth IRA?** A Roth IRA is an Individual Retirement Account that provides tax-free growth. As a result, it's the simplest – and potentially the most effective – sheltered account imaginable. You're probably asking if the Roth IRA has tax advantages. Lucky for you, it does.

**The Roth Tax Advantage** Like a deductible IRA, Roth gives you the advantage of getting taxed only once, rather than twice (or more) as with a regularly-taxed investment account. The chart below shows a summary of how it works:

REGULARLY TAXED ACCOUNT	DEDUCTIBLE IRA	ROTH IRA
You pay income tax, and then make your contribution with post-tax dollars	You get a tax deduction, essentially letting you deposit pre-tax dollars	You pay income tax, and then make your contribution with post-tax dollars
Your principal may be subject to taxes on dividends and capital gains as it grows	Your principal grows tax-free	Your principal grows tax-free
You pay capital gains tax on your gain at the time of withdrawal	You pay income tax on the entire amount of your withdrawal	You pay no further taxes on withdrawal

The advantage of a Roth IRA over a regularly-taxed account is obvious. Either way you pay income tax up front. But with Roth, you're then done paying taxes; with a regular account you're just getting started. Your agent will be able to run a calculator to see what happens to your money under different scenarios.

The Roth IRA has several obvious advantages over the Traditional IRA:

- **Roth is Simple:** It requires no special reporting to the IRS. (With a deductible IRA you have to report a deduction on your 1040 form when you make a contribution; on withdrawal, you report the entire withdrawal amount as taxable income.)
- **Roth is Flexible:** Because you've taken care of your tax obligations up front you tend to face fewer restrictions later. (For example, you don't need to begin withdrawing your money by a set age; with a deductible IRA you're required to start making withdrawals by age 70½.)
- **Roth has an extra advantage if you think your taxes will probably rise in the future,** since you're paying now rather than later. (Note that your own tax bracket might be lower in retirement than it is while you're working, even if tax rates go up in general.)
- **Roth has a less obvious advantage in that it lets you shelter more real money:** The same dollar amount, but in post-tax, rather than pre-tax dollars. (The idea is that a tax deduction isn't "money you're getting back"; it's "money you aren't sheltering".)

**Opening & Funding a Roth** You can open a Roth account at any time. You can start a monthly deposit amount or a lump sum. Here at Dillard Financial Solutions, Inc., we represent several companies that can assist you with a custom-built tax-free retirement account. We have fixed accounts and index funds to choose from that will ensure your money is protected from market risk.

## Roth IRA Contribution Limits

**49 and Under: \$5500**

**50 and Above: \$6500**

Contribute to a strategy that will provide a tax-free retirement for as little as \$50 per pay period.

# A PRODUCT THAT WILL LAST!

WITH INDIVIDUALS LIVING LONGER, IS THERE A PRODUCT AVAILABLE THAT WILL INSURE YOUR MONEY LASTS AS LONG AS YOU DO?

**Y**ou've heard the expression, "If it sounds too good to be true, it probably is." This is true in many aspects of our lives, including our retirement income options. And believe me when I tell you, there are plenty of opportunities out there that over-promise and under-deliver. Over the last two years, I have traveled the US, visiting 46 states. When speaking with individuals who are already enrolled in TSP or a 401(k), most of them will ask me what I think is the best option for their retirement money. And it is my job to educate them.

As of this year, we will start to see some big changes in the way our retirement income is paid out from both the insurance side and the Social Security side. These changes are a result of the changes in the longevity tables which are projecting longer lifespans with individuals born today estimated to reach up to 110 years of age putting an individual who retires at 62 in a position of needing income for up to 48 years! The payouts will decrease year-to-year in an effort to ensure the money lasts throughout your retirement years.

Many of us worry about the market and who can promise that we will be able to keep up with inflation over the next 20 years or more. Only an insurance company can promise this because there are laws and yearly regulations set in place by the state and federal government, requiring them to protect your money.



**THESE CHANGES ARE A RESULT OF THE CHANGES IN THE LONGEVITY TABLES WHICH ARE PROJECTING LONGER LIFESPANS WITH INDIVIDUALS BORN TODAY ESTIMATED TO REACH UP TO 110 YEARS OF AGE, PUTTING AN INDIVIDUAL WHO RETIRES AT 62 IN A POSITION OF NEEDING INCOME FOR UP TO 48 YEARS!**

*Barron's*, a monthly publication, posted an outline of the top 50 annuities. At the very top of the list with a fixed-index annuity with an income guarantee was *American Equity*. The product is the *Bonus Gold* with a 6.5% lifetime guaranteed income rider for 10 years of growth and a year-one vested matching bonus of 10%.

