

ASK AN EXPERT 2017

MONEY QUESTIONS ABOUT EVEN AS ECONOMY RISES

Managing money is rarely as simple as reaching for the sky, which is why Certified Financial Planners make themselves available to answer questions ranging from settling credit card debt to planning for retirement — and much more.

Q: I have \$21,000 on a credit card with 17.49 percent interest rate. My credit score is over 780. How can I lower my rate? — **A.L., Kissimmee**

A: Since your credit score is over 780, consider calling your credit card company and ask them to lower your rate. If this option doesn't work, then check with BankRate.com to review any balance transfer offers without transfer fees and/or lower rate than your current one. — **Helen Von Dolteren Fournier**

Q: A year or two ago I had my identity stolen and we went through a long process in which we ultimately put a lock on our credit. I recently received an offer from Equifax for credit monitoring free of charge for one year. In order to do that we will have to unlock our credit. Should we do it? — **J.O., Oviedo**

A: Based on the fact that you are currently comfortable with the lock you have on your credit, the fact that you have no current need for additional credit cards, and are not seeking a new mortgage, I would not suggest accepting this offer. — **John Cash III**

Q: I have an HSA balance with a previous employer. Can I combine that HSA balance with the HSA I have with my current employer? — **R.U., Orlando**

A: You should be able to combine the accounts. You'll need to contact the current HSA custodian and let them know you want to rollover your other HSA. As long as the money transfers directly from custodian to custodian, there are no tax consequences. — **Derrick Chandler**

Q: I am a military widow and I receive TriCare and a retirement pension from my husband for the rest of my life. If I remarry, will I lose those benefits? — **S.J., Orlando**

A: A lot of information about military benefits is available at www.vba.va.gov/survivors — which says that pensions are only paid to unmarried spouses. The website also has a place to submit questions and receive answers. — **Rhonda Shurtleff**

Q: My granddaughter is 21 years old, in the military and recently bought a new vehicle with a 15 percent interest rate. She is being deployed so her expenses will go down and she will have extra money to pay down this loan. I have advised her to save a small amount in the bank for emergencies and use any extra money to pay down this loan since she can't get as much on a CD at the bank. Is this the right thing for her to do? — **D.M., Orlando**

A: Paying down this loan will certainly save her more in interest than she would get from a CD. It is good, as you suggested, for her to have some amount set aside for unexpected expenses when they arise, but this does sound like it would be a good opportunity to pay down this loan. She should also make sure that the bank immediately applies extra payments to the principal as opposed to pre-paid payments. — **Ryan Henderson**

Q: How often should I rebalance my investment account: annually or semiannually? — **name withheld**

A: Calendar-based rebalancing is better than doing nothing, but instead I prefer you rebalance by percentage. For example whenever the percentage of an investment drifts beyond a preset parameter, you would then rebalance. — **Eric Lasso**

Q: What should I look for when buying tax-free municipal bonds to provide me with a level of assurance about the safety of the bonds? — **P.B., Maitland**

A: Municipal bonds are rated by industry agencies. Bonds rated AA or better will provide a generally safe investment. Certain sectors of bonds are safer than others. General revenue bonds are paid from a municipality's general-revenue fund. Those are generally safer than a special-purpose bond, such as one used to build a hospital. In this interest-rate environment, you should consider keeping the maturity date to 10 years or less to lower your interest-rate risk. Non-callable bonds are generally a better investment than callable bonds because you can count on receiving the current yield rather than having to reinvest at a lower rate if interest rates drop and the bond is called. — **Paula Taylor**

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ASK AN EXPERT

Real estate

Q: Can I buy my son a home and then have him pay me back over time? — **G.I., Lake Mary**

A: If you plan on having your son pay you back, make sure you provide documentation to show the amount paid for the home is a loan and not a gift. You will need to document the transaction with an appropriate loan agreement, amortization schedule, and interest rate. The interest rate you choose must be an appropriate amount for an intra-family loan. If you use a below-market interest rate, you may be required to calculate the imputed interest and pay additional income tax. — **Colby Winslow**

Q: I'm looking to buy a house in the next 12 to 18 months. What's the best way to build my credit score? — **R.M., Orlando**

