BILTMORE
CAPITAL ADVISORS

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For Couples: Key Social Security Benefit Rules

When you retire, you're entitled to receive Social Security benefits after paying into the system during all of your working years. But the Social Security Administration (SSA) won't start sending you checks automatically. You must apply for benefits. What's more, you'll likely face some difficult choices, especially if you're married. Consider these common scenarios:

Single-Income Couples

If your family has depended on a sole breadwinner, the spouse who didn't have annual earnings is eligible for retirement benefits when the working spouse claims retirement benefits, or to get survivor benefits when the working spouse dies. (The working spouse doesn't get survivor benefits at the death of the spouse who didn't work.)

Two key rules may affect the decisions about Social Security of single-income couples:

- If the working spouse delays retirement benefits past full retirement age (FRA), up to age 70, both the retirement benefits and the potential survivor benefits will increase. By the same token, if the working spouse claims early benefits, starting at age 62, both retirement benefits and potential survivor benefits will be reduced permanently.
- A nonworking spouse can't claim spousal retirement benefits until the working spouse claims retirement benefits. However, under a special rule, a working spouse can claim retirement benefits at FRA while the nonworking spouse begins spousal benefits at age 62. Then the working spouse can suspend benefits until reaching age 70. During this time, the potential survivor benefits of the nonworking spouse keep growing.

Dual-Income Couples

Typically, as a married couple nears FRA, the earnings records of both spouses may affect the Social Security retirement benefits each of them will receive. Each spouse could claim spousal benefits based on the other spouse's earnings history, as well as a survivor benefit when the other spouse dies.

Either spouse can begin taking retirement benefits as early as age 62. And once one spouse begins receiving Social Security payments, the other can start receiving spousal benefits at age 62, or survivor benefits if the other spouse dies, beginning as early as age 60.

There's one guiding principle to keep in mind as you navigate these complicated rules: You can claim only one kind of Social Security benefit at a time. Usually, that simply means claiming the highest benefit available to you, but that's not always the best choice.

Generally, if one spouse has earned significantly less than the other spouse, the lower-earning spouse could decide to forgo his or her own benefits and instead

(Continued on page 4)

A Message From Our CEO:

What Do You Think Your Life Will Be Like In Retirement?

Much that is written about or spoken about retirement relates to the need to save for your life after work. How much have you accumulated? How much more do you need to save? How is your money invested? Should you downsize your home? Have you planned far enough into the future?

These are all legitimate questions you'll want to address well in advance of the day you finally call it quits. But are you also asking yourself the "other" question: What will my retirement be like? Your lifestyle is likely to change drastically when you retire, and it's a good idea to try to prepare yourself for the road ahead.

Recognize that the changes aren't just financial. Are you mentally and physically ready for retirement? Often, people who stop working wonder what to do with all of their free time. Here are some of the possibilities you might want to consider:

- Start or expand a hobby.
- Join a gym or take up golf or another sport.
- Become active in a seniors group.
- Volunteer for charity work.
- Travel extensively.
- Go back to school or otherwise learn a new skill.
- Go back to work on a part-time basis (perhaps as a consultant).

These activities may provide purpose and meaning in the years ahead as you focus on the quality of life you hope to enjoy in retirement. It's just as important to set your sights on your personal objectives as it is to save enough money to live on.

Sincerely,
D. Tyler Vernon
Chief Executive Officer
Biltmore Capital Advisors

4 Good Ways You Could Use An RMD

You already may know the rules for required minimum distributions (RMDs) from traditional IRAs and retirement plans sponsored by an employer. Once you reach age 70½, you have to start taking money out of these plans on an annual basis, mandatory withdrawals that will continue for the rest of your life—whether you want the money or not. These distributions generally are taxed at ordinary income tax rates.

The required amount is calculated each year, based on your life expectancy according to IRS tables and your account balances at the end of the previous year. And this isn't an obligation to take lightly. The penalty for failing to take an RMD is 50% of the amount that you should have withdrawn.

