Carmel-Quintero Financial

Planning Your Financial Future

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Time to Hire? Consider the Pros and Costs

It's exciting to discover an opportunity to expand the size or scope of your business, and sometimes more workers are needed to make that happen. In the fourth quarter of 2017, 32% of small-business owners said they intend to increase the number of jobs in their companies over the next 12 months.[1]

How do you know if your business is really ready to take on new employees? Start by estimating the potential revenue and profit gains, in light of the additional costs.

Help wanted?

Here are a few more signs that it may be time to hire.

- Customer demand for your company's goods or services is steadily increasing. It may take some time to confirm that growth is consistent and not a seasonal or temporary surge.
- You (and/or your staff) can no longer handle critical work in a timely manner, and customer service is suffering.
- You regularly pay current employees a significant amount of overtime.
- You would like to act on attractive growth opportunities, such as opening a new location.
- One or more people with a particular skill set are needed to help develop a new product or add to your menu of services.

Run the numbers

A new employee's salary can be substantial by itself, but Social Security, Medicare, and unemployment taxes add to the employer's total costs, as do legal requirements such as workers' compensation insurance. For example, U.S. employer costs averaged $36.32 per hour worked in March 2018, with $24.77 going to wages and $11.55 for benefits.[2] Of course, an employer's actual costs will vary widely by industry, region, and the type of position.

Small businesses may not offer workplace benefits (such as health insurance and retirement plans) commonly provided by large companies. Even so, offering a more generous benefit package might be helpful for recruiting and retaining qualified employees, a task that has become more difficult in competitive job markets.

There may be additional expenses associated with screening applicants, training new workers, and complying with various federal and state regulations, some of which may be specific to your industry. In fact, you might consult an accountant to help determine whether you can afford to hire extra help.

[1] Gallup, 2017

[2] U.S. Bureau of Labor Statistics, 2018

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Infographic: Working in Retirement

Do You Plan to Work in Retirement?

The 2018 Retirement Confidence Survey found that more than two-thirds of all workers surveyed expect that paid work will play a role as a source of retirement income. If you believe that working for pay will supplement at least some of your retirement income, consider the following facts.

1 More people are working beyond age 65

According to the Bureau of Labor Statistics, 37% of men and 28% of women between the ages of 65 and 69 were still in the workforce in 2017. In addition, 17% of men and 10% of women age 70 and older were still working.

2 Social Security imposes an "earnings limit"

If you plan to work and claim Social Security benefits before reaching your full retirement age (66 to 67, depending on year and month of birth), you will be subject to an earnings limit ($17,040 in 2018). Above that limit, $1 will be withheld from your benefit for every $2 earned. In the year you reach full retirement age, you will lose $1 for every $3 earned above a higher limit ($45,360 in 2018). Once you reach full retirement age, there is no reduction in benefits.

3 Income for older workers is on the rise

According to the U.S. Census Bureau, the average earnings for workers age 65 and older increased by 47.6% between 2000 and 2015, a far greater increase than that of any other age group.

Take Charge of Your Student Debt Repayment Plan

If you have federal student loans, you aren't automatically eligible for an income-driven repayment plan — you have to fill out an application (and reapply each year).

Outstanding student loan debt in the United States has tripled over the last decade, surpassing both auto and credit card debt to take second place behind housing debt as the most common type of household debt.[1] Today, more than 44 million Americans collectively owe more than $1.4 trillion in student debt.[2] Here are some strategies to pay it off.

Look to your employer for help

The first place to look for help is your employer. While only about 4% of employers offer student debt assistance as an employee benefit, it's predicted that more employers will offer this benefit in the future to attract and retain talent.

Many employers are targeting a student debt assistance benefit of $100 per month.[3] That doesn't sound like much, but it adds up. For example, an employee with $31,000 in student loans who is paying them off over 10 years at a 6% interest rate would save about $3,000 in interest and get out of debt two and a half years faster.

Understand all your repayment options

Unfortunately, your student loans aren't going away. But you might be able to choose a repayment option that works best for you. The repayment options available to you will depend on whether you have federal or private student loans. Generally, the federal government offers a broader array of repayment options than private lenders. The following payment options are for federal student loans. (If you have private loans, check with your lender to see which options are available.)

Standard plan: You pay a certain amount each month over a 10-year term. If your interest rate is fixed, you'll pay a fixed amount each month; if your interest rate is variable, your monthly payment will change from year to year (but it will be the same each month for the 12 months that a certain interest rate is in effect).

Extended plan: You extend the time you have to pay the loan, typically anywhere from 15 to 30 years. Your monthly payment is lower than it would be under a standard plan, but you'll pay more interest over the life of the loan because the repayment period is longer.

Example: *You have $31,000 in student loans with a 6% fixed interest rate. Under a standard plan, your monthly payment would be $344, and your total payment over the term of the loan would be $41,300, of which $10,300 (25%) is interest. Under an extended plan, if the term were increased to 20 years, your monthly payment would be $222, but your total payment over the term of the loan would be $53,302, of which $22,302 (42%) is interest.*

Graduated plan: Payments start out low in the early years of the loan, then increase in the later years of the loan. With some graduated repayment plans, the initial lower payment includes both principal and interest, while under other plans the initial lower payment includes interest only.

