

Eric J. Haubert
Senior Financial Advisor
Registered Principal
ehaubert@wfafinet.com

Lisa Katterhenry Howe
CFP®, CRPC®, CMFC
Senior Financial Advisor
lhowe@wfafinet.com

Charles B. Clutter
Senior Financial Advisor
charles.clutter@wfafinet.com

Katterhenry Investment Group
518 West Main Street
Troy, OH 45373
(937) 335-6646 • (800) 366-5384

Kerri A. Bergman
CFP®, CRPC®
Financial Advisor
kbergman@wfafinet.com

Darrin Haubert
Associate Financial Advisor
dhaubert@wfafinet.com

*Appointments available in Troy,
Bellefontaine, Upper Arlington,
Minster, or Portsmouth*

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC, a registered broker-dealer, and a separate, non-bank affiliate of Wells Fargo & Company. Katterhenry Investment Group is a separate entity from Wells Fargo Advisors Financial Network. Securities and insurance products are:

NOT FDIC-Insured	No Bank Guarantee	MAY Lose Value
------------------	-------------------	----------------

FALL 2017



How Flexible Is Your Financial Plan?

When it comes to flexibility in a financial plan, it's a delicate balancing act: it is important to maintain enough flexibility so your financial plan can accommodate unexpected events that are out of your control (like the loss of a job, unexpected illness, market downturn, or tax rate increase). On the other hand, a sound financial plan needs to be firmly grounded by factors you can control (like how much you save and spend) so even in the face of unexpected events, following your financial plan gets you to where you want to be.

Be Flexible

When you develop a financial plan, you must make certain assumptions, many of which are out of your control:

Taxes — The notoriously complicated U.S. tax code will affect your financial plan in a number of

ways. For one, your effective tax rate will change as your income changes. Also, changes to the tax code itself can affect your financial plan, often dramatically. Fortunately, changes aren't typically made every year. And because Congress sets tax policy, most changes in the tax code are announced in advance of taking effect — allowing you time to plan how those changes might affect your financial plan.

Income — We all hope our income will rise as we move for-

ward in our careers. Typically, those kinds of income changes are predictable — maybe it's a 3% raise every year or a 10% raise every three years. More dramatic yet still predictable income changes can happen when one spouse voluntarily stops or starts working. The loss of a job or dramatic decrease in work hours can cause unexpected changes in income.

Health — Your and your spouse's health are significant

Continued on page 2

Encourage Estate Planning

Parenting is a never-ending job. Even when your children are grown, there will probably be lessons you'll want to teach them, such as the need for estate planning. Some items to include in that lesson are:

- ✓ **Explain why estate planning is important.** Your role is not to dictate what they should do with their estate, just to emphasize the need for estate planning. When your children encounter major life events, remind them to review their estate plans.
- ✓ **Make sure all important estate-planning documents are in place.** At a minimum, every adult should have a will, a durable power of attorney, and a health care proxy. A durable power of attorney designates an individual to control their financial affairs if they become incapacitated, while a health care proxy delegates health care decisions to a third person when they are unable to make them.
- ✓ **Coordinate estate planning across generations.** If you have a substantial estate, you may want to coordinate your estate planning efforts with those of your children. A coordinated effort can help minimize estate taxes. ○○○



Copyright © 2017. Some articles in this newsletter were prepared by Integrated Concepts, a separate, nonaffiliated business entity. This newsletter intends to offer factual and up-to-date information on the subjects discussed but should not be regarded as a complete analysis of these subjects. Professional advisers should be consulted before implementing any options presented. No party assumes liability for any loss or damage resulting from errors or omissions or reliance on or use of this material.

How Flexible?

Continued from page 1

factors in your financial plan for two reasons: first, because health is a big determinant of one's ability to earn income; and second, because health care costs are often a large expense, especially for the elderly. As you age, it's important to think about changing your assumptions regarding your health. Maybe you reduce the income you expect because you won't be able to work long hours anymore. Or you increase the health-care related expenses you plan for. You can also take steps to mitigate the impact of health changes by saving for medical expenses in a tax-favored health plan like a health savings account (HSA) or flexible spending arrangement (FSA) and by buying disability and long-term-care insurance.

Life — Beyond job losses and health events that can impact your financial plan, other major life events may have a big impact as well. Whether it's good or bad, expected or unexpected, events like the birth of a child, marriage or divorce, a spouse's death, or a relocation will impact your financial plan. Some you can plan for, some you can't; the point is to be aware that a review is necessary.

Economy — For most of us, our financial plans are based on the assumption that our investments will earn a certain average return in the market. Those assumptions affect decisions we make about our plans. For example, the amount you need to save every month to retire at age 70 is larger or smaller the higher or lower your assumption about investment returns. The best way to make these assumptions is to base them on long-term historical returns in relevant market indices.