A: I would suggest making sure you have a few secured and unsecured revolving accounts and credit cards that you pay off each month, or keep a very low balance on. Don't be late on any bills. Also be very mindful that you are checking your credit report regularly to ensure you aren't the victim of credit fraud. — **Marisa Bradbury**

Taxes

Q: I am unable to file my 2016 tax return by the Oct. 16 extension deadline because my tax records were lost during Hurricane Irma. Will I be penalized for late filing of my return? — **N.R., Orlando**

A: Because you have an extension deadline in October for filing your return, you qualify for the Internal Revenue Service's extended income tax return filing deadline until Jan. 31, 2018 for those taxpayers living in a federally declared disaster area for Hurricane Irma. Florida is a part of this declared disaster area. — **Sylvia (Chris) Presley**

Q: I had to pay extra to the IRS and just received a letter stating that they accepted my payment. But there were two vouchers attached, to ask additional questions or to make an extra payment. Do I need to return these vouchers? — **J.S., Leesburg**

A: If your payment was accepted, it is not necessary to return the vouchers. — **Nancy Hecht**

Estate planning

Q: Does my will direct my IRA account? — **B.S., Orlando**

A: No. Retirement accounts, along with life insurance and annuities, pass by operation of law and not under your will. It is important to be sure your beneficiaries are in alignment with your estate desires and planning. — **Chris Toadvine**

Q: What are the tax consequences of investments of our revocable-trust account vs. my IRA? — **G.A., Maitland**

A: Your trust account is after-tax so you must pay taxes on income (dividends, interest and capital gains) and when you sell something for a gain (long-term or short-term, based on your holding period). Your IRA is only taxed when you withdraw, which you are not required to do until age 70½ as part of your required minimum distribution. — **John West**

Retirement distribution

Q: I am recently retired with sizable mutual fund assets: 85 percent conventional IRA or 401(k), and 15 percent Roth. I have part-time consulting income of about \$30,000 for a couple more years. I'm 59½ with no debt. How many months of expenses should be held in cash during retirement to wait out a market downturn? — **R.S., Orlando**

A: Hold on to two years' worth, since the average bear market, going by the S&P 500 stock index, has an average duration of 18 months. In the context of your question, this amount would be in addition to a three- to six-month emergency reserve. — **John Pinkley**

Q: My first required minimum distribution is in December when I turn 70½. I don't need the income, so I would like to make it not taxable. Is that possible? — **J.W., Clermont**

A: The distribution will be taxable unless you decide to donate it to a charitable organization. Doing this is called a qualified charitable distribution, which will go directly to the charity. The distribution must occur after you have turned 70. — **Mike Salmon**

Retirement savings

Q: I received 50 percent of my ex-husband's 401(k) through divorce. It was worth \$55,000 when I received it, fell to \$35,000 in 2009 and is now worth \$65,000. It is currently in a managed account primarily in mutual funds. I am very concerned about market risk going forward. Can I move this money into a money market and not have to pay the management fee? — **J.N., Sanford**

A: Yes, you can, however it will have to be transferred to an IRA through a traditional brokerage account, bank or mutual-fund company. While you will avoid market risk, your earnings will be minimal and will not keep pace with inflation. There are other options to protect your account from substantial market loss that might be more attractive, including using trailing-stop-loss sell orders on your securities (such as stocks and ETFs) or using annuities with living benefits. Please consult with a Certified Financial Planner to explore your options and implement a strategy that works best for your particular situation. — **Jay Stokes**

Q: I am currently working part-time and I have to withdraw from my savings to pay for my living expenses. Should I take my pension now at 60 or wait until 65? — **J.D., Oviedo**

A: You should wait as long as you can, especially if you have longevity in your family. The longer you wait, the more income you will receive over time. Also remember to check to see how much you will receive in Social Security by going to www.ssa.gov. Based on your situation, though, you might need to start earlier. — **Gregory Collier**

Life insurance

Q: What are my options with regard to cashing out my universal life policy? I don't want to pay taxes and I want to keep my insurance for my wife. — **H.B., Orlando**

A: Your current options are to do a 1035 exchange to an annuity or cash out the policy to invest in another vehicle. Speak to the insurer to get their list of options for specifics and a tax professional to get tax advice on surrender options, as cashing out the policy might be a valid option if the tax is not too high. — **Christopher Dale**

Q: Both my husband and I are 70 years old. He has Alzheimer's, is diabetic and confined to a wheelchair. The cost of his care greatly exceeds our monthly income. I have financed the difference using credit cards. He has two cash-value life insurance policies that I am considering cashing out of at this time. Would you recommend I do this? — **T.T., Altamonte Springs**

A: Prior to surrendering the life insurance policies for their current surrender cash value, you should investigate whether your policies are eligible for a life settlement. A life settlement is a sale of the life insurance policy, which may result in you receiving more money than the stated cash surrender value of the policy from the insurance company. — **Larry Breen**

Etc.

