O'Brien WEALTH PARTNERS
ADVISORS | ANALYSTS | ADVOCATES

177 Huntington Avenue
Suite 2010
Boston, MA 02115

First, Last Name

1234 Main Street
Unit #4
Boston, MA 02130

INSIDE

5 QUESTIONS ABOUT REQUIRED MINIMUM DISTRIBUTIONS [PG 1]

THREE GENERATIONS TALK ABOUT MONEY [PG 2]

A NOTE FROM MARC O'BRIEN: MANAGING UNCERTAINTY [PG 3]

O'BRIEN WEALTH PARTNERS

IN THE NEWS...

Whitney Van Hise, Client Solutions Specialist, has begun her journey toward obtaining the CFP® certification by enrolling in the Boston University Financial Planning program. One of the most established and successful programs in the nation, the rigorous seven-course program includes modules on risk management, tax planning, retirement planning, investments and estate planning. We wish Whitney best of luck and happy studying!

Richard Davies, Associate Advisor, shone brightly as he commandeered the spotlight at the recent SpeakEasy Stage Company's fall fundraising event, the Traveling Roadshow Spectacular. Richard, a resident of the South End and a patron of the arts, is an active board member of the Company.

Lis Zimmerman and **Jill Fopiano** spoke about retirement planning and issues unique to professional women at an event hosted by The Commonwealth Institute, a Boston-based organization whose members include women entrepreneurs and senior executives of local companies. The mission of the organization is to help business leaders become and remain successful by supporting each other as they accomplish their individual goals. *We are happy to participate in these types of educational workshops; if you would like to host one for your colleagues or friends please let us know.*

Tim Pilczak, Associate Advisor, recently bucked his trend of vacationing in the turquoise waters of the Cayman Islands to spend a long weekend enjoying some winter activities at Mont Tremblant in Quebec. His agenda included skiing, dog sledding, and a day at the spa, which he very much needed after pulling that sled full of dogs all around the mountain. According to Tim, those Eskimo Dogs can be pretty demanding riders!

DID YOU KNOW?

39% *the number of Americans that report that money is the biggest stress in their life*

25% *the percentage of married or partnered adults upon whose relationships financial concerns have had an impact;* **33%** *have difficulty discussing money with their spouse or partner*

Adults are far more likely to have their car serviced **(82%)** *or take a vacation each year* **(69%)** *than review their finances* **(43%)**

1 in 4 *adults would rather pay for a personal trainer than a financial advisor*

CURRENTS
WINTER 2017

A NOTE FROM JILL

Despite the many real geopolitical risks and uncertainties we currently face, investor sentiment is currently more positive than it has been at any time over the past seven years. Higher stock prices, rising longer-term interest rates and the strengthening dollar since President Trump's election victory signal that the markets expect his policies to spur faster expansion. While this is likely to mean that cash that has been sitting on the sidelines will find its way into the market, it also points to the likelihood of higher volatility and the potential of short-term market pullbacks. These are the times when it is particularly important to keep your discipline—the one you committed to in calmer times—until things become more settled.

A term coined by John Maynard Keynes, "animal spirits" is used to describe human emotion that drives consumer confidence. According to Keynes, animal spirits can also generate human trust. The rapid shift in the financial markets since the U.S. elections serves as a powerful reminder that a shift in the story can make all the difference to the animal spirits, and the belief in a better future can create its own positive momentum—just as persistent pessimism can nip a recovery in the bud. Will the optimism survive the realities of the new year? Or will the shift to optimism create its own positive reality?

In times of financial crisis we have encouraged you to stay the course, and in times of financial exuberance we will do the same. Whether the animal spirits are spiraling upward or downward, we believe that a sound plan, a steady course, a smart strategy and high-quality, diverse investments will serve you best in meeting your goals. Thank you for putting your trust in us, we look forward to our continued relationship and we wish you and your families all the best in 2017.

Jill

Jill Fopiano, CFA, CFP®
President & CEO

DID YOU KNOW?

2.5 Million *the number of Baby Boomers who turned 70 in 2016*

10,000 *the number of Boomers retiring every day*

50% *the penalty imposed by the IRS for failing to withdraw an RMD by the deadline (one of the most onerous in the tax code)*

5 QUESTIONS ABOUT REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

By Lauren Higgins

1. What is an RMD and how is it calculated?

Beginning in the year you turn 70.5, the IRS requires account owners to take a minimum distribution from their eligible retirement accounts. The Required Minimum Distribution (RMD) amount is determined by two factors: the account balance at the previous year's end and your age. Each year your team at O'Brien calculates this amount and checks it against Schwab, TIAA and Fidelity's figures to ensure accuracy. We can provide you with your RMD amount(s) in early January and help to identify any eligible or excluded retirement accounts.