That is not to say, of course, that these assumptions will always be correct. Anyone who had money invested in the stock market in the fall of 2008 understands the stock

4 Reasons to Encourage Part-Time Jobs

Don't feel guilty about your children working while attending college or feel that a part-time job will interfere with their college experience. Working as little as a few hours a week can be remarkably beneficial.

It boosts accountability — Encouraging your children to work part-time as soon as possible and setting a portion of their earnings away for college can give them a much better appreciation for their college education. Nonworking students can struggle to understand just how expensive their tuition and living expenses are and the sacrifices involved in paying those costs.

It can cut down on costs — Even the smallest contributions can quickly accumulate. Whether they contribute \$50 or \$500 a month, it's either money they won't owe after graduation or money saved that you can put toward your retire-

ment or investments.

It teaches life skills — Part-time jobs provide teenagers and young adults with a different set of skills than they'll derive in class. Because they're interacting more with adults in a real-world setting, they'll develop the vital communication and problem-solving skills that they'll need in their post-college career. Working even a few hours a week while attending school allows them to master a work/life balance.

It encourages networking — There's a well-known saying that success is closely linked with who you know. Sure, they'll make friends in the dorm, but a part-time job encourages them to connect with peers on a different level that could lead to valuable opportunities in the future. A job allows them to further develop their individual talents and strengths. ○○○

market can turn those assumptions on their heads in a single day. But given that we have to make assumptions, using historical returns is the best way to do it.

Be Grounded

Because there are so many factors affecting your financial plan that you can't control, it's critical to know the factors you can control and stay on track with your plan in those areas.

Live within your means — When you keep your expenses (including savings and investments) less than your income, you give yourself more flexibility to accommodate unexpected changes that you can't control. If you have some breathing space in your budget every month, you can more easily accommodate a higher tax rate or economic downturn without having to alter your financial plan.

Have a rainy-day fund — Have at least 3–6 months worth of living expenses in an easily accessible, liquid fund you can draw upon in the event of a rainy day — an emergency or unexpected situation. This savings should be set aside from all other savings and investments and only used for true emergency expenses — like in case of a job loss or illness. With an adequate rainy-day fund, you can deal with unexpected events without having to dilute or erode your financial plan.

Revisit your plan regularly — The number-one key to achieving your financial goals is to review and, if necessary, revise your financial plan regularly — at least once a year. That way you can make adjustments for all factors out of your control that have changed, for better or worse. If you haven't revisited your financial plan in the last year or need to develop one, please call. ○○○

Avoid These 5 401(k) Plan Mistakes

A popular retirement vehicle in the United States, 401(k) plans bring millions of people closer to their dream retirement. While it's true that participation is the first step, simply putting money into a 401(k) plan won't guarantee a comfortable retirement. All too frequently, people make mistakes with their 401(k) plans that cost them more than they realize, sometimes preventing an early or on-time retirement. Consider these five common 401(k) mistakes and how you can avoid them:

1. Believing Simply Contributing to Your 401(k) Plan Is Sufficient

Again and again, people believe that spending carelessly is okay as long as they are also contributing to their retirement fund. Not true. Simply contributing to your 401(k) plan does not necessarily mean that you are going to have a comfortable retirement.

Your goal should be to contribute the maximum annual limit — \$18,000 for people under 50 years of age and \$24,000 for investors 50 years of age or older. Contributing at that level clearly isn't realistic for everyone, and certainly some level of contribution is better than nothing. But living well within your means today — taking control of your spending so you have some left over at the end of the month to sock away in a retirement fund — can mean a more comfortable retirement tomorrow.

2. Using Your 401(k) Plan as a Savings Account

When you go through a major life event, such as a job change, the birth of a child, sending kids to college, or a divorce, it can be tempting to cash out your 401(k) plan to get you through that rough patch. Indeed, the lure of the now can be difficult to resist, but the point of a

401(k) plan is to give yourself a comfortable tomorrow.

Withdrawing from your 401(k) plan today not only puts a dent in the balance that will compound over time, but if you're not yet at retirement age, the Internal Revenue Service may send you a hefty tax bill for withdrawing that retirement money early.

Here's an example. If at age 25 you cash out a 401(k) plan with a balance of \$5,000, you would receive around \$3,100, \$5,000 minus 28% ordinary income tax (\$1,400) and the 10% early withdrawal penalty (\$500). However, if you kept that \$5,000 invested until age 65 (assuming 8% annualized earnings), you could end up with more than \$108,000 at retirement. *(This example is provided for illustrative purposes only and is not intended to project the performance of a specific investment vehicle.)*

To the extent that you can, leave your 401(k) alone to grow until your retirement. Use other cash assets for those inevitable rainy days.

3. Fearing Diversification

Diversification is a risk-management technique that mixes a wide variety of investments within a portfolio. It's based on the idea that a mix of different investments may yield higher returns with lower risk than any individual investment.