To learn more about this fantastic product from American Equity or to obtain a copy of this report from *Barron's*, give us a call toll-free at 1.800.692.7643 or email us at [info@dillardfinancial.com](mailto:info@dillardfinancial.com) and we will get this information to you. Now is the time to put your hard-earned retirement money in a position for future income. You need to be in control of your money, not the federal government or another individuals who will charge you to place your money at risk. Don't wait until it's too late to make these valuable decisions! Act now!

**TO LEARN MORE ABOUT OUR LIFETIME INCOME OPPORTUNITIES AND ELIMINATING THE RISK OF LONGEVITY CALL US AT 1.800.692.7643 TODAY!**



# The 2015 Dillard Financial Solutions, Inc. *Client Christmas Social*

We had over 250 clients and guests come out to Bethesda Church of God in Sumter, SC for our annual Client Christmas Social. We enjoyed great food catered by the wonderful folks at Little Pigs Barbecue over in Columbia, SC and our guests enjoyed entertainment by Bethesda's own Voices of Praise. Our games featured The Dillard Showcase Showdown, The Newlywed Game, Putt for Prizes, Let's Make a Deal and Door Prize Drawings from our gift tree. The highlight of our evening was a wonderful presentation from Kirby Wood as well as Bob Ruhm and Jason Lechuga from Tucker Advisors. Our Grand Finale, cosponsored by American Equity and Tucker Advisors presented our guests with TVs, Yeti Coolers and one lucky winner took home a trip for two to Gatlinburg, Tennessee! We would like to thank all of those that attended, and a very special thanks goes to Pastor Al Sims of Bethesda Church of God for so graciously hosting our event. We had a wonderful time and look forward to seeing you all again next year!









# Term 100

## FROM 5-STAR LIFE



Good to 100 Years of Age  
No Rate Increases  
No Physical Exam  
No Height/Weight Requirements  
No Smoking Rates  
Just 4 Health Questions  
No Reduction at Retirement  
Spouse Coverage Available  
Competitive Rates  
Critical Illness Benefits Available

# 800.692.7643

*Underwritten By 5Star Life Insurance Company*



# CHANGES TO COLA IN 2016

**IT IS LIKELY THAT CSRS ANNUITANTS, SOCIAL SECURITY DISABILITY AND RETIREMENT BENEFITS RECIPIENTS, AND FERS ANNUITANTS OLDER THAN AGE 62 WILL NOT SEE A COST-OF-LIVING ADJUSTMENT (COLA) TAKING EFFECT IN JANUARY 2016.**

**S**ome high income annuitants may actually see a net reduction in their CSRS annuities or Social Security retirement benefits in 2016. This is due to the fact that their Medicare Part B premiums (which are usually deducted from their monthly CSRS annuities if they are not receiving Social Security monthly benefits or from their monthly Social Security payments if they are receiving Social Security retirement benefits) will likely increase in 2016.

Since 1983, COLAs for annuitants and Social Security recipients have been based on the Federal government's consumer price index for urban wage earners (CPI-W). In particular, the COLA is based on the increase in the average CPI-W from the third quarter (July, August and September) of the prior year to the average CPI-W of the corresponding third quarter of the current year.

The CPI-W during the first two quarters of 2015 actually declined from the first two quarters of 2014. With slowing inflation during most of late 2014 and throughout most of 2015, and unless inflation surges in September 2015, it is unlikely that the average CPI-W for the third quarter of 2015 will surpass the average

CPI-W from the third quarter of 2014. This means that it is unlikely that there will be a COLA in CSRS and FERS monthly annuity benefits and Social Security monthly benefits for 2016.

The years 2010 and 2011 also were no COLA years. These two no COLA years were followed by a 3.6 percent COLA in 2012, 1.7 percent COLA in 2013, a 1.5 percent COLA in 2014, and 1.7 percent COLA in 2015. Social Security trustees project a 3.1 percent COLA for 2017, but that is 17 months away.