So what should you do with the money? Assuming you don't have a pressing need for the cash, one of these four options might make sense:

1. **Purchase life insurance.** Although there are strict restrictions on using money inside an IRA or other kind of retirement account to buy life insurance, there's nothing preventing you from using RMD cash to acquire a life policy. Of course, life insurance premiums become pricey later in life, but this still may be a reasonable approach if a primary goal is to preserve assets for your children or grandchildren. Or you and your spouse could buy a second-to-die life policy, usually at a lower cost, that will pay off when both of you are gone.

2. **Convert to a Roth IRA.** Because you're required to take RMDs anyway—and to pay tax on the withdrawals—you might transfer the RMD amounts or even a larger portion of your traditional IRAs to a Roth IRA. After five years, any distributions will be completely exempt from tax, and if you don't need the money, you can leave it in the account for your heirs.

3. **Donate to a charity.** An RMD also can give you an opportunity to satisfy your charitable intentions. If you donate the money to a qualified charitable organization, you'll be able to deduct that amount on your tax return, canceling out the tax you'd otherwise pay on the distributions. Or you might use RMDs to fund a charitable remainder trust that provides current income to you or another beneficiary. Then, at the end of the trust term, the remaining assets go to a charity.

4. **Gifts to family members.** The simplest strategy is to give the funds from your RMDs to children or grandchildren who are ultimately in line to receive the assets. Under the annual gift tax exclusion, you can give each recipient up to $14,000 a year without paying gift tax. There's no limit on the number of recipients.

These are just four possible ways you can use an RMD to your advantage. Investigate all the options and make an informed decision. ●

8 Smart Moves For College Grads

Have you or one of your kids recently graduated from college? There's a lot to look forward to—a first job, maybe marriage and family and financial success. But college graduates can't assume that good things will happen automatically. Here are eight moves to make as soon as the ink on the diploma dries:

1. **Get organized.** Put your house in order by collecting vital papers such as your Social Security card, passport, and any investment documents and insurance policies. For optimal protection, store papers you don't need regularly in a bank safe deposit box or another secure location.

2. **Start paying down debt.** If you've borrowed money while earning your degree, chip away at your liability. The top priority is to wipe out credit card debt, on which you're likely paying a sky-high interest rate. What about student loans? Often those interest rates are low and much of your repayment will make a dent in the principal.

3. **Devise a monthly budget.** Once you have a firm grasp on both your monthly income and expenses—rent, car payments, and the like—create a budget. The goal is to be in the black, spending less than you earn, with some savings to spare, but allocate funds for entertainment, too.

4. **Open bank accounts.** If you don't already have them, set up checking and savings accounts at a local bank. But don't overdo things with your new debit card. And be careful with credit cards—using them can help establish your credit history but try to pay off your borrowing quickly to avoid high interest charges.

5. **Look to invest.** Now that you have an income, think about how to use some of it to earn more money. For starters, open a brokerage account with a reputable firm. At this early stage in your life, you generally can afford to be relatively aggressive with your

After Five Great Years, What's Next?

Once again, investors have been taught about the power of investing in stocks for the long run. The lesson is illustrated in this chart of returns of a diverse array of 13 investments, including European stocks, commodities, and bonds as well as U.S. stocks. It is a lesson investors have been taught many times before but remains difficult to learn. The chart spans a five-year period, which is a long time, and it covers investments that in the past behaved differently from one another.