A good rule of thumb is to invest more in equities the further you are from retirement, and then gradually increase your bond allocation over time to help make that shift from a growth orientation toward an income orientation. The point is this: a blend of investments is important and requires adjustments along the way.

4. Not Participating in a Company Match Program

If your bank gave you \$10 every



time you deposited \$10, would you accept that? That's what many companies offer through their 401(k) matching programs. Yet, surprisingly, many people don't participate.

Simply put, in almost every case, not participating in your company's 401(k) matching program does not make sense. Figure out how to budget your monthly take-home pay so that you can contribute at least as much as your employer will match (most match 50 cents or \$1 for every \$1 contribution, up to a certain percentage of the employee's salary).

5. Suffering Analysis Paralysis

Is your retirement fast approaching and the anxiety has you avoiding the details? Are you just out of college and feel as though you have a lifetime to accumulate enough for retirement? Whatever your situation, it is better to be prepared for retirement than not. The mistake here is either failing to tap the benefits a 401(k) plan offers (like company matching) or setting up contributions and then failing to pay attention to how they are allocated and making necessary adjustments.

If you feel like you may be making some of these mistakes or would simply like help preparing your investments for retirement, please call. ○○○

Which Goal Is More Important?

With limited resources for saving, which is the most important financial goal — saving for your retirement or saving for your children's college educations? While many parents want to pay the entire cost of their children's college educations, the reality is that there are a variety of ways to save for those educations — personal savings, financial aid, and loans.

Unfortunately, there aren't similar options for your retirement. No one is likely to loan you money if you haven't saved enough for retirement. You may want to maximize your retirement savings, realizing there are ways to use those savings to help with education costs. How can that strategy help when it comes time to send your children to college?

✓ **Your retirement savings won't be considered in financial aid formulas.** The federal financial aid formula does not consider retirement accounts, including 401(k) plans and individual retirement accounts (IRAs), when calculating your expected family contribution. For other assets, the formula assumes that 5.6% of the parents' assets and 20% of the

student's assets will be used annually for college costs. Thus, you may actually increase your financial aid award by saving in retirement accounts.

✓ **You can still use these retirement assets to help pay for college costs.** Money in IRAs can be withdrawn to pay higher-education expenses before age 59½ without incurring the 10% federal income tax penalty, although taxes will be assessed on the taxable portion of the distribution. If the money is withdrawn from a Roth IRA, your contributions can be withdrawn at any time without penalty or taxes, while earnings can be withdrawn before age 59½ by paying income taxes but not the 10% tax penalty. With 401(k) plans, you typically can't withdraw the money before retirement age unless it is for a hardship withdrawal, but you can borrow funds if permitted by the plan. If you don't need the money to finance college costs, you can leave it in your retirement plans to continue to grow.

If you'd like to discuss the role your retirement accounts should have in financing your children's college educations, please call. ○○○



When Adult Children Return Home

Adult children return home to live for a variety of reasons — they can't find a job, they have too much debt, or they have divorced and need financial support. Use the situation to help reinforce basic financial concepts:

✓ **Set a time frame.** Don't let your child move in for an open-ended time period. Financial goals should be set and followed, so your child is working toward financial independence.

✓ **Charge rent.** There are increased costs when your child returns home — additional food, phone bills, utilities, etc. Although you don't have to charge a market rental rate, you should charge something. If you're uncomfortable taking money from your child, put the rent money aside in a separate account and use it to help your child when he/she moves out. Also decide which chores your child is expected to perform.

✓ **Put your agreement in writing.** While putting everything in writing may seem too business-like, it gives you an opportunity to clearly spell out your expectations and the rules of the house. This can prevent future misunderstandings. ○○○

Wells Fargo Advisors Financial Network is not a legal or tax advisor. However, we will be glad to work with you, your accountant, tax advisor and/or attorney to help you meet your financial goals. Wells Fargo Advisors Financial Network did not assist in the preparation of this report, and its accuracy and completeness are not guaranteed. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. The material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Unless otherwise stated, this material was written by Integrated Concepts. (10/17)

Katterhenry Investment Group News

Here We GROW Again!

We are thrilled to welcome Lisa Drahrman as a Registered Client Service Representative to our KIG family! Lisa comes to us with 19 years of multifaceted investment industry experience, which will serve as an awesome resource for our clients!

Lisa will be working closely with our existing advisors and staff to enhance client communication, service, and portfolio management. She will serve as liaison and proactively check in with clients to make sure nothing has changed of which we may not be aware (e.g. — a new job, marriage, birth, different email or cell number, goal revision, etc.). Then the appropriate team members will jump into action to tackle any needs you may have!

Lisa lives in West Carrollton, works primarily in the Troy office, and devotes much of her personal time serving through the American Legion Auxiliary. We are extremely grateful to add an extremely experienced team member with such a big heart!