MF Advisers
$\$ = mf^2$

THE FINANCIAL FORMULA

Giving You The Financial Information You Need

April 2017

Hello FF readers! There are some very important articles in this month's newsletter, so please enjoy and let me know if you have any questions - thanks!

Martin A. Federici, Jr.
MF Advisers, Inc.
CEO
marty@mfadvisers.com
570-760-6524
Fax: 570-675-7105
91 Franklin Street
Dallas, PA 18612
http://mfadvisers.com

In This Issue

A recent study has shown that only 28% of Americans know about 529 plans, and that statistic needs to change for the better.

Teacher Appreciation Week & 529 Day

This year, National **Teacher Appreciation Week** is May 8th - May 12th, and National **Teacher Appreciation Day** is Tues., May 9th. **529 Day** (**529 college savings plans**) is Mon., 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 both of our business (we are a **403(b)** provider for both Dallas Area & Wyoming Valley West school districts, and have many teachers who are tax prep clients as well) and we just wanted to say, "thank you for all that you do" - that's why we enjoy taking care of your **403(b)**/retirement/tax/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. A recent study has shown that only 28% of Americans know about **529 plans**, and that statistic needs to change for the better.

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 '17 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.

Investing for Retirement: A Marathon, not a Sprint

Let's face it: You can't fund a 20-year retirement in just five years. Investing for retirement takes time, and success requires that you start early and invest appropriately at each stage of your life.

The Early Bird

Successful investors often begin putting money into an investment account as soon as they start working. If you began investing in your 20s, you may be well on your way to a comfortable retirement. By starting to save at the beginning of your career, you have many years to reap the potential benefits of compounding -- the continuing reinvestment of investment earnings. If you're eligible to contribute to a tax-qualified retirement plan at work, you also have the potential advantage of tax-deferred growth of your account assets. And, if your employer matches employee contributions, you'll enjoy the added benefit of "free" money.

When you're just starting out in the work force, you have an important advantage: time. Even though some of your savings may be earmarked for shorter term goals, such as a down payment on a house or a child's education, your long time horizon for retirement means you may be able to take more risk with your investments. During these early years, you may want to allocate more of your portfolio to investments that have the potential for growth over the long term, such as stocks and stock mutual funds.[1]

Time Is on Your Side

By the time you reach your 30s and 40s, you may have been saving for retirement for several years through your employer's retirement plan, your own individual retirement account, other investments, or a combination of the above. The middle years, when you're generally well-established in your career, are critical to the growth of your retirement assets. Consider contributing the maximum amount you can afford -- or at least as much as your employer will match -- to your account. Now may be the perfect time to increase your contributions.

Maximum growth of your assets should be your goal during the middle years. Since you probably still have quite a few years before you retire, you may want to continue to keep a portion of your portfolio invested in securities, such as stocks, with the potential for higher returns. Historically, over the long term, stocks have always recovered from any decline in value and generally offer the best inflation protection of any investment.[2] However, only you can determine how much investment risk you're comfortable with.

The Home Stretch

By your 50s and 60s, you may have considerable assets in your retirement account. As you get nearer to retirement, you may be concerned with protecting your assets from loss. If you've allocated a sizeable portion of your portfolio to riskier investments such as stocks, you may want to preserve your gains by moving some of your money into potentially less volatile investment types. Your tolerance for risk will help you determine the percentage of your account to allocate to lower risk investments, such as bonds and money market funds.[3]

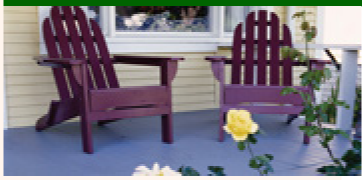
Stock market fluctuations are not the only risk to your retirement funds. Even modest inflation can significantly reduce your nest egg's buying power in the future. Your savings may have to fund a retirement that lasts for 15, 20, or 30 years. For this reason, during your remaining working years - and after retirement -- you may want to keep at least a portion of your portfolio invested in stocks, which historically have outpaced inflation.

Your financial professional can help you design an appropriate investment strategy for each stage of your life.

[1] *Investing in stocks involves risks, including loss of principal. Investing in mutual funds involves risk, including loss of principal. Mutual funds are offered and sold by prospectus only. You should carefully consider the investment objectives, risks, expenses and charges of the investment company before you invest. For more complete information about any mutual fund, including risks, charges and expenses, please contact your financial professional to obtain a prospectus. The prospectus contains this and other information. Read it carefully before you invest.*

[2] *Past performance is no guarantee of future performance.*

[3] *An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund.*



Never Too Soon: Rule #1 of Responsible Financial Parenting

Learning how to balance a checkbook, create a budget, respect the role of credit and debt, and develop strategies for funding important goals such as a college education helps teens make the important transition from child to adult.

