

From the desk of ... Jon Marzano, Managing Principal

The first quarter of 2017 has certainly been one for the record books. The momentum that came from the election of President Trump, back in November of last year, set the stage for one of the biggest starts to a year that the equity market has seen. Remember January 2016? That month went down in the record books too. January 2016 was the worst start to a year that equity markets have ever seen. It's amazing how different outcomes can be.

At Marzano Capital Group, we try and look at the big picture and not the day to day, month to month, or even year to year swings. We ask our clients to focus on fundamentals. Right now, the fundamentals of the US economy look pretty good. Now is the time to review your situation, make sure you haven't seen your portfolio grow out of balance and it's always a good time to assess your risk tolerance.

Remember, volatility brings opportunity. You just need to have a plan to harness it.

Jon



“The first quarter of 2017 has certainly been one for the record books.”

*- Jon Marzano
Managing Principal
Marzano Capital Group*

In This Issue

Will Social Security Retire Before You Do?

Retirement Planning for Small Businesses

Community Calendar

Will Social Security Retire Before You Do?

By Michael McGilvary

Financial Advisor – Marzano Capital Group

People have traditionally seen Social Security benefits as the foundation of their retirement planning programs. The Social Security contributions deducted from workers' paychecks have, in effect, served as a government-enforced retirement savings plan.

However, the Social Security system is under increasing strain. Better health care and longer life spans have resulted in an increasing number of people drawing Social Security benefits. As the baby boom generation (those born between 1946 and 1964) has begun to retire, even greater demands are being placed on the system.

In 1950, there were 16.5 active workers to support each person receiving Social Security benefits. In 2016, there were only 2.8 workers supporting each Social Security beneficiary. And it is projected that there will be only 2.1 active workers to support each Social Security beneficiary by 2040.¹

Although Social Security payments are typically adjusted for inflation, your own income and expenses may rise at a faster pace. And you might have to wait longer than you anticipated to qualify for full benefits.

It used to be that full benefits were available after you reached age 65. But since 2003, the age to qualify for full benefits has been increasing on a graduated scale based on year of birth. By 2027, the age to qualify for full Social Security benefits will have increased to age 67, where it is currently scheduled to remain.

That means you may have to wait *longer* to qualify for full Social Security benefits to start replacing a *smaller* percentage of your pre-retirement income.

When calculating the income you will have in retirement, you might recognize that Social Security benefits may play a more limited role. Some financial professionals suggest ignoring Social Security altogether when developing a retirement income plan.

Q1 2017 NEWS



Retirement Planning for Small Businesses

By Steven Gallo

Wealth Manager – Marzano Capital Group

For most, gone are the days of company-paid pension plans, as most organizations have transitioned to retirement plans in which the employer, employee or both make contributions on a regular basis. But what if you are a small business owner with very few or no employees? Do you have to incur the expense it takes to implement and maintain a 401(k) plan? What if you want or need to contribute more than the annual Traditional IRA limits to meet your retirement goals? Small business owners can offer and take advantage of retirement plans with significantly higher contribution limits and tax benefits. Here, I'll focus on four options available to small business owners and their employees.

- **SEP IRA:** A Simplified Employee Pension Individual Retirement Arrangement (SEP IRA) allows a business owner to contribute a portion of the company profits to each employee (and themselves, of course). These contributions are based on a percentage of each employee's earned income. The maximum contribution for 2017 is \$54,000 and all contributions grow tax-deferred until they are withdrawn at retirement. All plan contributions can be taken as a tax deduction to the business, thereby lowering taxable income.
- **SIMPLE IRA:** A Savings Incentive Match Plan for Employees (SIMPLE) IRA gives each employee the option to defer a portion of their own salary before tax (up to \$12,500 in 2017) into a savings vehicle. Participants over the age of 50 can contribute an additional \$3,000 per year. The company owner is then required to match up to 3 percent of the employee's compensation. As with a SEP IRA, the employee contribution is tax-deductible. While the contribution limits are not as high as the SEP, the SIMPLE IRA is a great solution for companies with employees that want to save a portion of their own income for retirement.
- **Individual 401(k):** The Individual 401(k) is designed to help sole proprietors (and their spouses) save more for retirement. Contributions are based on a percentage of income and in 2017, each participant can save up to \$54,000 in the plan (those over the age of 50 can contribute an additional \$6,000 in 2017). These contributions grow tax-deferred until they are withdrawn for retirement, and a portion of the contributions can be used as a tax deduction for the business. The Individual 401(k) is appropriate for a sole proprietor with no plans to add additional employees. The biggest advantage of the Individual 401(k) over the SEP is that it allows the business owner to reach the maximum contribution level (\$54,000) at a lower level of income.
- **Defined Benefit Plan:** Defined Benefit (DB) plans offer business owners the opportunity to save significantly more than they could if using a SEP, SIMPLE or 401k. With a DB plan, the contributions are based on a projected retirement "benefit." In other words, a business owner decides how much income they want at retirement (up to the 2017 benefit maximum of \$215,000) and an actuary determines how much is needed to contribute to the plan each year. The DB plan is a great savings tool for a sole proprietor or a business owner with a small number of "rank and file" employees. DB plans can be more costly to implement and administer than other retirement plans and the plan sponsor needs to engage an actuarial firm to create the plan document and calculate the contribution amounts. It is also worth contacting an investment advisor to assist with the management of the portfolio.

As small business owners ourselves, we understand that we all want our businesses to be successful and carry on after we retire, while continuing to be a source of income. However, with proper planning the success of your business does not have to be your only source of funds. To discuss your options, please feel free to contact us at 336.766.0464, or email us at amcgilvary@marzanocapitalgroup.com.

Contact Us

Please contact us for more information about our products and services

Marzano Capital Group

2625 Neudorf Road, Suite 400
Clemmons, NC 27012
Phone: (336) 766-0464
amcgilvary@marzanocapitalgroup.com

Visit us on the web:
www.marzanocapitalgroup.com

Community Calendar

- March 30-April 9: RiverRun International Film Festival, Downtown Winston Salem
- April 21: Family Fun Night, Southwest Athletics, Clemmons
- April 28: Starlight Movie Night – "Finding Dory," Shallowford Square, Lewisville
- April 29: Movie Night in the Village – "Disney's Moana," Jerry Long Family YMCA, Clemmons
- May 6: 8th Annual Clemmons Community Day, Jerry Long Family YMCA, Clemmons
- May 27: North Carolina Wine Festival, Tanglewood Park, Clemmons
- June 3: Village of Clemmons Ice Cream Festival, Clemmons Elementary, Clemmons
- June 24: Lewisville's Street Party and Food Truck Festival, Shallowford Square, Lewisville