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Hello everyone,

With a new school year upon us, serious questions arise involving student loans, payment options, and potential debt. We hope this month's newsletter will give you a fresh perspective on how to guide your loved ones as they begin to balance managing their personal finances, school payments, and a new class schedule for yet another year.

Another great tip for young ones: It's never too early to start planning for retirement! Take advantage of workplace retirement benefits and educate yourself on the options available to you. Have additional questions about retirement planning? Never hesitate to contact us for a complimentary Coaching Session by calling our office at 314-863-0008.

This meeting is cost-free and obligation-free.

Best,

Jeff and Erin Lapidus

The Coach's Corner September 2016

The Coach's Corner

From your Retirement Coaches and Advisors

Common Questions About Student Loan Repayment

After earning their degrees, many college graduates face a new challenge--repaying their student loans. If you've recently graduated from college, you might have some concerns about how you'll pay your student loans. Here are some answers to common questions about paying student loans.

Can I start making payments before the grace period ends?

Yes. The purpose of the grace period is to allow new graduates to get on their feet financially before committing to monthly loan repayment. The typical grace period is six months, though whether you have one and the exact length will depend on the type of loan you have.

You can make payments before the grace period ends, if you can afford to do so. Making payments during the grace period could reduce the overall interest you pay on the loans and enable you to pay off your loans more quickly.

How do I know which repayment plan is right for me?

Typically, several repayment options are available. This means you should be able to find one that is flexible enough to meet your needs. Asking yourself the following questions may help with your decision:

- How much can I afford to pay monthly? Will I be able to balance what I can afford to pay against what I am required to pay?
- Would it be better to pay the minimum payment on multiple loans or consolidate them into a single payment?
- Which repayment plan will save me the most money over the long term?
- Which repayment plan will help me pay off my student loans the fastest?
- How much total interest will I pay under each repayment plan?

For more information on specific types of repayment plans for federal student loans, visit studentaid.ed.gov.

Should I consolidate multiple student loans?

You might opt to combine multiple student loans into a consolidated loan with a single monthly payment. Many borrowers prefer the convenience of making a single payment each month over multiple student loan payments, even if it doesn't significantly change the total monthly amount. But consider the following repercussions first.

For example, you might forfeit some of the benefits that come with federal loans. You could also wind up paying more--and once the loans are combined, you won't be able to pay down the loan with the highest interest rate first.

Some private student loans may be consolidated, though it might be smart for you to wait a few years after graduation before consolidating. You can use that time to build a solid credit history, which could help you earn a better rate when you do consolidate.

What happens if I miss a payment?

If you forget to make a single payment, you should be in the clear as long as you get back on track right away. But if you miss multiple payments, you need to come up with a plan.

Perhaps you've missed payments as a result of temporary financial hardship. In this case, you could be eligible for a deferment. If you qualify, you won't be required to make monthly payments, but you're still responsible for accrued interest on all of your loans during this period. Even if you don't meet the requirements for a deferment, you can seek your lender's or servicer's approval for a forbearance, which also allows you to stop paying your student loans for a period of time, typically six months.

Remember that interest will still accrue, so you may end up owing more over the course of your loan. Think carefully before you pursue either option.

The Importance of Saving for Retirement at a Young Age

Millennials and Retirement Planning

A September 2015 study found that 60% of millennials think planning for retirement is harder than sticking with a diet and exercise plan. By contrast, 61% of baby boomers think dieting/exercising is harder, and 51% of Gen Xers think retirement planning is harder.

Source: "Will Millennials Ever Be Able to Retire?" Insured Retirement Institute and The Center for Generational Kinetics, September 2015

If you're an adult in your 20s, you are entering an exciting stage of life. Whether you've just graduated from college or are starting a new career, you will encounter many opportunities and challenges as you create a life of your own.

As busy as you are, it's no surprise that retirement may seem a long way off, especially if you're just entering the workforce. What you may not realize, however, is that there are four very important advantages to begin planning and saving for retirement now.

1. Money management skills

Now that you're out on your own, it's important to start taking responsibility for your finances little by little. Part of developing financial responsibility is learning to balance future monetary needs with present expenses. Sometimes that means saving for a short-term goal (for example, buying a new car) and a long-term goal (for example, retirement) at the same time.

Once you become used to balancing your priorities, it becomes easier to build a budget that takes into account both fixed and discretionary expenses. A budget can help you pursue your financial goals and develop strong money management skills. If you establish healthy money habits in your 20s and stick with these practices as you grow older, you'll have a major advantage as you edge closer to retirement.

2. Time on your side

When you're young, you have the benefit of time on your side when saving for long-term goals (like retirement). You likely have 40-plus years ahead of you in the workforce. With that much time, why not put your money to work using the power of compounding?

