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THE FINANICAL FORMULA

Giving You The Financial Information You Need

November 2017

Happy Holidays everyone! I hope you all had a Happy Thanksgiving, and hope that your end of year holidays are filled with much happiness! Please enjoy this month's edition of The Financial Formula, and let us know if you have any questions - thanks!

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In This Issue

Your New Year's Financial Resolutions

Martin A. Federici, Jr. - the CEO of both MF Advisers, Inc. and MF Tax & Accounting, Inc. - highlights 10 steps everyone can utilize to start off the new year on a smarter note money-wise and hopefully stick with throughout 2018.

Tips for Ensuring Your Customers' Online Safety

Online security is a concern not just for your business, but your customers as well. Especially important is how your business's website handles your customers' data. Here's a primer.

Will You *Really* Be in a Lower Tax Bracket When You Retire?

The federal income tax rate you face in retirement could be the same as the one you have now. Here's are some considerations for estimating your future tax rate.

The Best and the Brightest: Charting the Cost of America's Top Colleges

College can be expensive. Early planning can help you manage the eventual impact of those costs.

Your New Year's Financial Resolutions

Even if it seems like something trivial, the more you educate yourself about financial matters, the better financial decisions youll tend to make.

Let's face facts: after the holiday season shopping is finished, most of us find that our bank accounts are somewhat smaller than we hoped they would be.

With that in mind, here are 10 steps everyone can utilize to start off the new year on a smarter note money-wise and hopefully stick with throughout 2018:

1. ***Stop getting nickeled & dimed by everyone*** - and don't start doing it to everyone else. Why let stores, friends, family, etc., take advantage of you when it comes to money? Be fair about money matters and don't get taken advantage of by anyone. Instead, use coupons, negotiate better deals/terms (especially when it comes to insurances and large purchases), and ask firmly but nicely (mind your manners!) for the money you're owed. Please stop drawing the short straw in these situations - you deserve better.

2. ***Put a budget in place AND stick to it.*** No sense in spending your money without a clue - let's figure out how to better use this green stuff, eh? Nothing will help you do that better than really seeing what money comes in the door and goes out. No excuses either - plenty of cheap and easy to use software/apps/tools that can help you create/track your budget. After you do this, you can figure out where you need to improve and work towards those goals.

3. ***Put a financial plan in place AND stick to it.*** See #2 above. Make sure your investments/tax situations are where they need to be with your goals in mind…whatever those goals may be.

4. ***Eliminate terrible debt.*** The big-box store plastic is probably the #1 problem for most people. The only acceptable debts (if the interest rates are reasonable) are mortgages, car loans, home improvement loans, business loans, and college loans. Negotiate lower rates whenever possible - no need to pay more interest than you should.

5. ***Get a sufficient emergency fund in place NOW.*** This way, you won't resort to using plastic when you have one of those "uh-oh" moments. Ideally, save 3 mos. of income for starters…if you can get up to 1 year of income saved for your "rainy day" fund, that would be best.

6. ***Improve your health…***yes, this affects your money! We'd all like to spend less money on medications/prescriptions, doctor's visits (except your regular checkups), etc. Eating better (you can contact me about this too - I can advise you in this area) and regular exercise (try to start somewhere - even if it's just taking a walk to start the day, after lunch, and/or after dinner) are truly your financial "friends". If you make some healthy changes, you will spend less money for many types of insurances going forward and enjoy a better quality of life. Who doesn't want to have more money and be healthier?

7. ***Take care of the (big) things you have.*** No sense in spending money frequently on big-ticket items. Make them last for a while. Maintenance is key, especially when it comes to vehicles, boats, your home, properties, etc.

8. ***Be satisfied with what you have.*** Too many people play that silly game called "Keeping up with the Joneses". Having the latest big-screen TV in every room in your house is not wise if you don't have enough saved for retirement or for little Suzie's college education. Prioritize the things that really matter - delay instant gratification instead of having the "I need this yesterday" mentality that gets far too many people into financial trouble.

9. ***Avoid doing dumb things.*** What I mean is that people take legal action against other people every day, so refrain from giving the sue-happy crowd any reason to come after you. There's a reason there are a lot of attorneys in the good ol' U.S. of A…..and, last (but not least)…

10. ***Learn something new financially every day.*** Even if it seems like something trivial, the more you educate yourself about financial matters, the better financial decisions you'll tend to make. Hire a qualified financial professional who educates you on a regular basis - this 10th step (if you hire the right advisor) can easily help you with the previous 9 steps!

Happy New Year everyone - let's make 2018 the best (financial) year yet!

Find an experienced financial advisor who creates & implements client goals, 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 your future.