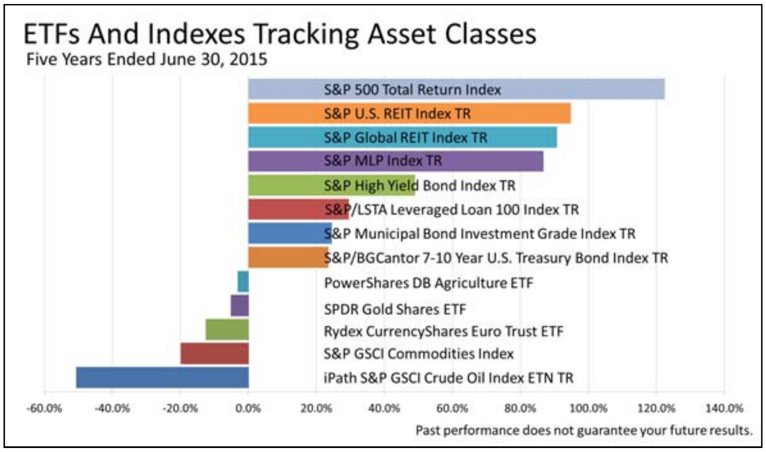
Atop the chart, the best investments by far, were America's blue-chip publicly held companies. Also among the best-performing asset classes for the five years were real estate investment trusts (REITs), both U.S. and foreign, and master limited partnerships.

The worst asset class on the list for the past five years was crude oil and other commodities, along with the euro currency. The euro lost 13% versus the U.S. dollar over the five years.

As for the bond total return indices, U.S. Treasuries returned 23%, or 4.6% per year. Municipal bonds gained 25%, or about 5% per year. Leveraged loans gained 30%, or about 6% annually, while high-yield "junk" bonds gained 49%, about 9.8% per year.

An ounce of gold, in this five-year period, shot from approximately $1,200 to $1,800 before losing luster, recently settling at $1,120. Gold bulls had counted on the Fed's liquidity program going too far, triggering inflation and "debasing" the U.S. dollar. It never happened. Inflation and bond yields are lower than investors, including the Federal Open Market Committee, the central bankers who make up the Federal Reserve, had expected.

But the most important takeaway from this accompanying chart is not the returns on specific asset classes over these last five years, but the unpredictable nature of investments. At the end of 2009, Time magazine declared the two biggest news stories of the year were the "non-recovery" of the economy and the war in Afghanistan. Who would have thought the U.S. recovery would go so well and that oil prices and commodities would plunge in the years ahead? Who would have known in 2009, amid the global slowdown, that the U.S. was leading the world from recession and the stock market had just started one of the biggest bull markets of the last century? Such things are unpredictable, which is why our investment approach is guided by long-term wisdom about markets and human nature.



With the outperformance of U.S. stocks over this five-year period, today's markets are different than they were five years ago. Stock prices have tripled, and only three bull markets have lasted as long as this one since the advent of the modern securities markets in the 1920s. The longer the bull market goes on, the more likely it will be interrupted by a period of sharp losses. However, bull markets have continued longer than expected many times in the past and this one could go on. It would be folly to abandon stocks now as though we can predict what will happen over the coming five years.

While investors must be realistic about the possibility of a bear market, stock valuations by historic standards were not out of line in the third quarter of 2015. Corporate earnings were in line with analysts' predictions, and the U.S. economy was continuing to grow. You never should expect past performance to predict your investment results reliably, you should expect the next five years to be totally different from the last five years. But enduring truths about how asset classes historically behave and the power of stocks over the long run remain paramount. ●

investment choices, because you'll have time to overcome temporary losses. But keep in mind your personal tolerance for investment risk.

6. **Create a "rainy day" fund.** It's impossible to anticipate all of the expenses you'll incur during the next few years. Try to set aside something extra in case of emergencies. For instance, you might face a layoff or an unexpected medical or dental bill. Have enough savings on hand to carry you through for a few months.

7. **Think about retirement.** That's not a misprint. Although you're still decades from calling it quits, the sooner you start saving for retirement, the better. Take advantage of company plans such as a 401(k) (especially if your company matches contributions) and consider supplementing your savings with an IRA.