Here's a hypothetical example of how compounding works. Let's say that at age 25, you start putting $300 each month into your employer's retirement savings plan, and your account earns an average of 8% annually. If you continued this practice for the next 40 years, you would have contributed $144,000 to your account, accumulating just over $1 million by the time you reached age 65. But if you waited 10 years until age 35 to start making contributions to your plan, you would have accumulated only $440,000 by age 65.

Note: This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. Taxes and investment fees are not considered. Rates of return will vary over time, especially for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of risk. Actual results will vary.

3. Workplace retirement benefits

If your employer offers a workplace retirement plan such as a 401(k) or 403(b), you may find that contributing a percentage of your salary (up to annual contribution limits) will make saving for retirement easier on your budget. Contributions are typically made on a pre-tax basis, which means you can lower your taxable income while building retirement funds for the future. You aren't required to pay any taxes on the growth of your funds until you take withdrawals. Keep in mind that distributions from tax-deferred retirement plans are taxed as ordinary income and may be subject to a 10% federal income tax penalty if withdrawn before age 59½.

Depending on the type of plan, your employer may offer to match a percentage of your retirement plan contributions, up to specific limits, which can potentially result in greater compounded growth and a larger sum available to you in retirement.

If you don't have access to a workplace retirement savings plan, consider opening an IRA and contribute as much as allowable each year. An IRA may offer more investment options and certain tax advantages to you.

If you have both a workplace plan and an IRA, one strategy is to contribute sufficient funds to your workplace plan to take advantage of the full company match, and then invest additional funds in an IRA (up to annual contribution limits). Explore the options available to find out what works best for your financial situation.

4. Flexibility of youth

Although there's a good chance you have student loans, you probably have fewer financial responsibilities than someone who is older and/or married with children. This means you may have an easier time freeing up extra dollars to dedicate toward retirement. Get into the retirement saving habit now, so that when future financial obligations arise, you won't have to fit in saving for retirement too--you'll already be doing it.

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Clusters, Crowdfunding, and Other Ways Small Businesses Survive

For more information, visit the following sites:

Clusters: sba.gov

Crowdfunding: sec.gov

Incubators and accelerators: inbia.org

[1] SBA website, accessed March 2016

[2] "The Evaluation of the U.S. Small Business Administration's Regional Innovation Cluster Initiative, Year Three Report, Revised November 2014"

[3] Before making any investment commitment, an investor must provide a representation that he or she has reviewed the intermediary's educational materials and understands that:

- ***The investment is illiquid***
- ***There is no guarantee of any return***
- ***The entire amount of his or her investment may be lost***

An investor must also attest that he/she is in a financial condition to bear the loss of the investment and has completed a questionnaire demonstrating an understanding of the risks of any potential investment and other required statutory elements.

Small-business owners must rely on their own ingenuity and innovation to survive. Fortunately, over the past decade, innovation has also emerged in the networks supporting small businesses, helping them acquire much-needed resources.

Clusters: strength in numbers

Clusters are groups of businesses, suppliers, academic institutions, and other related organizations working within the same industry and concentrated in the same geographic region. Although they're often competitors, cluster businesses can benefit from access to necessary resources such as talent, raw materials, research, and financing opportunities. Examples of clusters include the medical centers in Massachusetts, the high-tech industry in Silicon Valley, and the wineries in northern California. The advantages gained from organizations working together can include economies of scale and political influence, benefits typically associated with corporate giants such as Walmart and Apple.

In 2010, the Small Business Administration unveiled the Clusters Initiative, a program that invests in 14 regional clusters representing various industries throughout the United States. According to SBA Administrator Maria Contreras-Sweet, the SBA has "built a strategic infrastructure of financing and consulting networks in key cities to help new companies launch and small companies grow."[1] A third-party organization has been tasked with evaluating the SBA program each year. Results from the 2014 report (the most recent data available) include the following:[2]

- A majority of small and large businesses have established at least one alliance with other cluster members.
- Nearly 40% of small businesses said cluster services had some influence on their access to capital.
- Revenues in cluster-associated small businesses increased an average of 6.9%, twice as fast as benchmark firms.
- Average monthly payroll in small businesses grew an annualized 14.1% during the two years ending September 2013, besting benchmarks by almost 11 percentage points.

Crowdfunding: online investing

What started more than a decade ago as a way for art and music lovers to help fund their favorite artists' latest endeavors has evolved into a sophisticated means for small-business owners to raise capital. In the fall of 2015, the Securities and Exchange Commission released final rules governing equity crowdfunding, or the ability for entrepreneurs to issue equity to individual investors over the Internet. Companies can now raise up to $1 million over a 12-month period via "funding portals." Individual investors can invest certain amounts over a 12-month period based on their income and net worth.[3]

Businesses wishing to use this 21st-century financing method will want to be aware of the governing regulations, which include providing certain information to the SEC, potential investors, and the funding portals, including:

- A description of the business and how the funds will be used
- The price of the securities or method of determining the price
- The target offering amount, the fundraising deadline, and whether the company will accept investments exceeding the target
- Financial statements, possibly reviewed by an independent public accountant and accompanied by the company's tax returns

Incubators and accelerators: fueling growth

Incubators and accelerators are organizations that are similar in terms of providing valuable resources and mentorship to new businesses; however, one is intended to help "incubate" the budding business owner's idea, while the other is generally designed to "accelerate" the growth of an existing company.

