



THE FINANCIAL FORMULA

Giving You The Financial Information You Need

May 2014



Hello all of our newsletter subscribers! We were on quite a hiatus with a busy tax season slowing down our normal monthly newsletter being sent out. Please read this month's edition & let me know if you have any questions - thank you!

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403(b)s and 529 plans are interrelated they both deal with the area of education. It is one of the most important things we can do in life educate ourselves and those we love as best as possible to prepare them for what life has in store for them.

[How to Build an Emergency Fund](#)

Many financial experts recommend setting aside enough money to cover three to six months' worth of expenses in the event of a major financial surprise. Learn how you can budget and reduce costs to build that all-important emergency fund.

[Don't Overlook an IRA When Planning for Retirement](#)

Whether you are an active account holder or just considering opening an IRA, there are many appealing benefits to this retirement savings vehicle.

Teacher Appreciation Week & 529 Day

National **Teacher Appreciation Week** is May 5th - May 9th, and National **Teacher Appreciation Day** is May 6th. **529 Day (529 college savings plans)** is Thursday, May 29th. These 2 financial awareness topics are very important for several reasons, so let's explore those a bit more.

If you, your children, and your grandchildren have had teachers who were instrumental in your/their education, then you know why great teachers are so important. They can make learning fun and change a child's life for the better, and that is huge. Make sure to thank those teachers who do their job so very well, and not just during **Teacher Appreciation Week** - they deserve it.

Teachers are a large part of our business (we are a 403(b) provider for both Dallas Area & Wyoming Valley West school districts) and we just want to say "thank you for all that you do" - that's why we enjoy taking care of your **403(b)** /retirement/financial needs.

529 Day is a yearly reminder for those with children, grandchildren, nieces, nephews, etc. that saving for college is a smart decision, especially when considering the many benefits of these **529 plans** (these can vary from state-to-state). Many who would like to send children to college/trade schools (yes, some of these plans can be used for trade schools as well) realize that the cost will be quite substantial - that's why raising awareness of **529 plans** is so important.

We have many clients who are saving for their children's and grandchildren's college costs with **529 plans**, and many more I'm sure will also do the same going forward. We would like to thank those clients as well - those **529 plans** you opened for your children/grandchildren show that you care so much about their future education and want what's best for them.

These two May '14 financial awareness topics are interrelated - they both deal with the area of education. It is one of the most important things we can do in life - educate ourselves and those we love as best as possible to prepare them for what life has in store for them.

I've always said the 2 most important things in life we can learn about is 1.) how to successfully communicate/deal with people, and 2.) how to properly handle personal financial matters. So this goes out to all of the teachers and adults who try to better the children of tomorrow for when they become adults themselves - thank you for caring enough ... we appreciate what you do every single day, not just in May.

Find an experienced financial advisor who frequently deals with **403(b)s and/or 529 college savings plans**, works for an RIA firm, earns his/her money from fees (NOT commissions), believes in having an abundance of investment choices for clients, and has the heart & demeanor of a teacher, NOT a salesman, and chances are you've found the right financial advisor to help you prepare and plan for retirement and/or college costs.

For more information, please visit <http://www.mfadvisers.com>, email marty@mfadvisers.com, or call (570) 760-6524.

About **MF Advisers, Inc.**

MF Advisers, Inc. is a full-service, fee-only RIA firm and fiduciary based in PA & FL specializing in 403(b)s, 529 college savings plans, wealth management, investment advice, and financial planning (including retirement planning).

With 20+ years of licensed experience, over 10 years of professional education, and an unwavering commitment to improving your financial situation, MF Advisers, Inc. is the advisory firm to best serve YOU.

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How to Build an Emergency Fund

Many financial experts recommend setting aside enough money to cover three to six months' worth of expenses in the event of a major financial surprise. That's because a well-funded emergency account has the potential to get you through tough times without the need to spend other savings, such as assets earmarked for retirement and college.

The following steps will help you start saving more right away.

Stick to a Budget

Creating a budget is easier and more important than you may think. Just write down the amount of your household's total monthly after-tax income, and then identify how much money you need to spend every month on necessities such as rent or mortgage payments, taxes, utilities, insurance, and groceries. Next, subtract the latter amount from the former. The difference represents the amount of money available to be set aside for important goals -- such as accumulating emergency savings and saving for retirement - and for treats - such as dining out or going on vacation.

