

# FINANCIALink

Your Money Management Newsletter

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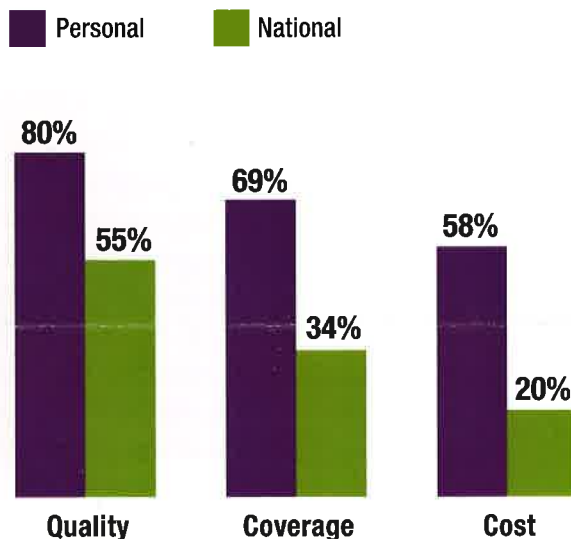


**Gregory Taranto, CPA**

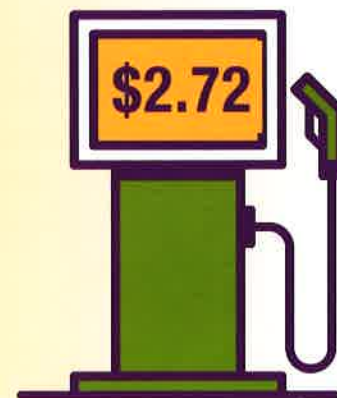
## Health Care: Personal vs. National

Americans are much more satisfied with their own health care than with health care on a national level.

Percentage who rated health-care quality and coverage as excellent or good, or expressed general satisfaction with health-care costs



Source: Gallup, 2018



National average price for a gallon of regular gasoline in 2018. This was about 30 cents higher than in 2017 and the highest annual average since 2014.

Source: U.S. Energy Information Administration, 2019

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*Practical insights for your* **FINANCIAL GOALS**

# A Steady Strategy in Turbulent Times

After an unusually calm year in 2017, the stock market turned unusually volatile in 2018. How volatile was it? Consider this: In 2017, the S&P 500 had only eight days when the index closed with a rise or fall of 1% or more from the previous day's closing price. In 2018, there were 64 such days, including 14 days with a change of more than 2%, four days with more than 3%, and two days with more than 4%.<sup>1</sup>

Unfortunately for investors, the overall market trend was downward in 2018, but the most volatile trading days included big gains as well as big losses. So an investor who sold securities after a big drop could have ended up locking in losses and missing the next big upswing. On the other hand, an investor who bought securities after a big upswing might have watched in dismay as values plunged a few days later.



## Month by Month

If Marisa had \$3,000 to invest in a security with a \$30 share price in month 1, she could purchase 100 shares. If instead she invested \$500 each month over a six-month period, she might be able to accumulate more shares for the same dollar investment, which could result in a lower average cost per share.

Month	Amount invested	Share price	Shares acquired
1	\$500	\$30	16.67
2	\$500	\$35	14.29
3	\$500	\$25	20.00
4	\$500	\$20	25.00
5	\$500	\$30	16.67
6	\$500	\$35	14.29
<b>TOTAL</b>	<b>\$3,000</b>	<b>\$175 ÷ 6</b>	<b>106.92</b>

**Average price per share: \$29.17 (\$175 ÷ 6)**

**Average cost per share: \$28.06 (\$3,000 ÷ 106.92)**

This hypothetical example is used for illustrative purposes only and does not represent the performance of any specific investment. Actual results will vary.

The maxim that it's impossible to time the market is true under all market conditions, but it can be especially damaging — and nerve-racking — to try to anticipate market movements during a period of dramatic ups and downs. One approach that might help steady your blood pressure and build your portfolio over time is dollar-cost averaging.