2. When do I need to take it?

For your first RMD, you have until April 1st following the year you turn 70.5. For subsequent years, the deadline is December 31st. Delaying your first RMD to April 1st may be appropriate for your situation. However, you will need to take your second RMD by December 31st of that same calendar year and that may impact your tax situation by increasing your income. Failure to take the distribution by the deadline can result in a tax penalty of 50% of the distribution. We work with you to create an optimal distribution plan.

3. How is my distribution taxed?

Required distributions are taxable as ordinary income. If appropriate, Federal and State taxes can be withheld on your distributions to help offset the taxes due. We work with you and your accountant to estimate the appropriate withholdings. In early February, Schwab and other custodians will mail account owners a 1099R reflecting the total amount distributed from your retirement account(s). You will need this information to file your taxes.

4. Does an Inherited IRA have an RMD requirement?

An Inherited IRA is an IRA account you have been gifted, upon another person's death. If you inherit an IRA from your spouse, you can elect to treat this IRA account as your own. This allows you to defer RMDs until you are 70.5 and consolidate the account with any existing IRAs in your name. If you inherit an IRA from someone other than a spouse, you will need to begin taking RMDs beginning the year following the original account owner's death. Your RMD is based on the account value at the end of the preceding year and your IRA beneficiary factor based on your age. This factor is based on a different actuarial table than the one used to calculate any RMDs from non-inherited IRA accounts. We also calculate and provide this figure to you in early January. As Schwab does not calculate RMDs for an inherited IRA, we strongly encourage you to confirm this figure with your accountant. As with traditional RMDs, you must take this by December 31st and it is taxable as ordinary income.

5. Can I gift my RMD?

Based on current tax law, individuals age 70.5 may gift up to $100,000 from their IRA accounts directly to an IRS approved charity. The gifted amount counts towards satisfying your RMD in the year in which the gift is completed. The gifted amount does not count as income, and is therefore not included in your adjusted gross income. Using this method, the gifted amount would not be included as a charitable donation under itemized deductions as it is not reflected in your total income. If you are interested in learning more about this strategy, and whether it makes sense for your situation, please contact your advisor.

Lauren E. Higgins, CFP®
Relationship Manager
Principal

THREE GENERATIONS TALK ABOUT MONEY

MILLENNIALS

By Alicia Barrows

As a generation, millennials comfortably talk about practically everything. Many of the issues other generations have trouble opening up about often pop up at our typical weekend brunch conversations. We willingly talk about salary, career, lifestyle, family and relationships – any perspective from our peers is widely encouraged. Except for the one remaining taboo we shamefully internalize: our credit card debt. Why is this?

> **"It's important for our friends and peers to understand that they are not alone in the challenges they face with money..."**

It can be easy to get swallowed up in purchases while in pursuit of the next best thing. We feel the pressure from every angle in social media, our peers and elders to "expand our networks" and to "look the part." While we initially tell ourselves that the balance will be paid off the next time we get paid, sometimes the payment is pushed to a later date, and as time goes by, the interest accumulates and we find ourselves further and further behind. It may feel easier to ignore the ever expanding balance and to continue spending in order to not let onto the fact that we can't "keep up" with our peers' spending habits.

Let's get back on track! Start by tackling a few easy ways to start living within your means. The first step in changing your financial habits is to create a healthy budget and STICK TO IT! Spend some time at the beginning of each month to determine how much money you have to spend that month. Try carrying cash instead of using your phone or credit card to make an easy purchase. Retraining yourself to think consciously about how you are spending is critical to not over spending. While innovation is making certain aspects of our lives more efficient, quick easy-to-pay apps and websites also make it harder to keep tabs on spending. This is ultimately a threat to your financial stability. Try deleting these easy pay apps from your phone which forces you to make the conscious effort to purchase something during the day (don't worry! –apps will still be safe in the cloud in case you need them in the future). Most importantly, talk to your friends - if you are struggling financially, let them know. Many may feel the same way and would welcome the opportunity to rethink their own personal spending habits. It's important for our friends and peers to understand that they are not alone in the challenges they face with money, and to remove the stigma around talking about debt before the issue becomes even harder to manage.

Alicia Barrows

Associate Advisor

GEN X

By Lis Zimmerman

Generation X, the boomerang generation or the latch-key generation, is loosely defined as the generation born after the post World War II baby boom and encompasses those in their mid 30s to mid 50s. We are used to being independent and autonomous, in part, because many of us grew up with two working parents. We are used to taking care of ourselves, and we are committed to taking care of our families. Given that we have both young kids and aging parents, we are also known as the "sandwich generation". Three primary financial issues we face center around our own housing choices, college funding for our kids, and taking care of aging parents. While we are often in our principal earning years, there are competing drains on our incomes, not to mention our emotions, due to these issues.

HOUSING: What is appropriate?

