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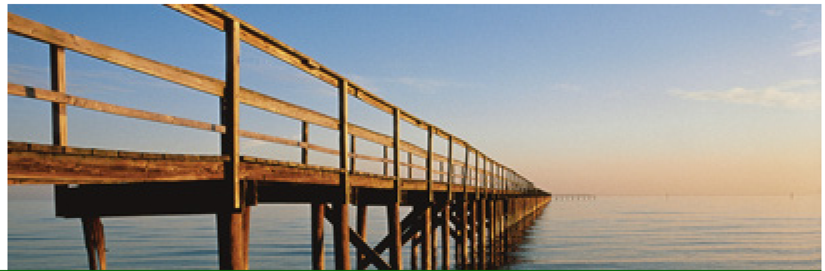

THE FINANCIAL FORMULA

Giving You The Financial Information You Need

May 2017

Hello FF readers! Please enjoy this month's edition of The Financial Formula, and let me know if you have any questions...thanks!

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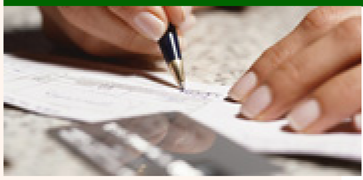


Understanding and Managing Your Credit Score

As an informed consumer, you can make yourself more attractive to lenders by taking steps to boost your credit score.

Your credit score is a number that lenders use to gauge how likely you will be to repay your debts on time. As an informed consumer, you can make yourself more attractive to lenders by taking steps to boost your credit score.

Your FICO® Score: The Standard Measure

The FICO® Score (an acronym for its creators, the Fair Isaac Corporation) is a standard gauge lenders use to measure a consumer's credit risk. According to myFICO.com, 90% of top lenders use FICO scores when making lending decisions. A typical credit score will range between 300 and 850 points. Although all lenders make decisions based on the particulars of the lending situation, generally speaking, the higher your credit score, the lower the perceived risk to the lender, the more attractive the interest rate you may be offered, and the more money you may save over time.

For instance, at current rates, a borrower with a credit score of between 760 and 850 can expect to pay a rate of 3.174% on a 30-year, $200,000 fixed-rate mortgage, according to myFICO.com's Loan Savings Calculator. By contrast, an individual with a score of between 620 and 639 can expect a rate of 4.763%, which amounts to an extra $183 in monthly payments and an additional $65,797 in total interest paid over the life of the mortgage.[1]

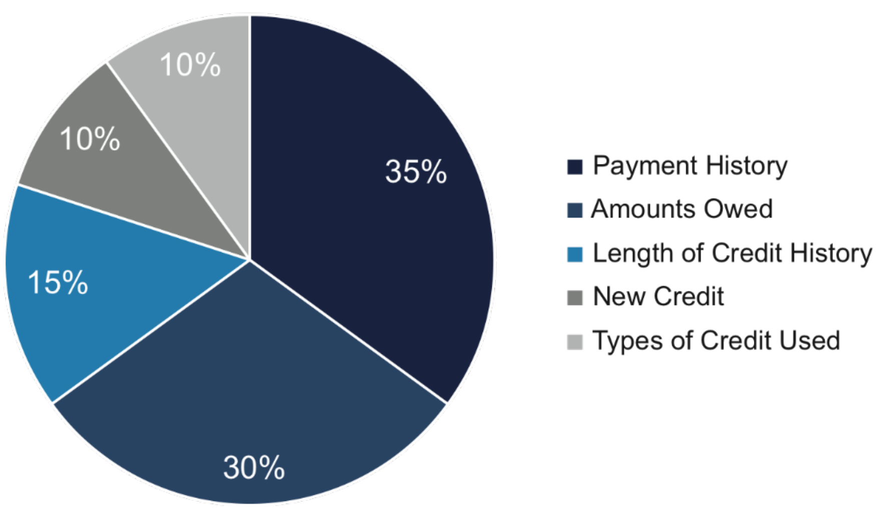
Key Factors

The three major credit reporting agencies -- Equifax, Experian, and TransUnion -- compile credit scores based on information provided by creditors. These agencies generate scores using a proprietary formula that assigns weightings to five main factors:

- **Payment history (whether you have missed or been late with any credit payments).** On-time payments are an important component of your credit score. Using your credit responsibly and paying bills on time are great ways to maintain a good credit score.
- **Credit utilization.** Credit utilization is defined as the total debt you have divided by the total available credit that is available to you. High credit utilization can be a warning sign of credit risk.
- **Length of credit history (how long various accounts have been open).** Credit history is a significant component of your credit score. Accordingly, the average age of your credit cards can be a strong indication of your credit history. Care should be used in keeping old accounts open and in good standing.
- **The amount of new credit on your record.** While opening one new credit card might be normal, opening several in a short span of time could be a warning sign to potential creditors that something is amiss in your financial life.
- **Mix of credit accounts.** Both the total number of credit accounts you have and the mix of credit you have will affect your credit score. A healthy mix of revolving credit cards, charge cards, installment loans and mortgages will also impact your credit score.

What's in a Score?

The percentages in the chart below reflect how important each of the five main categories is in determining how your FICO score is calculated.



Source: myFICO.com (Fair Isaac Corporation), retrieved April 2016.

[1]Source: myFICO.com. Interest rates as of October 17, 2016. The rates shown are averages based on thousands of financial lenders, conducted daily by Informa Research Services, Inc.

Brush Up on Your IRA Facts

If you are opening an IRA for the first time or need a refresher course on the specifics of IRA ownership, here are some facts for your consideration.

IRAs in America

IRAs continue to play a prominent role in the retirement saving strategies of Americans.

IRAs continue to play an increasingly prominent role in the retirement saving strategies of Americans. According to the Investment Company Institute (ICI), the U.S. retirement market had $25 trillion in assets as of September 30, 2016, with $7.8 trillion of that sum attributable to IRAs.[1] In mid-2016, 42.5 million -- or 34% -- of U.S. households reported owning IRAs.[2]

Traditional IRAs, the most common variety, are held by 25.5% of U.S. households, followed by Roth IRAs, which are held by 17.4% of households, and employer-sponsored IRAs (including SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs), which are held by 5.7% of households.[2]

Contributions and Deductibility

Contribution limits. In general, the most you can contribute to an IRA for 2017 is $5,500. However, if you are age 50 or older, you can make an additional "catch-up" contribution of $1,000, which brings the maximum annual contribution to $6,500.

Eligibility. One potential area of confusion around IRAs concerns an individual's eligibility to make contributions. In general, tax rules require that you must have compensation to contribute to an IRA. Compensation includes income from wages and salaries and net self-employment income. If you are married and file a joint tax return, only one spouse needs to have the required compensation.

With regard to Roth IRAs, income may affect your ability to contribute. For tax year 2017, individuals with an adjusted gross income (AGI) of $118,000 or less may make a full contribution to a Roth IRA. Married couples filing jointly with an AGI of $186,000 or less may also contribute fully for the year. Contribution limits begin to decline, or "phase out," for individuals with AGIs between $118,000 and $133,000 and for married couples with AGIs between $186,000 and $196,000. If your income exceeds these upper thresholds, you may not contribute to a Roth IRA.[3]

Deductibility. Whether you can deduct your traditional IRA contribution depends on your income level, marital status, and coverage by an employer-sponsored retirement plan. For instance:[3]

- If you are single and covered by an employer-sponsored retirement plan, your traditional IRA contribution for 2017 will be fully deductible if your AGI was $62,000 or less. The amount you can deduct begins to decline if your AGI was between $62,000 and $72,000. Your IRA contribution is not deductible if your income is equal to or more than $72,000.
- If you are married, filing jointly, and the spouse making the IRA contribution is covered by an employer-sponsored retirement plan, your 2017 IRA contribution will be fully deductible if your combined AGI is $99,000 or less. The amount you can deduct begins to phase out if your combined AGI is between $99,000 and $119,000. You may not claim an IRA deduction if your combined income is equal to or more than $119,000.
- If you are married, filing jointly, and your spouse is covered by an employer-sponsored plan (but you are not), you may qualify for a full IRA deduction if your combined AGI is $186,000 or less. The amount you can deduct begins to phase out for combined incomes of between $186,000 and $196,000. Your deduction is eliminated if your AGI on a joint return is $196,000 or more.
- If neither you nor your spouse is covered by an employer-sponsored retirement plan, your contribution is generally fully deductible up to the annual contribution limit or 100% of your compensation, whichever is less.