## Regular Investments

Dollar-cost averaging involves investing a fixed amount on a regular basis, regardless of share prices and market conditions. Theoretically, when the share price falls, you would purchase more shares for the same fixed investment. This may provide a greater opportunity to benefit when share prices rise and could result in a lower average cost per share over time.

If you are investing in a workplace retirement plan through regular payroll deductions, you are already practicing dollar-cost averaging. If you want to follow this strategy outside of the workplace, you may be able to set up automatic contributions to an IRA or other investment account. Or you could make manual investments on a regular basis, perhaps choosing a specific day of the month.

You might also use a similar approach when shifting funds among investments. For example, let's say you want to shift a certain percentage of your stock investments to more conservative fixed-income investments as you approach retirement. You could execute this in a series of regular transactions over a period of months or years, regardless of market movements.

Dollar-cost averaging does not ensure a profit or prevent a loss, and it involves continuous investments in securities regardless of fluctuating prices. You should consider your financial ability to continue making purchases during periods of low and high price levels. However, dollar-cost averaging can be an effective way to accumulate shares to help meet long-term goals.

*Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. When sold, they may be worth more or less than their original cost.*

1) Yahoo! Finance, 2019, S&P 500 index for the period 12/31/2016 to 12/31/2018. The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

# College Savings: Roth or 529 Plan?

Roth IRAs were primarily intended as a tax-advantaged way to save for retirement, but for some parents (and students with earned income), a Roth IRA can double as a college savings tool. On the other hand, state-based 529 savings plans were designed specifically to help families set aside money for future education costs.

Roth IRAs and 529 plans are both funded with after-tax dollars, contributions accumulate tax deferred, and qualified distributions are tax-free. Still, there are a number of key distinctions to keep in mind.

## Eligibility and Contribution Limits

In 2019, the maximum IRA contribution for someone under age 50 is \$6,000 (\$7,000 for those 50 and older). Roth IRA eligibility limits phase out for single filers with incomes between \$122,000 and \$137,000 (\$193,000 to \$203,000 for joint filers).

Anyone can contribute to a 529 plan; there are no restrictions based on income. And lifetime contribution limits are high, typically \$300,000 and up (gift tax rules may apply). Each plan has its own rules and restrictions, which can change at any time.

## Use of Funds

In order for a 529 plan distribution to be tax-free, the funds must be used for qualified higher-education expenses or K-12 tuition.\* Otherwise, the earnings portion of the distribution is subject to income tax and a 10% federal tax penalty.

A *qualified* Roth distribution can be used for anything — retirement, college, travel, home remodeling, and so on. If college costs are less than expected, you can put those Roth dollars toward something else.

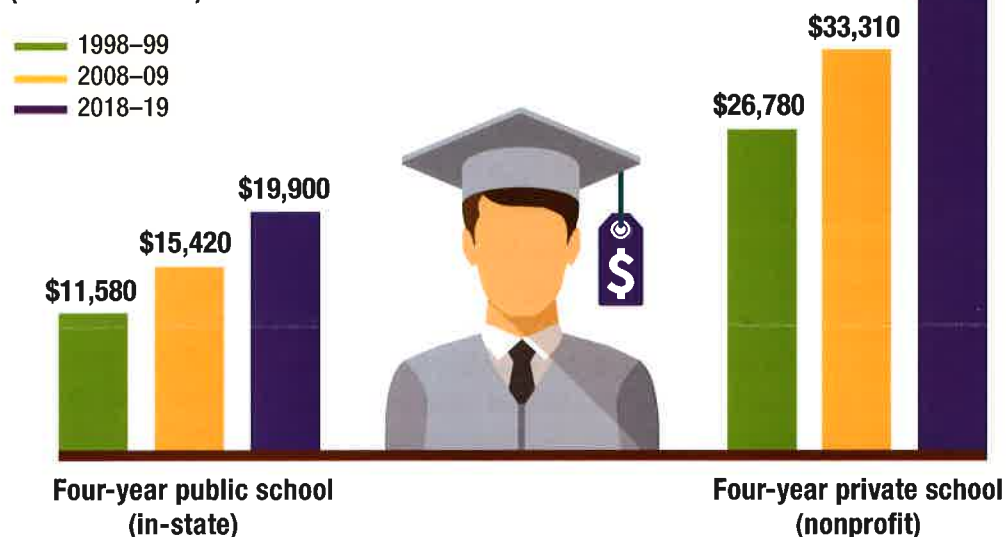
## Roth Distributions: Qualified or Not

If you will be 59½ or older when your child is in college and you've

## Higher Costs for Higher Education

The cost of college has increased dramatically over the last 20 years, even when adjusted for inflation.

