



The Davis Group

Trusted Advisors for Delta Pilots since 1987

Referral Letter

We appreciate the chance to serve you here at The Davis Group.

We are working to expand The Davis Group financial and retirement planning services in an effort to reach as many Delta Pilots as we can. We thought you might be able to help.

If possible, could you take a minute and list any Delta Pilots you know could benefit from a complimentary comprehensive wealth management plan. Or, if you are part of or aware of any Delta Pilot groups or associations we should be aware of, please let us know.

You can do so by contacting Ray at:
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Best Regards,
Mark Davis

The Davis Group

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THREE WAYS THE DAVIS GROUP STRIVES TO EARN AND KEEP YOUR TRUST

Expertise and attention to details

Serving Delta Pilots since 1987, The Davis Group understands thoroughly Delta Benefit Plans. Because they have focused on the Delta Pilot's objective to maximize retirement benefits, you can trust they will help you reach your individual objectives.

Raymond James

Life well planned. That is the Raymond James philosophy. They seek to put you first – just as The Davis Group does. The trust The Davis Group has established with their Delta Pilot clients is only strengthened by the trust Raymond James has earned.

Complimentary Comprehensive Wealth Management Plan

Let The Davis Group demonstrate their expertise and start earning your trust with a complimentary Comprehensive Wealth Management Plan.

October 2016

Referral Letter

Ten Year-End Tax Tips for 2016

Top Financial Concerns of Baby Boomers,
Generation Xers, and Millennials

What are my health-care options if I retire
early?

Ten Year-End Tax Tips for 2016



Deductions may be limited for those with high incomes

If your adjusted gross income (AGI) is more than \$259,400 (\$311,300 if married filing jointly, \$155,650 if married filing separately, \$285,350 if filing as head of household), your personal and dependent exemptions may be phased out, and your itemized deductions may be limited. If your 2016 AGI puts you in this range, consider any potential limitation on itemized deductions as you weigh any moves relating to timing deductions.

IRA and retirement plan contributions

For 2016, you can contribute up to \$18,000 to a 401(k) plan (\$24,000 if you're age 50 or older) and up to \$5,500 to a traditional or Roth IRA (\$6,500 if you're age 50 or older). The window to make 2016 contributions to an employer plan generally closes at the end of the year, while you typically have until the due date of your federal income tax return to make 2016 IRA contributions.

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

1. Set aside time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

2. Defer income to next year

Consider opportunities to defer income to 2017, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

3. Accelerate deductions

You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year, instead of paying them in early 2017, could make a difference on your 2016 return.

4. Factor in the AMT

If you're subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you're subject to the AMT in 2016, prepaying 2017 state and local taxes probably won't help your 2016 tax situation, but could hurt your 2017 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help save you from making a costly mistake.

5. Bump up withholding to cover a tax shortfall

If it looks as though you're going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (via Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest

advantage in doing so is that withholding is considered as having been paid evenly through the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments.

6. Maximize retirement savings

Deductible contributions to a traditional IRA and pretax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2016 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year-end.

7. Take any required distributions

Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working and participating in an employer-sponsored plan). Take any distributions by the date required--the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

8. Weigh year-end investment moves

You shouldn't let tax considerations drive your investment decisions. However, it's worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

9. Beware the net investment income tax

Don't forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net investment income if your modified AGI exceeds \$200,000 (\$250,000 if married filing jointly, \$125,000 if married filing separately, \$200,000 if head of household).

10. Get help if you need it

There's a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.

Top Financial Concerns of Baby Boomers, Generation Xers, and Millennials



In its survey, PricewaterhouseCoopers defined the generations as having these birth years: baby boomers: 1943-1960; Generation X: 1961-1981; millennials: 1982-1997. The U.S. Census Bureau and other groups often define these generational ranges differently.

Source:

"Employee Financial Wellness Survey," PricewaterhouseCoopers LLP, April 2016

Many differences exist among baby boomers, Generation Xers, and millennials. But one thing that brings all three generations together is a concern about their financial situations.

According to an April 2016 employee financial wellness survey, 38% of boomers, 46% of Gen Xers, and 51% of millennials said that financial matters are the top cause of stress in their lives. In fact, baby boomers (50%), Gen Xers (56%), and millennials (60%) share the same top financial concern about not having enough emergency savings for unexpected expenses. Following are additional financial concerns for each group and some tips on how to address them.

Baby boomers

Baby boomers cite retirement as a top concern, with 45% of the group saying they worry about not being able to retire when they want to. Although 79% of the baby boomers said they are currently saving for retirement, 52% of the same group believe they will have to delay retirement. Health issues (30%) and health-care costs (38%) are some of the biggest retirement concerns cited by baby boomers. As a result, many baby boomers (23%) are delaying retirement in order to retain their current health-care benefits.

Other reasons reported by baby boomers for delaying retirement include not having enough money saved to retire (48%), not wanting to retire (27%), and having too much debt (23%).

Generation X

While baby boomers are concerned about retiring when they want to, Gen Xers are more specifically worried about running out of money in retirement, with 50% of the surveyed group citing this as a top concern. More Gen Xers (26%) than baby boomers (25%) or millennials (21%) have already withdrawn money held in their retirement plans to pay for expenses other than retirement.