Keep in mind that contributions to a Roth IRA are *not* tax deductible under any circumstances.

Distributions

You may begin withdrawing money from a traditional IRA without penalty after age 59½. Generally, previously untaxed contributions and earnings are taxable at the then-current regular income tax rate. Nondeductible contributions are generally not taxable because those amounts have already been taxed.

You must begin receiving minimum annual distributions from your traditional IRA no later than April 1 of the year following the year you reach age 70½ and then annually thereafter. If your distributions in any year after you reach 70½ are less than the required minimum, you may be subject to an additional federal tax equal to 50% of the difference.

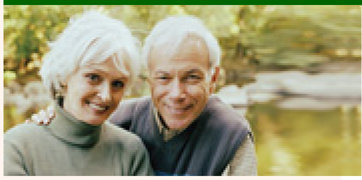
Unlike traditional IRAs, Roth IRAs do not require the account holder to take distributions during his or her lifetime. This feature can prove very attractive to those individuals who would like to use the Roth IRA as an estate planning tool.

This communication is not intended as investment and/or tax advice and should not be treated as such. Each individual's situation is different. You should contact your financial professional to discuss your personal situation.

[1]*Investment Company Institute, "Retirement Assets Total $25.0 Trillion in Third Quarter 2016," December 2016.*

[2]*Investment Company Institute, "The Role of IRAs in U.S. Households' Saving for Retirement, 2016," January 2017.*

[3]*Internal Revenue Service, "IRS Announces 2017 Pension Plan Limitations; 401(k) Contribution Limit Remains Unchanged at $18,000 for 2017, October 27, 2016.*



Talking Finances With Aging Parents

A durable power of attorney is a legal document that designates an individual to make financial or legal decisions on behalf of another individual. This document can become very important should an aging senior become ill or incapacitated.

Regardless of whether you and your parents have always talked freely about money or have never discussed the subject, there are several considerations you may want to address with them as they grow older. These six questions may help you think about -- and plan for -- that conversation.

1. Have you thought about how you will approach the subject? When you do decide to touch base, tactfully make clear what you'd like to discuss, but also let your parents know you respect their privacy.
2. Are you confident that they are staying on top of things? Are bills getting paid on time? Are investments being monitored? Maybe you have already raised these topics with your parents, but it has been a while since you've checked in. If you think they might appreciate a follow-up, then it may be a good idea to talk to them again.
3. Are they taking advantage of banking conveniences, such as direct deposit and online bill payment, to simplify their financial life? If your parents aren't comfortable with the computer, offer to assist.
4. Do your parents have an estate plan, and is it up to date? At a minimum, they should have a will. An effective will should do a few basic things. It should name an executor (or personal representative) -- the individual who will administer your estate after death. It should also spell out how you want your property distributed as specifically as possible. If you die without a will, your estate will be divided according to the laws of your state -- not your wishes. Besides a will, there are other planning mechanisms that may be appropriate for their needs. Be sure they consult with a qualified legal professional to discuss the specifics of their situation.
5. Do you and your parents understand the potential benefits of a durable power of attorney document? A durable power of attorney is a legal document that designates an individual to make financial or legal decisions on behalf of another individual. This document can become very important should an aging senior become ill or incapacitated.
6. Should they consider a long-term care insurance policy? With the average cost of a private room in a nursing home now exceeding $92,300 per year depending on where you live, you can see how such expenses could put a tremendous financial strain on a family.[1] That is why many people consider long-term care insurance to be a sensible addition to a financial plan. For the most part, nursing home and assisted-living costs have limited coverage under Medicare. And, for most people, qualifying for Medicaid requires individuals to first exhaust their own assets. For more information about long-term care insurance, speak with your financial advisor.

[1] *Genworth 2016 Cost of Care Survey, April 2016.*