8. **Obtain financial guidance.** Fortunately, you don't have to do it all on your own. We can provide assistance based on your personal circumstances. Don't hesitate to contact our office for more details. ●

Three Ways To Defuse Estate Rifts

It's impossible to know what will happen to your family after you're gone, but it's doubtful you're envisioning a bitter squabble over your possessions. Yet many a family is torn asunder when a patriarch or matriarch leaves this world.

Although there are no guarantees the claws won't come out, here are three documents that may reduce the potential for a serious rift:

1. A will. Virtually every adult with assets of any value needs a will. Typically, a will is the centerpiece of an estate plan and covers everything from appointing guardians for young children and addressing estate tax issues to determining who will receive your most valuable assets. A will gives you the opportunity to spell out who will inherit the beach house or expensive jewelry as well as other items of sentimental value.

A properly executed will is legally enforceable, so it's crucial that yours meets all of the technicalities of your jurisdiction. If you have significant assets you'll probably need to hire an attorney to draw up the document. It's likely that it will need to be updated in the future as your family circumstances change.

2. Personal property memorandum. Your will likely won't cover every last trinket you own, and it's a hassle to revise it all the time for minor changes. A personal property memorandum can supplement a will and may be referred to in the will itself. The memorandum can list all of your personal assets and your intended beneficiary for each item.

More than half of the nation's states have laws recognizing a personal property memorandum as legally binding. To avoid confusion, include a detailed description of your property. Make sure your executor has an official copy of both the will and the memorandum.

3. Letter of instruction. This is the last piece of the puzzle. Although a letter of instruction isn't legally binding, it can clarify certain issues and provide additional guidance to your heirs. The letter may include:

- The location of important documents, such as your will, insurance policies, titles, and deeds;
- Details of cemetery plots and funeral arrangements;
- Contacts for legal, tax, and financial information;
- A list and descriptions of all financial assets, including savings and checking accounts, stocks, bonds, and retirement accounts;
- The location of your tax returns for the past three years;
- The location of safe deposit boxes and keys; and
- Other special requests (for example, preferences for grandchildren attending college).

Last, but not least, your family members need to know about these three documents and where to find them. ●

Social Security Benefit Rules

(Continued from page 1)

claim a spousal benefit of up to 50% of the first spouse's full retirement benefit.

If the higher-earning spouse delays benefits past FRA, that spouse's eventual benefits will increase until he or she reaches age 70. But the lower-earning spouse can't claim spousal benefits until the other spouse applies for benefits, and the amount of the spousal benefit is capped at 50% of the benefits available to the first spouse at FRA. There is no increase in the spousal benefit if the higher-earning spouse delays benefits.

However, using the claim-and-suspend strategy, the higher-earning spouse can claim retirement benefits at FRA—thus enabling the lower-earning spouse to claim spousal benefits—and then suspend the benefits claim. The higher-earning spouse can wait as long as until age 70 to "unsuspend" and claim higher benefits than those allowed at FRA. In the meantime, the lower-earning spouse can collect spousal benefits.

Claim-and-switch strategies: When you reach FRA, you may be able to claim the higher of the benefits based on your earnings history and your spouse's earnings history. However, if the spousal benefit amount is close to the amount of your own benefit, you could file a "restricted application" allowing only spousal benefits, which then enables your own retirement benefits to continue to grow. Later, you can switch to your own retirement benefit, which will be 8% higher for each year you delay past FRA, up to age 70. Then you can rely permanently on these higher benefits.

With another claim-and-switch strategy, you might claim early retirement or spousal benefits at age 62 and switch to survivor benefits after your spouse dies. Normally, you would be locked into lower benefits by claiming early retirement benefits, but that doesn't apply to subsequent survivor benefits. (However, if your spouse also elects early retirement, your eventual survivor benefits will be reduced.) This strategy may be helpful if the higher-earning spouse is considerably older than the lower-earning spouse.

The rules governing these choices can be extremely complex. We can help you make the best decisions for your situation. ●