Besides worrying about retirement, 25% of Gen Xers are concerned about meeting monthly expenses. Forty-four percent find it difficult to meet household expenses on time each month, and 53% consistently carry balances on their credit cards.

Being laid off from work is another financial worry among Gen Xers, cited by 22% of those surveyed--more than cited by baby boomers or millennials.

Gen Xers (26%) report that better job security would help them achieve future financial goals, which may help explain their worry about both future (retirement) and current (living) expenses.

Millennials

Unlike baby boomers and Gen Xers who worry about future financial needs, millennials seem to be more concerned about meeting current expenses. This concern has grown substantially for millennials, from 23% in the same survey conducted in 2015 to 35% in 2016. Millennials are also finding it increasingly difficult to pay their household expenses on time each month, with the number jumping from 35% in 2015 to 46% in 2016.

Considering the amount of debt that millennials owe, it's probably not surprising that they worry about making ends meet. Specifically, 42% of the millennials surveyed have a student loan(s), with 79% saying their student loans have a moderate or significant impact on their ability to meet other financial goals.

In an attempt to make ends meet, 30% of millennials say they use credit cards to pay for monthly necessities because they can't afford them otherwise. But 40% of those who consistently carry balances find it difficult to make their minimum credit-card payments on time each month.

How each generation can address their concerns

Focusing on some basics may help baby boomers, Gen Xers, and millennials address their financial concerns. Creating and sticking to a budget can make it easier to understand exactly how much money is needed for fixed/discretionary expenses as well as help keep track of debt. A budget may also be a useful tool for learning how to prioritize and save for financial goals, including adding to an emergency savings account and retirement.

At any age, trying to meet the competing demands of both short- and long-term financial goals can be frustrating. Fortunately, there is still time for all three generations to develop healthy money management habits and improve their finances.

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What are my health-care options if I retire early?

If you're eligible for an early-retirement package from your employer, determine whether post-retirement medical coverage is included.

These packages sometimes provide medical coverage until you reach age 65 and become eligible for Medicare. Given the high cost of medical care, you might find it hard to turn down an early-retirement package that includes such coverage.

If your package doesn't include post-retirement medical coverage, or you're not eligible for an early-retirement package at all, you'll need to look into alternative sources of health insurance, such as COBRA continuation coverage or an individual health insurance policy, to carry you through to Medicare eligibility.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), most employer-provided health plans (typically employers with 20 or more employees) must offer temporary continuation coverage for employees (and their dependents) upon termination of employment. Coverage can last for up to 18 months, or 36 months in some

cases. You'll generally have to pay the full cost of coverage--employers aren't required to continue their contribution toward coverage, and most do not. Employers can also charge an additional 2% administrative fee.

Individual health insurance is available directly from various insurance carriers or, as a result of the Affordable Care Act, through state-based or federal health insurance marketplaces. One advantage of purchasing coverage through a marketplace plan is that you may be entitled to a premium tax credit if your post-retirement income falls between 100% and 400% of the federal poverty level (additional income-based subsidies may also be available).

Some factors to consider when comparing various health options are (1) the total cost of coverage, taking into account premiums, deductibles, copayments, out-of-pocket maximums, and (for marketplace plans) tax credits and subsidies; (2) the ability to continue using your existing health-care providers (and whether those providers will be in-network or out-of-network); and (3) the benefits provided under each option and whether you're likely to need and use those benefits.



Should I accept my employer's early-retirement offer?

The right answer for you will depend on your situation. First of all, don't underestimate the psychological impact of early retirement. The adjustment

from full-time work to a more leisurely pace may be difficult. So consider whether you're ready to retire yet. Next, look at what you're being offered. Most early-retirement offers share certain basic features that need to be evaluated. To determine whether your employer's offer is worth taking, you'll want to break it down.

Does the offer include a severance package? If so, how does the package compare with your projected job earnings (including future salary increases and bonuses) if you remain employed? Can you live on that amount (and for how long) without tapping into your retirement savings? If not, is your retirement fund large enough that you can start drawing it down early? Will you be penalized for withdrawing from your retirement savings?

Does the offer include post-retirement medical insurance? If so, make sure it's affordable and provides adequate coverage. Also, since Medicare doesn't start until you're 65, make

sure your employer's coverage lasts until you reach that age. If your employer's offer doesn't include medical insurance, you may have to look into COBRA or a private individual policy.

How will accepting the offer affect your retirement plan benefits? If your employer has a traditional pension plan, leaving the company before normal retirement age (usually 65) may greatly reduce the final payout you receive from the plan. If you participate in a 401(k) plan, what price will you pay for retiring early? You could end up forfeiting employer contributions if you're not fully vested. You'll also be missing out on the opportunity to make additional contributions to the plan.

Finally, will you need to start Social Security benefits early if you accept the offer? For example, at age 62 each monthly benefit check will be 25% to 30% less than it would be at full retirement age (66 to 67, depending on your year of birth). Conversely, you receive a higher payout by delaying the start of benefits past your full retirement age--your benefit would increase by about 8% for each year you delay benefits, up to age 70.