For many, this is our largest single outlay, and we take pride in providing our families with a nice home in which to live. We value neighborhood and community, and we are generally willing to pay more to live in areas we find desirable. With historically low interest rates, stretching to buy a more expensive house with a higher mortgage is appealing, but as a rule of thumb the payments should be less than one-third of gross household income. Ideally mortgages should be paid off before retirement as the equity in our homes may offer a source of funds for unexpected health care expenses as we age.

COLLEGE: How do I save for both college and retirement?

In many cases our families valued education, and our parents paid for college, which left us a sense of obligation to do the same for our kids. Of course "back then" the average college tuition wasn't inflating at 6% a year, and most of us expected to work part time to cover our living expenses. The world looks a little different now, and we're trying to figure out how to navigate it. Of course we want to contribute to our kids' educations but we have to remember the adage, "You can borrow money for college but no one is going to lend you money for retirement." It is a delicate balancing act, and college savings should rank below retirement savings if a trade-off has to be made. That said, the earlier you start saving for college the less you need to save each year, so the best option is a disciplined plan which balances retirement and college savings in a flexible manner over an extended time period.

AGING PARENTS: What are my options?

Many Gen Xers do not live near their parents and we often are too busy juggling work and family to provide care for them. While some can accommodate our parents moving in with us when the need arises, for the most part our parents want to stay in their own communities and remain as independent as possible. Fortunately, for aging parents there are many options ranging from independent living in a retirement community (with options to increase care if and when it is necessary) to around-the-clock care at home and dozens of variations in between. We work with many of our clients to help navigate this important financial and emotional decision.

The mid 30s to mid 50s is an exciting and fast paced time for many. It can also be tumultuous, both emotionally and financially, as families grow, careers develop, marriages begin and end, and kids move away. Given this, it is critically important that you lay the proper financial and support foundations to bring you into the next life phase.

Lis Zimmerman, CFP®, CASL®, CRPC®

Senior Vice President, Client Relations & Financial Planning

Principal

BOOMERS

By Cindy Kuppens

If you are a Baby Boomer, born between 1946 and 1964, you remember when you were considered part of the "younger generation." Now we Boomers are at an age that crept up way faster than we ever thought possible. While some of us are already retired, others are thinking about whether, when and how to retire. Many of us plan to work for years to come, either because we enjoy our work or because we aren't quite ready for retirement, either financially or emotionally.

Our Boomer clients who are still working often express similar concerns when planning their retirements. The three most common *financial* questions we hear are:

How much money do I need to retire? Of course, the answer varies for each person and it largely depends on how much you will spend each year and how much you have saved. When you want to retire what sources of income will you have in retirement? If you are an O'Brien client thinking about retiring, your Advisor will work with you to develop your retirement income projections and a solid, ongoing plan for lifestyle spending, health care costs and other expenses you are likely to incur during your retirement.

When should I take Social Security? Again, that depends on your individual situation. If you are still working, you will likely want to wait until your Social Security full retirement age (between age 66 and 67, depending when you were born) or until age 70. If you start receiving benefits before your full retirement age they will be reduced if you are still working. If you delay taking benefits beyond your full retirement age they will continue to grow by about eight percent a year until age 70. However, if you draw on your savings because you are delaying receipt of Social Security benefits, it may be better to start receiving them. Again, your O'Brien Advisor can help you find the best approach for you.

Should I buy long term care insurance? Maybe, but maybe not. It is critical that you have a plan for how you are going to pay for long term care services. For some people insurance makes sense, although it is extremely expensive to buy traditional long term care insurance. Today, many people purchase a hybrid life/long term care insurance policy; under this type of policy if you do not need long term care the policy will pay a death benefit to your beneficiaries. A second approach is to self insure for long term care expenses—that is, to earmark a portion of your retirement savings for long term care expenses. A third approach is to consider the value of your home as your reserve for long term care, and to access it via a home equity line of credit or a reverse mortgage.

Our clients approaching retirement often have important emotional questions as well:

- What should my next act be?
- How can I adjust to seeing my nest egg decline?
- What will my spouse think if I'm not working?
- Will I lose my sense of community?
- How will I stay busy?

As you plan for retirement your O'Brien Advisor can help you think through these and other questions. Every question, no matter how small it may seem, is important. We love helping each of our clients develop their individual plan for a secure, happy, fulfilling retirement!

Cindy Kuppens, CFP®, AEP

Senior Vice President, Client Relations

Principal

A NOTE FROM MARC O'BRIEN:

MANAGING UNCERTAINTY

It may seem to you like we are in a familiar place again: The markets are difficult to predict these days. In fact, the market has been difficult to predict every day of my career! One of the most insightful market commentators of recent times, Steve Leuthold, often repeated the following summation: "Market Timing is for show; Asset Allocation is for dough!" Building on this truth, observable over many decades, O'Brien Wealth Partners provides advice with regard to both the investment choices and the asset allocation of your financial assets. We offer advice on the appropriate level of risk for each life stage and circumstance as your appropriate risk level shifts with significant changes in *your* life. Your investments should be tailored to *you* and your financial goals. Attempts at timing secular (long-term) and cyclical (business cycle) shifts in the economy and markets usually deliver negative or meager results over the long-run. As many market "gurus" have discovered sadly, it is easy to be right once. It is very difficult to be right over time and with any frequency.