Business owners apply to these often highly competitive programs and, if accepted, may need to relocate and share space with other similar organizations.

According to the International Business Innovation Association (InBIA), incubators provide companies with programs, services, and space for varying lengths of time based on company needs and incubator policies. By contrast, accelerators take a group of companies through a specific process over a defined period of time, typically three to four months. The program often culminates in a funding pitch or demo day. While accelerators make seed investments in companies in exchange for small equity stakes, incubators typically do not make such investments.

This is just a brief overview of some of the innovative opportunities designed to help small businesses survive. Business owners interested in learning more should start by visiting the websites noted in the sidebar at left.

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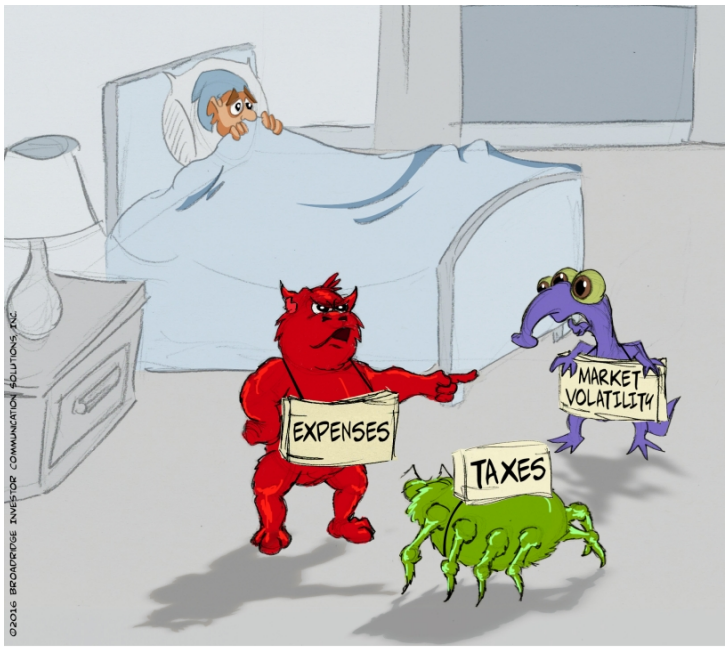
There are many ways to receive more straight talk and input from your favorite Adviser and Retirement Coach:

Listen to my show "Straight Talk on Retirement" every Saturday from 10-11am on KTRS 550-AM.

I am accepting new clients so please do not hesitate to offer your friends and family members the chance to visit me for a free coaching session- let's help them get their financial life on track!



YOU IN THE CLOSET... YOU UNDER THE BED..
I'LL HIDE BEHIND THE CURTAINS

Is an ABLE account subject to federal tax?

Assets in an ABLE account for a disabled person are generally not subject to federal income tax. And ABLE account distributions for qualified disability expenses of the designated beneficiary are also free of federal income tax. However, the earnings portion of distributions from an ABLE account in excess of qualified disability expenses is generally included in the gross income of the designated beneficiary (and subject to an additional 10% tax unless the distribution is made on or after the death of the designated beneficiary).

During his or her lifetime, the designated beneficiary can change the designated beneficiary of the ABLE account without federal tax consequences, provided that the new beneficiary is his or her sibling who was also disabled before age 26. The designated beneficiary can also roll over a distribution to another (or the same) ABLE account of the designated beneficiary or an eligible brother or sister without tax consequences if the rollover is completed within 60 days. If rolled over to a new account of the same beneficiary, the old account must close. Only one rollover is permitted to any ABLE account of the same designated beneficiary within a 12-month period. An ABLE program may also allow direct program-to-program transfers as a way to change state programs or the designated beneficiary.

If the beneficiary ceases to be disabled, the ABLE account continues to be treated as qualified. However, no new contributions can be made to the account, and distributions from the account are not treated as qualified for tax purposes. If the disability resumes, contributions can start back up (subject to the limits on contributions), and distributions can once again be treated as qualified.

Upon the death of the beneficiary, the ABLE account balance is included in his or her gross estate for federal estate tax purposes. Amounts paid from the account for outstanding qualified disability expenses, and to a state for claims under its Medicaid program, may be deductible for federal estate tax purposes.

ABLE accounts are relatively new, and you need to check which states currently have ABLE programs and for any special tax treatment that might apply under state law.