Income-driven repayment plan: Your monthly payment is based on your income and family size. The federal government offers four income-driven repayment plans for federal student loans only:

- Pay As You Earn (PAYE)
- Revised Pay As You Earn (REPAYE)
- Income-Based Repayment (IBR)
- Income-Contingent Repayment (ICR)

You aren't automatically eligible for these plans; you need to fill out an application (and reapply each year). Depending on the plan, your monthly payment is set between 10% and 20% of your discretionary income, and any remaining loan balance is forgiven at the end of the repayment period (generally 20 or 25 years depending on the plan, but 10 years for borrowers in the Public Service Loan Forgiveness Program). For more information on the nuances of these plans or to apply for an income-driven plan, visit the federal student aid website at studentaid.ed.gov.

Can you refinance?

Yes, but only with a new private loan. (There is a federal consolidation loan, but that is different.) The main reason for trying to refinance your federal and/or private student loans into a new private loan is to obtain a lower interest rate. You'll need to shop around to see what's available.

Caution: *If you refinance, your old loans will go away and you will be bound by the terms and conditions of your new private loan. If you had federal student loans, this means you will lose any income-driven repayment options.*

Watch out for repayment scams

Beware of scammers contacting you to say that a special federal loan assistance program can permanently reduce your monthly payments and is available for an initial fee or ongoing monthly payments. There is no fee to apply for any federal repayment plan.

[1] New York Federal Reserve, Quarterly Report on Household Debt and Credit, February 2018

[2] CFPB, Innovation Highlights: Emerging Student Loan Repayment Assistance Programs, August 2017

[3] Society for Human Resource Management, October 2, 2017

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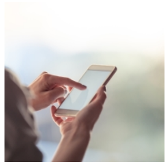

How can I save money on my cell phone plan?

Paying your monthly cell phone bill might feel like a necessary evil: You can't live without your cell phone, but you don't like the steep price of your plan. Fortunately, there are ways to save money on your plan without sacrificing the cell phone services you need.

Review your monthly bill. Aligning what you're paying for with what you're actually using can go a long way in saving money on your plan. Look at your bill to get a breakdown of your average data consumption, as well as the number of phone calls and text messages you send/receive in one month. This will help you determine whether your activity levels match your plan. If, for example, you're paying for unlimited data each month but use only five gigabytes, on average, then it might make sense to decrease the data limit on your plan. Or if you depend on unlimited data, consider ways in which you can lower the amount you use. Turn cellular data off in your app settings and connect to Wi-Fi whenever possible to dramatically reduce data usage.

Research discount options. Ask your employer or your cell phone service provider to see if you're eligible for employee discounts. Members of the military, veterans, and senior citizens may also receive discounts, depending on the provider.

Sign up for a different plan. Most carriers offer plans that allow you to share data and minutes with others. These are often referred to as family plans, though you don't need to be related to someone in order to join your accounts. You might also consider prepaid cell phone plans, which generally don't require credit checks or contracts, and don't have data overage fees. Many types of prepaid plans are available on the market, so look at different ones to determine what works best for you.

Switch to an alternative carrier. Before you make the switch, though, indicate to your current provider that you want to cancel — you may be offered a deal for continuation of service. If not, keep in mind that many alternative carriers offer promotions exclusively to new customers. Make sure you know how long the promotion will last and what your monthly costs will be when it ends.

Should I enroll in a health savings account?

A health savings account (HSA) is a tax-advantaged account that you can establish and contribute to if you are enrolled in a high-deductible health plan (HDHP). Because you shoulder a greater portion of your health-care costs, you'll usually pay a much lower premium for an HDHP than you would pay for traditional health insurance. This allows you to contribute the premium dollars you're saving to your HSA. Then, when you need medical care, you can withdraw HSA funds to cover your expenses, or opt to pay your costs out-of-pocket if you want to save your account funds. An HSA can be a powerful savings tool, especially if your health expenses are relatively low, since you may be able to build up a significant balance in your HSA over time. Before you enroll in an HSA, ask yourself the following questions:

What will your annual out-of-pocket costs be under the HDHP you're considering? Estimate these based on your current health expenses. The lower your costs, the easier it may be to accumulate HSA funds.

How much can you afford to contribute to your HSA every year? Contributing as much as you can on a regular basis is key to building a cushion against future expenses. For 2018, you can contribute up to $3,450 for individual coverage and $6,900 for family coverage.

Will your employer contribute to your HSA? Employer contributions can help offset the increased financial risk that you're assuming by enrolling in an HDHP rather than traditional employer-sponsored health insurance.

Are you willing to take on more responsibility for your own health care? For example, to achieve the maximum cost savings, you may need to research costs and negotiate fees with health providers when paying out-of-pocket.

How does the coverage provided by the HDHP compare with your current health plan? Don't sacrifice coverage to save money. Read all plan materials to make sure you understand benefits, exclusions, and all costs.

What tax savings might you expect? HSA funds can be withdrawn free of federal income tax and penalties provided the money is spent on qualified health-care expenses. Depending on the state, HSA contributions and earnings may or may not be subject to state taxes. Consult your tax adviser for more information.

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