Affluent families might well be concerned about the potentially adverse effect of wealth on the financial values of the younger generations. Case in point: Multi-billionaires Bill and Melinda Gates and Warren Buffet have vowed to leave the lion's share of their fortunes to charity, reasoning that a large inheritance could do their children more harm than good.

Certainly it is possible that kids who are exposed to wealth without rules or guiding principles -- such as a strong work ethic, financial independence, or the desire to give something back -- could develop negative attitudes and habits around managing money that follow them into adulthood.

To counter these potential negative effects, parents, grandparents, or other adult family members might become positive financial role models by educating the children in the family about finances from an early age. Start by explaining the meaning and purpose of employment, the importance of managing credit and paying bills, and the best way to handle cash through banks and ATM machines. Let children practice what they have learned about earning, saving, spending, and giving money through their own experiences with allowances and after-school jobs.

As a child matures, his or her financial education might become more rigorous. Learning how to balance a checkbook, create a budget, respect the role of credit and debt, and develop strategies for funding important goals such as a college education helps teens make the important transition from child to adult.

While parents generally can serve as a child's most important educator and role model about money, schools could also play a more proactive role in teaching, motivating, and creating a greater awareness of both the benefits of money management and the short- and long-term impact of poor financial decisions. According to Jump$tart Coalition for Personal Finance, while standards are inconsistent and vary from state to state, "[a] few states require all students to take and pass a standalone one-semester course in personal finance to graduate (high school). Other states require students to receive personal finance instruction as part of another course or require schools to offer personal finance as an elective."[1]

Set a Charitable Example

As billionaire Michael Bloomberg has said, "I've always respected those who tried to change the world for the better, rather than just complain about it." Indeed, if we want to ensure future generations of volunteers and donors, we must teach our children how to give of their time, skills, and money. Adult family members can set an example by pursuing their own philanthropic and volunteer activities, or by encouraging the whole family to get involved in charitable activities based around a shared interest.

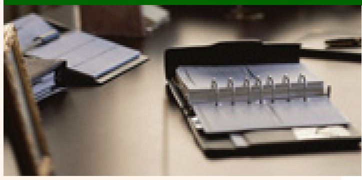
Ensure Your Legacy Through Incentive Planning

Affluent individuals often worry that the important values they pass on to heirs during their lifetime will be lost once they are gone. For these individuals, creating incentive trusts that allow you to reward your children's desired behaviors or discourage undesirable activities can be a meaningful addition to an estate plan.

For instance, a trust may reward educational achievement or withhold benefits from heirs who engage in destructive or illegal activities.

Financial advisors play an important role in the creation and success of a legacy by helping you articulate the values, beliefs, and priorities you want to pass on to children and the methods to achieve your goals.

[1] *Jump$tart.org, "Jump$tart Coalition Frequently Asked Questions."*



Don't Forget These Parent-Friendly Tax Breaks

President Trump has pledged to make child care expenses a key element of his tax reform plan. Until such new legislation is passed into law, be sure to take advantage of the child-related tax benefits that are currently available to parents. Here is a brief rundown from the IRS as you prepare to file your 2016 tax return.

Child tax credit -- Generally, taxpayers can claim the Child Tax Credit for each qualifying child under the age of 17 on their federal tax return. The maximum credit per child is currently $1,000. See IRS Publication 972 for more on this credit.

Child and dependent care credit -- If you paid someone to care for your child or another dependent last year you may be able to claim this credit. To qualify, a child must be under age 13. Additionally, a spouse or certain other dependent individual who is physically or mentally incapable of self-care may also qualify. Note that the care must have been provided so that you -- or you and your spouse if you file a joint tax return -- could work or look for employment. See IRS Publication 503 for more on this credit.

Adoption credit -- It is possible to claim a tax credit for certain costs paid to adopt a child. For details, see Form 8839, Qualified Adoption Expenses.

Education tax breaks -- There are several attractive tax breaks and incentives available to help lessen the financial burden of paying for a child's education. Make sure to determine which ones will apply to you when it's time to file your tax return. In each case below, income restrictions apply.

- The Coverdell Education Savings Accounts, which used to be known as "education IRAs," offer tax-deferred earnings growth and tax-free qualified withdrawals. Contributions are nondeductible and limited to $2,000 annually per beneficiary. In addition to college expenses, certain K-12 expenses are considered "qualified" when using a Coverdell ESA.
- The American Opportunity Tax Credit (formerly the HOPE Scholarship Credit) has now been made permanent. It covers up to $2,500 of qualified expenses per year, per eligible child during the first four years of postsecondary education.
- The Lifetime Learning Credit covers up to $2,000 of undergraduate, graduate, and job-related studies. The American Opportunity Tax Credit and a Lifetime Learning Credit can't be claimed in the same tax year for any one student, but you can use either of them with a Coverdell account - just not for the same expenses.
- Student loan interest. Depending on your income, you may be able to deduct up to $2,500 of the interest you paid on student loans last year.

To learn more about tax benefits for parents, visit the IRS website.