"Flexibility and diversification are what the O'Brien Wealth Partners approach to investing can best deliver..."

Today, increased global political risks have added to uncertainty both in the global economy and in the markets. Shifts in local politics seem to be playing larger roles in many national economies with corresponding global economic effects. We see striking changes not only in the emerging markets but also in Europe, the United States and other parts of the developed world. 2016 has been labeled "the year of unpredictability," and yet the markets in most of the developing and emerging markets world went up almost universally. Paradoxically, market indicators signaling expected market volatility in the coming months are presently near all-time lows.

In the past, uncertainty has been corralled to an important degree by strong institutions, the rule of law and *clear plans*, or at least the semblance thereof. Today, as an English commentator writes, "It is people such as Mr. Trump, Mrs. May and Angela Merkel who shape events rather than established party platforms or policy programs." Under such conditions, we should expect markets to be skittish with every new piece of information, press conference, or late-night tweet, and we should buckle our seatbelts in anticipation of increased turbulence in the months ahead.

Many of our clients are asking "what should be done about my investments?" The answer is relatively straightforward: in times of uncertainty structure can provide welcome guidance. What is the plan *you* have worked out with your O'Brien advisor? What are *your* goals? Are you comfortable that your plan will help you meet your goals? As your portfolio managers we will allow for wider ranges of uncertainty and outcomes and maintain investment discipline and diversification. Discipline and diversification are what our approach to investing can best deliver; employing a global set of index funds, actively-managed mutual funds, ETFs and separately managed accounts. Diversification can be a humbling exercise for those professional investors who profess to own special insights and ability to beat the market. At O'Brien we recognize what is knowable and what is not, and we firmly believe that broad diversification at a reasonable cost is the single best way to improve the risk return profile, and the long-term return, of your portfolio.

How are we positioning *your* portfolio to achieve your financial goals with the least amount of risk? In every transition of power there is uncertainty. We are prepared for turbulence, but we are keeping you invested. It is human nature to think that any president with policies with whom one disagrees will be bad for the economy and the markets but in practice presidents have far less power over the economy than one might think. Remember that uncertainty can offer significant rewards as well, like the gains recently seen in U.S. financial and Japanese stocks. By building carefully-crafted, disciplined, diversified portfolios, thus spreading and offsetting risks, we seek to put you in position to limit losses and acquire out-sized shares in the significant wealth that will likely be created in an always uncertain future.

Marc O'Brien

TAKE A CLOSER LOOK...

Tim Pilczak, CFP®
Associate Advisor

WHAT DID YOU DO BEFORE O'BRIEN?

Prior to O'Brien, I was a Personal Banker for Sovereign/Santander Bank. After Sovereign/Santander I spent three and a half years as a Financial Advisor at Financial Foundations. It was during my time at Financial Foundations that I attained the Certified Financial Planner™ designation.

WHAT DREW YOU TO O'BRIEN?

What impressed me about O'Brien was the overwhelming feeling of teamwork. I have always valued superior client service, and respected the like-mindedness of the O'Brien Team. O'Brien has created a culture of hardworking, respectful individuals of which I am proud to be a part. As an RIA, O'Brien allows advisors to work together and approach every situation with the client's best interest as the main focus. The view from the office of Boston Harbor sure doesn't hurt either.

WHAT IS YOUR ROLE?

As an Associate Advisor at O'Brien, I work with our advisory team to service our wealth management and financial planning clients. A few of my tasks include portfolio management and cash flow planning. I have a specific interest in business development and high level financial planning topics. Recently, I have been studying quite a bit about the changes and recent strategies involving reverse mortgages.

TELL US MORE ABOUT YOU...

In 2010 I graduated from Saint Michael's College, in Colchester Vermont, with a B.A. Business Management Degree and a Minor in Marketing. During my time at Saint Michael's College, I was a 4 year member of the baseball team and a two year captain. I was also lucky enough to study abroad in Brisbane, Australia.

I was born and raised in Cohasset, Massachusetts where I developed a passion for the ocean. My two favorite things to do are saltwater fish and travel, and often times the two coincide. I travel to Grand Cayman several times a year to fish, and am lucky enough to participate in several fishing tournaments each year, both domestically and internationally. During the summers, I can be found on my boat with my family and friends while fishing as much as I can. I attained my US Coast Guard Captain's License in 2011.