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 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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Tips for Ensuring Your Customers' Online Safety

You probably have taken steps to secure your website, but you still need to assure customers that your site is safe for those who want to do business with your company online.

Following are some practical tips to help ensure that your customers' data will be secure on your website.

Encrypt your data. There are a number of ways that customers will be able to tell if their data is encrypted -- that is, scrambled during transmission so that only the intended recipients can read it. These include the presence of the prefix "https" in the address bar (rather than the less secure http) and a symbol such as a padlock. Contact your Web host to determine how to encrypt all communications to and from your company's site.

Display a trust seal. Put a seal of assurance on your site indicating that it is legitimate and a safe place to conduct business. Which seals generate the most trust? One study found that PayPal-verified seals, followed by Norton, Google-Trusted Store, Visa-MasterCard, and BBB seals garnered the most trust.[1] Keep in mind the trust seals mean a host of different things. Some focus on creating a secure connection between the visitor's browser and the site's server. Others share sales stats and trust scores that promote the safety of the site in question. Talk to your Web host about the various companies that offer these services and how to make the seal prominent on your business' site, particularly on your online store and/or payment pages.

Require a strong password. Encourage your customers to create passwords of eight to 12 characters that include a liberal mix of uppercase and lowercase letters, numbers, punctuation marks, and special symbols. Consider adding a password strength indicator to help your customers determine that the password is within their comfort zone.

Enable multi-factor authentication. Some firms, especially financial institutions, are requiring more than a password to confirm the customer's identity. For example, when placing an order, a customer may be prompted to enter a one-time code that is sent to them via text or voice message on a phone number that was already in their user profile. Other options are to present one or more challenge questions or to scan a fingerprint.

Educate consumers on Internet safety. In addition to communicating the steps your company takes to keep consumers' data safe, consider going the extra mile by offering some general tips to customers on protecting themselves when interacting online. For example, some individuals might not know to look for signs that a site is encrypted or that a password should not contain personally identifying information such as their spouse's first name or digits of their phone number.

Keep consumers updated on new tools you add to help prevent potential new threats.

The Federal Trade Commission (FTC) offers an abundance of information on how consumers can protect themselves online. Visit the FTC website to learn more. Your business' banking institution may also offer guidance.

Own up to any breaches that might occur. Notify customers swiftly should the business' website be compromised in any way. Assure customers that you are taking steps to protect their data and keep them updated regularly on any developments.

[1]*ConversionXL.com, "Which Site Seals Create the Most Trust?" [Original Research], October 13, 2016.*

Will You *Really* Be in a Lower Tax Bracket When You Retire?

Many tax deductions and credits slowly shrink or disappear entirely as you pass through various life stages.

Caveat emptor or, as the translation goes, let the buyer beware. How many times have you read -- or been told -- that when you retire you are likely to be in a lower tax bracket? Predicting your tax rate in retirement is an important, but imprecise, exercise that is best addressed with the help of a qualified planner.

What You'll (Likely) Lose

There are many tax deductions and credits that slowly shrink and/or disappear entirely as you pass through various life stages. Following are just a few examples that may affect your situation -- and potentially increase your taxable income in retirement.

- Mortgage interest deduction. Entering retirement without a mortgage has many advantages: increased cash flow, the ability to direct more money to savings and investments, and peace of mind, to name a few. The downside: you'll lose the mortgage interest deduction.
- Student loan interest. Most of us would probably prefer having our student loans -- or children's loans that we may be paying off for them -- put to bed before we retire. It just feels right. But, that said, you can also say goodbye to the interest deduction.
- Retirement account contributions. Some accounts, such as traditional IRAs, impose age limits on contributors. For instance, once you reach age 70½, not only must you stop making regular contributions to a traditional IRA (thus losing the chance to potentially deduct your contribution), but generally you also must begin taking distributions from these accounts or pay an additional 50% excise tax on the amount that should have been distributed but was not.

Taxation of Retirement Income

Once you retire, you will probably start receiving income from various sources -- e.g., pensions, traditional 401(k)s, traditional IRAs, Social Security, and/or investment accounts -- all of which will have an effect on your tax situation. For certain accounts, such as traditional 401(k)s and IRAs, you'll have to pay taxes at ordinary income tax rates on previously untaxed contributions and any investment earnings. Roth accounts, on the other hand, are funded with after-tax dollars and allow for tax-free withdrawals in retirement, provided that certain conditions are met.

Investment income in taxable accounts -- including dividends and/or long-term capital gains -- is generally taxed at a lower rate than money withdrawn from retirement plans. Long-term capital gains from investments held for more than one year are generally taxed at a 15% rate, while retirement account withdrawals are generally taxed at ordinary income tax rates.[1]

The taxability of Social Security benefits is complicated but generally depends on your income (e.g., wages, self-employment, interest, dividends, and other income that must be reported on your tax return) in addition to your benefits. Basically, the higher your total income, the higher the percentage of your benefits that are taxed.