### Average published costs for tuition, fees, room, and board (in 2018 dollars)



Source: College Board, 2018

met the five-year Roth holding requirement, your distribution will be qualified, and you can use your Roth dollars to pay for college (or anything else) with no tax implications or penalties.

If you'll be younger than 59½ when your child is in college, you can still use Roth dollars, but your distribution will not be qualified. This means the *earnings* portion of your distribution will be subject to income tax. However, you could withdraw up to the amount of your *contributions* tax-free. The 10% early-withdrawal penalty that normally applies to distributions before age 59½ is waived if Roth dollars are used to pay for college.

## Financial Aid Treatment

Retirement assets aren't counted by federal or college financial aid formulas, so Roth IRA account balances will not affect your student's financial aid. By contrast, parent-owned 529 plans do count as an asset under both federal and college aid formulas.

## Investment Choices

With a Roth IRA, your investment choices are virtually unlimited. With a 529 plan, you are limited to the investment options offered by the plan; you can change the investment options for your existing contributions only twice per calendar year.

*Investors should carefully consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. Specific information is available in each plan's official statement and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company.*

*Keep in mind that 529 plan investments may not perform well enough to cover education costs as anticipated. Also consider whether your state offers its own 529 plan, which could provide advantages and benefits exclusively for its residents and taxpayers. These benefits may include financial aid, scholarship funds, and protection from creditors.*

\*Limited to \$10,000 annually for K-12 tuition.



# Travel Plans? Check Your Passport Expiration Date

If you're planning a trip to a foreign country, you're probably aware that you need a valid passport, but you may not know that it needs at least six months of validity beyond the dates of your trip. Many countries will not let you enter without a minimum period of time before your passport expires, and airlines that fly to these countries may not allow you to board.

Rules vary, and some countries are more flexible than others, but here are a few guidelines that may be helpful.

- Mexico and Canada require passport validity only at the time you enter, but it would be wise to have at least three months of validity remaining.
- The 26 European countries of the Schengen Borders Agreement require 90 days validity from the date of departure. However, border officials often assume that you will stay in the Schengen area for the full 90 days allowed without a visa, so you should have at least six months passport validity from the time you enter.
- The United Kingdom and Ireland require validity only for the duration of your stay.
- Approximately 50 countries in Eastern Europe, Asia, Africa, South America, and Central America require six months validity from the time you enter the country.

You can check the rules for a specific country on the State Department website at [travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages.html](https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages.html).

## How Long Does It Take to Get a Passport?

You can renew your passport by mail, but you must appear in person at an official acceptance facility or passport agency in order to obtain a new passport. Here are basic fees and processing times.

**Standard processing** — four to six weeks (\$110 application fee, plus \$35 execution fee for a new adult passport; \$110 renewal application fee).

**Expedited processing** — two to three weeks by mail or through a passport acceptance facility, eight business days at a U.S. passport agency (regular fees plus \$60 expedited service fee).

Faster processing may be available at a passport agency (located in many major cities) if you have immediate international travel plans, particularly if a serious illness, injury, or death in your immediate family requires you to travel outside the United States within 72 hours.

Private expeditor/courier companies may help expedite your passport application for a substantial fee. Although these companies may facilitate the process, you will not receive your passport more quickly than you would if you applied in person at a passport agency.

For more information on obtaining or renewing a U.S. passport, visit [travel.state.gov/content/travel/en/passports.html](https://travel.state.gov/content/travel/en/passports.html).



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*Are you making regular contributions to your retirement accounts? Would you like to set up a contribution schedule? Call for an appointment today.*

*Working toward a better financial future,*