Footsteps
News To Help You Along Your Pathway of Life
Fall 2016

Pathway Financial Services, Inc.
PO Box 381228
1916 Exeter Road
Germantown, TN
38183-1228
(901) 756-5667
www.pathwayoflife.com

Cheryl R. Kelley, CFP®
President
crkelley@pathwayoflife.com

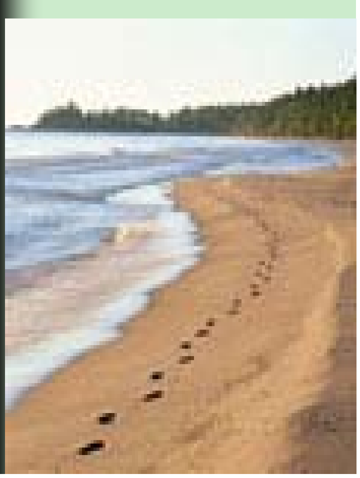
Matthew W. Bailey, CFP®
Vice President
mbailey@pathwayoflife.com

Charles R. Kelley, ChFC
Consultant
charles@pathwayoflife.com

Renea Jayne
Client Services Administrator
rjayne@pathwayoflife.com

Gena Poole
Employee Benefits Administrator
gpoole@pathwayoflife.com

In this issue:



The SILVER LINING (Continued from 2015)

Looking back to the summer of 2015 when we asked, "IS THERE A SILVER LINING?" At the time, there was low inflation, consumer finances appeared to be healthy and there was a pent-up demand for housing. Allen Sinai, CEO of Decision Economics was quoted as saying, "There is a high probability that we will exceed the 10-year expansion of the 1990s." He also forecasts in the same article that unemployment could drop below 5% and the stock market could reach new highs.

Currently, we still have low inflation, consumer finances are improving, un-employment is less than 5%, home ownership demand continues to escalate, and we remain in a slow but steady economic expansion. The stock market has pushed through to new highs and the bond market has continued to produce steady income and growth.

Where are all of the naysayers and doomsday prophets now that predicted the worst economic period in history was to occur in the fall of 2015? Are their investments in non-producing money market accounts or other non-yielding instruments languishing as stocks push through to new highs and they ponder their investment future?

The National Bureau of Economic Research's Business Cycle Dating committee that determines when recessions begin and end stated in 2015 that the current slow growth expansion could last another three years. So far they have been correct. "The curse of the economic cycle to date, which has been its sluggishness, is now turning into a blessing, resulting in greater longevity," says Carl Riccadonna, Chief U.S. Economist for Bloomberg Intelligence, as stated in 2015.

The Future Is UNDER CONSTRUCTION as we peer into the crystal ball. First, history shows us that the urbanization of America and Europe transformed them into global economic powers and the same urbanization is developing in emerging countries at an unprecedented speed and scale. Migration to cities increases the incomes of individuals and the wealth of nations creating a new wave of middle-class consumers. The McKinsey Global Institute report, "Urban World", states that urban consumers are likely to inject about $20 trillion a year into the economy by 2025 and, by 2030 an estimated $57 trillion needs to be spent on infrastructure to keep pace with economic growth.

Markets will go up and down as the future unfolds. Remember our advice in the summer 2015 newsletter, "being able to remain calm and not overreact is one of the most valuable skills you can have as an investor in these turbulent times." The presidential election presents opportunities, deep concerns, and division as we prepare to vote in November. We urge you to study the platforms of each party's candidate, make your choice, and VOTE.

Today, we remain vigilant as your financial advisor and are available to review your portfolio and update your current situation and needs.

Charles Cheryl Matt

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

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.

In its survey, Pricewaterhouse-Coopers 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," Pricewaterhouse

Pathway Financial Services

What is an ABLE account?

ABLE (Achieving a Better Life Experience) accounts are tax-advantaged savings accounts for individuals with disabilities that are generally used to cover qualified disability expenses. States can create qualified ABLE programs for persons who become disabled prior to age 26. A disabled person (or the disabled individual's parent or guardian, or an agent with a power of attorney) can create an ABLE account under any state's ABLE program. Generally, only one ABLE account is permitted per disabled person at a time. ABLE accounts are relatively new, so you will need to check which states currently have ABLE programs.

Contributions to the ABLE account are subject to an annual and a cumulative limit. The annual limit for total contributions by all contributors combined is equal to the federal annual gift tax exclusion amount ($14,000 in 2016). The cumulative limit applies to the extent that a contribution would cause the account balance to exceed the state's maximum aggregate limit for all Section 529 qualified tuition program accounts for the beneficiary. (Fees and expenses may be associated with investment options offered. All investing involves risk, including the possible loss of principal, and results are not guaranteed.)

Distributions from an ABLE account can be made only to the designated beneficiary. The ABLE account and distributions for qualified disability expenses of the designated beneficiary are generally not subject to federal income tax.

Generally, the ABLE account is disregarded for purposes of determining eligibility for, and the amount of, any assistance or benefit provided under certain means-tested federal programs. However, for purposes of the Supplemental Security Income program, any distributions from the ABLE account for certain housing expenses are not disregarded, and the account balance is considered a resource of the designated beneficiary to the extent the balance exceeds $100,000.

Upon the death of the beneficiary, any state can file a claim for the total medical assistance paid for the beneficiary under that state's Medicaid plan (as reduced by any premiums paid under a Medicaid buy-in program) after the establishment of the ABLE account.

Is an ABLE account subject to federal tax?

Assets in an ABLE account for a disabled person are generally not subject to federal income tax. And ABLE account distributions for qualified disability expenses of the designated beneficiary are also free of federal income tax. However, the earnings portion of distributions from an ABLE account in excess of qualified disability expenses is generally included in the gross income of the designated beneficiary (and subject to an additional 10% tax unless the distribution is made on or after the death of the designated beneficiary).

During his or her lifetime, the designated beneficiary can change the designated beneficiary of the ABLE account without federal tax consequences, provided that the new beneficiary is his or her sibling who was also disabled before age 26. The designated beneficiary can also roll over a distribution to another (or the same) ABLE account of the designated beneficiary or an eligible brother or sister without tax consequences if the rollover is completed within 60 days. If rolled over to a new account of the same beneficiary, the old account must close. Only one rollover is permitted to any ABLE account of the same designated beneficiary within a 12-month period. An ABLE program may also allow direct program-to-program transfers as a way to change state programs or the designated beneficiary.

If the beneficiary ceases to be disabled, the ABLE account continues to be treated as qualified. However, no new contributions can be made to the account, and distributions from the account are not treated as qualified for tax purposes. If the disability resumes, contributions can start back up (subject to the limits on contributions), and distributions can once again be treated as qualified.

Upon the death of the beneficiary, the ABLE account balance is included in his or her gross estate for federal estate tax purposes. Amounts paid from the account for outstanding qualified disability expenses, and to a state for claims under its Medicaid program, may be deductible for federal estate tax purposes. ABLE accounts are relatively new, and you need to check which states currently have ABLE programs and for any special tax treatment that might apply under state law.

Pathway Financial Services, Inc.
PO Box 381228
1916 Exeter Road
Germantown, TN
38183-1228
(901) 756-5667
www.pathwayoflife.com

"Our mission is to help our clients realize their financial goals with compassion and integrity as they travel their pathway of life."