



## Fulton Financial Planning, Inc

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Hi Everyone,

Hi Everyone,

Mid-February is the time to begin thinking about preparing your 2016 federal tax return. It's also a great time to be planning around this year's taxes.

We hope you find the articles in this newsletter informative. Give us a call if we can assist with any of your planning issues.

Warm regards,  
Deidra

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### February 2017

Growth, Value, or Both

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How can technology help me manage my money?



# Financial Briefs

## Guidance For Every Stage of Life

### Quiz: How Much Do You Know About Social Security Retirement Benefits?



Social Security is an important source of retirement income for millions of Americans, but how much do you know about this program? Test your knowledge, and learn more about your retirement benefits, by answering the following questions.

#### Questions

**1. Do you have to be retired to collect Social Security retirement benefits?**

- a. Yes
- b. No

**2. How much is the average monthly Social Security benefit for a retired worker?**

- a. \$1,360
- b. \$1,493
- c. \$1,585
- d. \$1,723

**3. For each year you wait past your full retirement age to collect Social Security, how much will your retirement benefit increase?**

- a. 5%
- b. 6%
- c. 7%
- d. 8%

**4. How far in advance should you apply for Social Security retirement benefits?**

- a. One month before you want your benefits to start.
- b. Two months before you want your benefits to start.
- c. Three months before you want your benefits to start.

**5. Is it possible for your retirement benefit to increase once you start receiving Social Security?**

- a. Yes
- b. No

#### Answers

**1. b.** You don't need to stop working in order to claim Social Security retirement benefits. However, if you plan to continue working and you have not yet reached full retirement age (66 to 67, depending on your year of birth), your Social Security retirement benefit may be reduced if you earn more than a certain annual amount. In 2017, \$1 in benefits will be deducted for every \$2 you earn above \$16,920. In the calendar year in which you reach your full retirement age, a higher limit applies. In 2017, \$1 in benefits will be deducted for every \$3 you earn above \$44,880. Once you reach full retirement age, your earnings will not affect your Social Security benefit.

**2. a.** Your benefit will depend on your earnings history and other factors, but according to the Social Security Administration, the average estimated monthly Social Security benefit for a retired worker (as of January 2017) is \$1,360.<sup>1</sup>

**3. d.** Starting at full retirement age, you will earn delayed retirement credits that will increase your benefit by 8% per year up to age 70. For example, if your full retirement age is 66, you can earn credits for a maximum of four years. At age 70, your benefit will then be 32% higher than it would have been at full retirement age.

**4. c.** According to the Social Security Administration, you should ideally apply three months before you want your benefits to start. You can generally apply online.

**5. a.** There are several reasons why your benefit might increase after you begin receiving it. First, you'll generally receive annual cost-of-living adjustments (COLAs). Second, your benefit is recalculated every year to account for new earnings, so it might increase if you continue working. Your benefit might also be adjusted if you qualify for a higher spousal benefit once your spouse files for Social Security.

For more information, visit the Social Security Administration website, [ssa.gov](http://ssa.gov).

<sup>1</sup> Social Security Fact Sheet, 2017 Social Security Changes

## Growth, Value, or Both



*"I always say if you aren't investing for value, what are you investing for? And the idea that value and growth are two different things makes no sense.... Growth is part of the value equation."*

—Warren Buffett

The terms growth and value are often used to describe two different investment strategies, yet many investors may want both qualities in an investment. Famed investor Warren Buffett put it this way in a 2015 interview: "I always say if you aren't investing for value, what are you investing for? And the idea that value and growth are two different things makes no sense.... Growth is part of the value equation."<sup>1</sup>

Even so, analysts may look at specific stocks as offering more growth potential than value, and vice versa. And these concepts are used to construct many mutual funds and exchange-traded funds (ETFs). So it's helpful to understand the opposing ideas, even if you want the best of both in your portfolio.

### Poised to grow?

As the name suggests, growth stocks are associated with companies that appear to have above-average growth potential. These companies might be on the verge of a market breakthrough or acquisition, or they may occupy a strong position in a growing industry.

Growth companies may place more emphasis on reinvesting profits than on paying dividends (although many large growth companies do offer dividends). Investors hope to benefit from future capital appreciation of growth stocks, which tend to be considered higher risk than value stocks. However, it's equally important for growth and value stocks to have strong fundamentals.

### Undervalued?

Value stocks are associated with companies that appear to be undervalued by the market or are in an industry that is currently out of favor. Unlike growth stocks, which might seem expensive and overvalued, value stocks may be priced lower in relation to their earnings, assets, or growth potential.

Established companies are more likely than younger companies to be considered value stocks, and these firms may emphasize paying dividends over reinvesting profits. An investor who purchases a value stock typically expects the broader market to eventually recognize the company's full potential, which may result in rising share prices. One risk with this approach is that a stock considered to be undervalued because of legal or management difficulties or tough competition might not be able to recover from the setback.

### Focused funds

Identifying specific growth or value investments requires time, knowledge, and experience to analyze stock data. A more convenient and

accessible way to add growth or value stocks to your portfolio may be through mutual funds or ETFs that focus on these categories. Such funds often have the word "growth" or "value" in their names. However, there could be a wide variety of objectives and stock holdings among funds labeled growth or value.

Also keep in mind that you might find growth, value, or both in a broad range of investments that do not employ growth or value strategies.

### Diversification

Holding growth and value stocks and/or funds is one way to diversify the stock portion of your portfolio. Over the past 20 years, the average annual return for value stocks was about 1.5 percentage points higher than that of growth stocks (8.54% versus 7.02%). Yet growth stocks outperformed value stocks in eight of those years — in some years by large margins. This suggests that growth and value stocks may respond differently to varying market conditions.<sup>2</sup>

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

The return and principal value of stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares.

*Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

<sup>1</sup> CNBC.com, March 2, 2015

<sup>2</sup> Thomson Reuters, 2016, for the period 9/30/1996 to 9/30/2016. Growth stocks are represented by the Russell 3000 Growth Index. Value stocks are represented by the Russell 3000 Value Index. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is not a guarantee of future results.



## Key Retirement and Tax Numbers for 2017

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2017.

### Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$18,000 in compensation in 2017 (the same as in 2016); employees age 50 and older can defer up to an additional \$6,000 in 2017 (the same as in 2016).
- Employees participating in a SIMPLE retirement plan can defer up to \$12,500 in 2017 (the same as in 2016), and employees age 50 and older will be able to defer up to an additional \$3,000 in 2017 (the same as in 2016).

### IRAs

The limit on annual contributions to an IRA remains unchanged at \$5,500 in 2017, with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2016	2017
<b>Single/head of household (HOH)</b>	\$61,000 - \$71,000	\$62,000 - \$72,000
<b>Married filing jointly (MFJ)</b>	\$98,000 - \$118,000	\$99,000 - \$119,000
<b>Married filing separately (MFS)</b>	\$0 - \$10,000	\$0 - \$10,000

**Note:** The 2017 phaseout range is \$186,000 - \$196,000 (up from \$184,000 - \$194,000 in 2016) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals making contributions to a Roth IRA are:

	2016	2017
<b>Single/HOH</b>	\$117,000 - \$132,000	\$118,000 - \$133,000
<b>MFJ</b>	\$184,000 - \$194,000	\$186,000 - \$196,000
<b>MFS</b>	\$0 - \$10,000	\$0 - \$10,000

### Estate and gift tax

- The annual gift tax exclusion remains at \$14,000.
- The gift and estate tax basic exclusion amount for 2017 is \$5,490,000, up from \$5,450,000 in 2016.

### Personal exemption

The personal exemption amount remains at \$4,050. For 2017, personal exemptions begin to phase out once AGI exceeds \$261,500 (single), \$287,650 (HOH), \$313,800 (MFJ), or \$156,900 (MFS).

**Note:** These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2016 threshold amounts were \$259,400 (single), \$285,350 (HOH), \$311,300 (MFJ), and \$155,650 (MFS).

### Standard deduction

These amounts have been adjusted as follows:

	2016	2017
<b>Single</b>	\$6,300	\$6,350
<b>HOH</b>	\$9,300	\$9,350
<b>MFJ</b>	\$12,600	\$12,700
<b>MFS</b>	\$6,300	\$6,350

**Note:** The 2016 and 2017 additional standard deduction amount (age 65 or older, or blind) is \$1,550 for single/HOH or \$1,250 for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

### Alternative minimum tax (AMT)

AMT amounts have been adjusted as follows:

	2016	2017
<b>Maximum AMT exemption amount</b>		
<b>Single/HOH</b>	\$53,900	\$54,300
<b>MFJ</b>	\$83,800	\$84,500
<b>MFS</b>	\$41,900	\$42,250
<b>Exemption phaseout threshold</b>		
<b>Single/HOH</b>	\$119,700	\$120,700
<b>MFJ</b>	\$159,700	\$160,900
<b>MFS</b>	\$79,850	\$80,450
<b>26% on AMTI* up to this amount, 28% on AMTI above this amount</b>		
<b>MFS</b>	\$93,150	\$93,900
<b>All others</b>	\$186,300	\$187,800

\*Alternative minimum taxable income

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This newsletter strives to provide factual and up-to-date information on the topics discussed, but it should not be regarded as a complete discussion of these issues. The reader is advised to engage the services of a competent professional before taking action on any subject matter discussed.



### What do you need to know about chip-card technology?

When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card

technology grows, the answer to that question is less clear. The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

**How does it work?** Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

**Why does it take longer to check out?** The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an

identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

**Why aren't some terminals working yet?** You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

**How much longer will I have to carry a physical card?** The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.



### How can technology help me manage my money?

It may seem that there's an app or software program for every purpose, and that includes managing your money. Here are some examples where technology may be useful in helping you get a handle on your money.

**Creating a budget:** There are multiple apps available that enable you to input your monthly income and expenses to generate a budget that fits your needs. Plus, some programs are able to categorize and track transactions, which could help you see exactly how much you spend in certain areas on a month-to-month basis.

**Setting reminders:** Do you occasionally forget to pay a particular bill? Or are you looking for a regular reminder to keep an eye on your account balances? Look for an app that lets you schedule reminders that suit your needs, whether it's an alarm that goes off for monthly bills or a service that automates payments you might otherwise forget to make.

**Digitizing services:** You're probably aware of your bank's direct-deposit services, but did you know that you can send payments, request

refunds, and view transaction history using your bank's mobile app? You can also find apps that feature calculators designed to help you make investment decisions, as well as determine your net worth, calculate the time value of your money, and estimate your insurance needs, among other things.

**Shopping (and saving):** Some apps are designed specifically to help you save money in a variety of ways, from searching for the best local deals to calculating the cost of driving from point A to point B. If you'd like to dial back your spending, look for an app that can help you cut costs. For example, apps can compare the cost of groceries at one store against another, or help you find the lowest gas prices in your area. That way, you can put the extra money you have from being a savvy shopper toward a long-term goal, such as retirement.

With some exploration, you may find additional money-related apps. But bear in mind that even though many apps and services promise security, technology isn't always reliable, and you could fall victim to hackers. Think carefully before you provide information pertaining to your bank account and income/spending history.