Q: With the recent large security breach at Equifax, I am wondering if I should freeze my credit with the various reporting agencies? — **name withheld**

A: I agree that you should freeze your credit. There are four agencies to contact. Please be aware there will be nominal transaction fees every time you lock or unlock your credit. Be sure to allow a few days when you need to unlock your credit, too. The four agencies are:
■ Equifax, 800-349-9960.
■ Experian, 888-397-3742.
■ Transunion, 888-909-8872.
■ Innovis, 800-540-2505.
 — **Charlie Fitzgerald**

Q: How do you really know about hiring a financial planner as a fee-only professional who has your best interests in mind? — **J.P., Lake Mary**

A: After perusing all the websites, talking with your friends and family, and completing your professional due diligence, it makes sense to have face-to-face interviews to see if this relationship, which will become very personal in the future, feels right for you. Can you both be candid? Do you feel heard? Etc. — **Dennis Nolte**

MEET THE PLANNERS



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HAVE MORE QUESTIONS?

E-mail askanexpert@fpafila.com. Include your name (only your initials will be printed), hometown and phone. Questions are answered by Certified Financial Planners from Financial Planning Association of Central Florida. Answers are for educational purposes only; you should also consult a financial professional. Questions and answers may be edited for space considerations.

New Businesses

Lake

Astor Feed, feed/tack, 24305 Fox Road, Astor, 32102

Home Design Furniture of Florida, designer, 13891 N. U.S. Highway 441, Lady Lake, 32159

Fun in Sun LLC, auto sales, 13940 N. U.S. Highway 441, Lady Lake, 32159

Florida Help Alert, security, 1415 Lester Drive, Lady Lake, 32159

Sentinel Crisis Solutions Inc., financial, 1714 Griffin Ave., Lady Lake, 32159

Concetta's Cleaning Company LLC, cleaning, 259 W. McClendon St., Lady Lake, 32159

Central Florida Entertainment Consultant, entertainment, 8124 County Road 109B, Lady Lake, 32159

Trent Advisors, financial, 47520 Poinsettia Road, Altoona, 32702

W&W Home Solutions LLC, home improvement, 2502 Valley Forge Court, Eustis, 32726

Puro Mex Products Inc., supplier, 2610 Autumn Lane, Eustis, 32726

Austin the Plumber LLC, plumbing, 2720 Grand Island Shores Road, Eustis, 32726

La Chiapaneca Restaurant, restaurant, 2750 David Walker Drive, Apt. 4243, Eustis, 32726

Needful Things Florida LLC, gifts, 2807 Windham Drive, Eustis, 32726

Eustis Family Medical Center LLC, medical center, 40 S. Dewey St., Eustis, 32726

RSJ Haul LLC, hauling, 863 Marietta Lane, Eustis, 32726

Union First Benefits, credit services, P.O. Box 1886, Eustis, 32727

New Start FI LLC, real estate, 13550 Grand Island Shores Road, Grand Island, 32735

Morley Properties LLC, real estate, 3211 Spicer Ave., Grand Island, 32735

Pools of Treasure Inc., pools contractor, 36841 Whispering Wind St., Grand Island, 32735

Luther & Gurney Trading LLC, trading, 24016 Weldon Drive, Eustis, 32736

North Texas Window Cleaning, window cleaning, 35431 Marshall Road, Eustis, 32736

D&B Empire Cleaning Services, cleaning, 1150 Simpson Lane, Mount Dora, 32757

Across the Pond Film Studios LLC, producer, 1325 Bay Road, Suite 44, Mount Dora, 32757

Mount Dora Transit, transportation, 408 Lake Dora Road, Mount Dora, 32757

M&O Food Service LLC, restaurant, 602 Pine Ave., Mount Dora, 32757

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