The key is finding some sort of happy balance between the two. If you find yourself spending too much on discretionary items, set a goal to cut down. Don't try to do it all at once. You may find it easier to reduce your non-necessity purchases over time. Try to cut down your spending by 5%-10% per month.

Reduce the Cost of Debt

Every month, millions of Americans spend their hard-earned money on interest and finance charges that arise from carrying personal debt, such as credit card balances. Wherever possible, transfer any high-interest debt to a single, low-rate account. If you own a home, you may be able to pay off your credit card balance with a tax-deductible home equity loan. And needless to say, don't use credit to buy things you can't really afford.

Additionally, whenever you're expecting a tax refund, bonus, or other windfall, be sure to put it to good use. Paying off debt and saving for the future are almost always better strategies than spending without a plan.

Customize Your Savings Plan

Everyone's situation is different. While three to six months is a good starting point, you may need a larger emergency fund if you have a mortgage, children, and/or a non-working spouse.

If you are concerned about the nominal interest rates available via savings accounts or CDs, consider parking some of your funds in other lower-risk investments, such as short-term bond funds.¹ You can also use a Roth IRA as an option in your strategy, as you can withdraw your contributions from it for any reason prior to age 59 1/2. You also may be able to tap any earnings without paying penalties, depending on the circumstances.

Work With a Financial Professional

Managing finances on your own can be difficult. A financial professional can help you determine a budget that will help you live within your means and can help you invest properly to achieve your goals.

¹CDs are FDIC insured and offer a fixed rate of return if held to maturity. Investing in mutual funds involves risk, including loss of principal.

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Don't Overlook an IRA When Planning for Retirement

More than 46 million American households own an individual retirement account (IRA).¹ While the IRA has evolved into a popular retirement savings vehicle -- with more than \$5.7 trillion in total assets -- it is often an overlooked component of most investors' financial planning strategies. In fact, over the past two years, only 15% of households that were eligible to contribute to an IRA did so.¹

Have you forgotten your IRA? Should an IRA be part of your overall investment plan?

Appealing IRA Benefits

Whether you are an active account holder or just considering opening an IRA, there are many appealing benefits to this retirement savings vehicle.

- **Tax deferral:** Traditional IRAs allow your investment earnings to grow tax-deferred until withdrawn, typically at retirement. For 2014, the maximum contribution is \$5,500, but for those aged 50 and over, the limit is \$6,500. The limits are the same for a Roth IRA, but to be eligible to fully contribute, an investor must have a 2014 modified adjusted gross income of less than \$114,000 for singles and \$181,000 for married couples filing jointly. Singles earning less than \$129,000 and couples earning less than \$181,000 are eligible for partial contributions.
- **Deductibility:** If you are a single taxpayer who doesn't participate in an employer-sponsored plan and you earn less than \$60,000 in 2014, you can deduct your contributions to a traditional IRA from your income taxes. Couples earning under \$96,000 are also eligible for a full deduction. Partial deduction limits also apply, up to \$70,000 for singles and \$116,000 for couples. Note that Roth IRA contributions are not deductible.
- **Investment flexibility:** IRAs typically give investors access to a wider range of investment options than workplace-sponsored plans such as a 401(k).
- **Convertibility:** Traditional IRA holders can convert to a Roth IRA to enjoy some of the additional benefits listed below. But before you decide to make a switch, be sure to investigate the tax consequences of such a move.

Additional Roth IRA Benefits

- **Qualified tax-free withdrawals:** Since Roth IRAs are funded with after-tax dollars, your withdrawals are tax free, as long as you have held the account for at least five years and are over age 59½.
- **No RMDs:** Unlike traditional IRAs, Roth IRAs are not subject to required minimum distributions (RMDs) once the account holder reaches age 70½.

You can find out more about the benefits of IRAs -- including which types of accounts and investments may be right for you -- by speaking with your financial professional.

¹Source: Investment Company Institute, "The Role of IRAs in U.S. Households' Saving for Retirement, 2013," November 2013.

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The IRA is a popular retirement savings vehicle, yet it is often overlooked by investors when assessing their overall financial planning strategy.