For instance, if you are a single retiree with "provisional income"[2] between $25,000 and $34,000 or a married couple (filing jointly) with provisional income between $32,000 and $44,000, you will be taxed on up to 50% of your Social Security benefits. For individuals with provisional income over $34,000 and married couples with provisional income over $44,000, up to 85% of benefits may be taxable.

A Wait-and-See Tax Environment

As of 2017, ordinary income tax rates range from 10% to 39.6% while the rates on long-term capital gains and qualified dividends are 0%, 15%, and 20%. But with tax reform earmarked as a high-priority item on the Trump administration's agenda, "all bets are off" on how and when the current situation could change -- meaning a rethink of your own tax picture.

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

[1]*Higher-income taxpayers may be subject to an additional 3.8% net investment income tax.*

[2]*"Provisional income" generally includes your modified adjusted gross income plus tax-exempt interest and half of the Social Security benefits you received during the year.*

The Best and the Brightest: Charting the Cost of America's Top Colleges

A quality higher education may be within reach if you consider some of the tax-advantaged vehicles potentially available to help you save for college.

We all want the best for our kids, especially when it comes to education. However, if you are shopping colleges today, you'll soon discover that those seeking a top-flight education are likely to experience a bout of sticker shock.

U.S. News & World Report sponsors an annual ranking of the best colleges in America. The study breaks the schools out into two main categories: national universities, which offer a full complement of undergraduate as well as graduate degree programs, and liberal arts colleges, which focus more on undergraduate education and award the majority of their degrees in liberal arts fields of study.

The excellence rankings were derived by assessing schools on such criteria as class size, standardized test scores of incoming students, and average annual as well as six-year graduation rates.

Among national universities, Princeton tops the list for 2018 -- its fifth consecutive first-place finish. The cost of attending this Ivy League legend for one year? A whopping $62,750 inclusive of tuition and fees, room and board. Harvard comes in second on the top-school roster, with a one-year price tag even higher than Princeton's at $65,609, followed by the University of Chicago and Yale, which are locked in a tie for third place. Similar and in some cases higher yearly costs were reported by the leading liberal arts colleges (see table).

The notable trend emerging from the study? Academic excellence does not automatically correlate with cost: The most expensive school for the 2017-2018 academic year, Columbia University, was ranked fifth among national universities with a one-year sticker price of $70,826.

The Head of the Class

National University	One-Year Cost (tuition and fees; room and board)	Liberal Arts College	One-Year Cost (tuition and fees; room and board)
Princeton University	$62,750	Williams College	$67,700
Harvard University	$65,609	Amherst College	$68,500
University of Chicago	$70,551	Bowdoin College	$65,980
Yale University	$66,900	Swarthmore College	$65,774
Columbia University	$70,826	Wellesley College	$66,984

Source: U.S. News & World Report.

A Degree of Planning

Despite steep tuition costs, a quality college education may be within the reach of many families. All it takes is a degree of planning. As a starting point, consider some of the tax-advantaged vehicles potentially available to help you save for college.

- The Coverdell Education Savings Account -- This account allows for contributions of up to $2,000 per year, per student. Contributions are subject to phaseout for higher income taxpayers. Distributions are tax free if used for qualified education expenses. Coverdell Education Savings Account beneficiaries must be under age 18 when the money is contributed and the money generally must be distributed within 30 days of the beneficiary's 30th birthday (unless the beneficiary has special needs).
- Prepaid Tuition Plans -- These allow you to prepay future tuition costs at today's rates, as a way to potentially beat the effects of tuition inflation. Each plan has its own set of rules. Generally, if the child decides not to attend the selected school, he or she will be able to use the plan money to pay tuition at other colleges and universities. However, if he or she decides not to go to college at all and money can't be transferred to a sibling, most plans will generally reduce or eliminate any interest earned, and they may charge a cancellation fee.
- Section 529 Plans -- Section 529 college savings plans are state-sponsored investment programs that allow you to invest your contributions in mutual funds or similar managed financial instruments. Individual state plans typically do not impose annual contribution limits, and many allow generous lifetime limits of $300,000 or more. Distributions for qualified higher education expenses are tax free. Non-qualified withdrawals are subject to a 10% penalty to the extent they are includible in income.

Additionally, note that the 10% early withdrawal tax -- which generally appies to distributions made from an individual retirement account (IRA) before the account owner turns 59½ -- will not apply to a distribution made to pay qualified higher education expenses of the account holder, a spouse, a child, or a grandchild. Such distributions would, however, be subject to federal (and possibly state) income taxes.