## How the No COLA Affects Medicare Part B Recipients

Medicare Part B recipients normally have their Part B premiums deducted from their monthly Social Security retirement checks. During 2015, most Medicare Part B beneficiaries pay \$104.90 per month for Part B premiums. But high income retirees - namely, those individuals with modified adjusted gross income (MAGI) over \$85,000 or married couples with a MAGI of \$170,000 or more - pay higher monthly premiums for Medicare Part B. MAGI is an individual's adjusted gross income (AGI) plus tax-free interest income and tax-exempt dividends.

As discussed in a previous column, there are five Medicare Part B premium brackets or tiers. The five premium brackets or tiers and their associated 2015 monthly premiums are reproduced below. During 2015, Part B premium surcharges range from \$42.00 to \$230.80 per month on top of the \$104.90 per month premium. Note that these premiums apply per person, meaning that married couples in which both spouses are over age 65 each pay the monthly premium. Medicare premiums paid in 2016 will be based on an individual's 2014 MAGI as reported on their 2014 federal income tax return filed during 2015.

Medicare Part B Premiums <sup>1</sup> (2015)			
Monthly Premiums	Modified Adjusted Gross Income (MAGI) (2013) <sup>2</sup>		
	Single, HOH. QW	MFJ	MFS
\$104.90	\$85K or Less	\$170K or Less	\$85K or Less
\$146.90	\$85,001 - 107K	\$170,001 - 214K	N/A
\$209.80	\$107,001 - 160K	\$214,001 - 320K	N/A
\$272.70	\$160,001 - \$214K	\$320,001 - 428K	\$85,001 - 129K
\$335.70	Over \$214K	Over \$428K	Over \$129K

<sup>1</sup> There may be a late enrollment penalty.  
<sup>2</sup> Modified adjusted gross income is adjusted gross income plus tax-exempt interest and exclusions for US Savings bond interest and foreign earned income and housing.

Jesus answered, "I am the way and the truth and the life.  
No one comes to the Father except through me." *John 14:6*



The 2015 Medicare trustees report project a 52 percent increase in Medicare Part B premiums for 2016. The actual increase will be announced in late October by the Department of Health and Human Services.

There is perhaps good news for some Medicare Part B recipients. Under the Social Security "hold harmless" provision, some recipients will not pay the higher premium for Medicare Part B. This is because any Part B recipient paying the minimum Part B premium - currently \$104.90 per monthly - will not see any increase in their Part B premium when there is no Social Security COLA or in an insufficient COLA to offset the Part B premium increase.

The problem is that there is an exception to the "hold-harmless" provision and it will affect high income federal annuitants. Any Medicare Part B recipient who is subject to a Medicare premium surcharge – single individuals whose MAGI is above \$85,000 and married individuals with a MAGI exceeding \$170,000 - are not protected from Medicare increases when there is no Social Security COLA. Also, individuals who are newly entitled to Social Security in 2016 or those individuals who have enrolled in Medicare Part B but have not started to collect Social Security benefits are protected from Medicare increases in 2016 under the "hold-harmless" provision.

In spite of the expected no COLA for 2016, there may be a "silver lining" for employees; namely, the maximum taxable wage base will remain at \$118,500 for 2016. Most employees earn below the \$118,500 and assuming they earn nearly the same salary during 2016 as they did during 2015, they should not pay much more in Social Security (FICA) taxes during 2016 than they did during 2015.

## We offer individual and group workshops on the following retirement topics!

- Insuring Your Retirement Income
- Monthly Deposit Roth IRA's
- Independent Retirement Reviews
- Federal Employee Retirement System
- Thrift Savings Plan Options
- Benefits Analysis
- Civil Service Retirement System
- Survivor Benefit Plans
- Cancer, Critical Illness & Hospitalization Insurance
- Matching Bonus for TSP Rollovers
- Providing Lifetime Benefits
- Roth and Traditional IRA's
- Federal Employee Group Life Insurance Alternatives
- LifeLock Identity Theft Protection
- Life Insurance / Term to 100
- Products That Provide Income for Life
- Retirement Package Completion
- Life Insurance Comparisons

**Toll free: (800) 692-7643 • Home Office: (803) 499-6623**  
**Fax: (803) 499-3174 • Email: [dillardfs@aol.com](mailto:dillardfs@aol.com)**

---

**Home Office: 2381 Peach Orchard Road • Sumter, SC 29154**  
**We have representatives to assist you nationwide!**

We have a team of agents nationwide to assist you with your retirement needs.  
Call us toll-free at 1.800.692.7643 to set up a complimentary benefits consultation.