STERLING

RETIREMENT RESOURCES, INC.

June 2018

NEWSLETTER

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It's that time of year when you can dust off those summer clothes, head outside, and sink your toes into the fresh green grass that we've all been waiting for! The ice is FINALLY off the lake, pools are opening shortly, and family vacations are ramping up! Whether you are staying in town to enjoy the best of MN (assuming you live here), taking a family vacation, or heading to the cabin, we hope you have a safe, healthy, and wonderful summer ahead!

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sterlingretirement.com

STERLING

Celebrating

10 Years

but really we celebrate YOU!

Sterling Retirement Resources, as you know it today, recently **celebrated a 10th Anniversary!** We know, you are probably saying to yourself, "but I've been working with Steve or Meg longer than that!". While it's true that Steve has been advising clients since 1991, Sterling was established in 2008 (and if you remember 2008 – most people weren't having very much fun!).

Our main point in telling you this is to send out a sincere thank you to all of our clients. It is YOU that makes us excited about coming to work every day. It is the close personal family relationships that we value more than you know. And we enjoy nothing more than watching each and every one of you LIVE YOUR DREAMS!

Sterling Retirement Resources and AAA

In typical Sterling fashion, we think education is the cornerstone to making good financial decisions. This spring was no different! Steve and Meg conducted a series of four workshops at AAA of Minneapolis to help educate their members on the ever-changing world of Social Security.

Fall workshops have been scheduled and the dates are as follows:

Tuesday, September 11th, 2018 : 9:30am-11am OR 4:30pm-6pm

Thursday, September 13th, 2018: 9:30am-11am OR 4:30pm-6pm

AAA Minneapolis

Please note that you do not need to be a AAA member to attend.
If you are a client or friend of Sterling Retirement Resources, you are more than welcome to join us!

8 SOCIAL SECURITY CHANGES YOU NEED TO KNOW ABOUT IN 2018

By:

Steve Finkelstein
Megan Gehrman

Each year the Social Security Administration (SSA) publishes an annual fact sheet detailing changes to the Social Security program. The following changes will impact many working and retired Americans in 2018.

1. Full retirement age goes up - Americans who will turn 62 in 2018 (born in 1956) will need to wait until age 66 and four months to claim their full Social Security retirement benefit. That's two months longer than those who turned 66 in 2017 and four months longer than older baby boomers born between 1943 and 1954 who have a full retirement age of 66. The full retirement age will continue to increase in two-month increments each year until it hits 67 for everyone born in 1960 or later.

2. Cost-of-living adjustment is highest in six years - The SSA announced a 2% cost-of-living adjustment (COLA) for beneficiaries, starting with the December 2017 payment. While this is the highest COLA in six years, it's still historically low. Social Security COLAs have averaged roughly 3.8% since the current method was implemented in 1975. [2]

3. Higher payments for beneficiaries - The SSA estimates that the average retired worker will get a $27 a month raise to $1,404, and that the average couple receiving benefits will see their combined monthly payments rise by $46 to $2,340. However, for many retirees, this year's increase could be consumed by rising Medicare Part B premiums. The highest possible benefit payable to a worker retiring at their full retirement age also rose by more than $100 to $2,788 per month in 2018. [3]

4. Taxable earnings cap rises - A maximum amount of wage income is subject to Social Security tax each year. For 2018, the maximum taxable earnings amount rose by $1,500 to $128,700, meaning that higher-income individuals may end up paying more in Social Security tax than they did in 2017. [2]

5. Disability thresholds rise - There are maximum amounts of income that people can still earn while collecting Social Security Disability Income (SSDI) benefits. These monthly thresholds rose slightly in 2018 and payments increased to $1,180 for eligible recipients and $1,970 for those who are legally blind. [2]

6. SSI payments increase - Monthly maximum amounts for Supplemental Security Income (SSI) payments increased 2% in 2018 to $750 for an eligible individual and $1,125 for an eligible individual with an eligible spouse. [2]

7. Earnings test exempt amounts go up - For beneficiaries who work while collecting Social Security, those younger than full retirement age can earn up to $17,040 in 2018 without being penalized. Above that level, you'll lose $1 in benefits for every $2 earned. The earnings limit is $45,360 for those who will hit their full retirement age in 2018.[4] It's important to note that any benefits withheld while you continue to work are not "lost." Once you reach full retirement age, your monthly benefit will be increased permanently to account for the months in which benefits were withheld. [5]

8. Social Security "credits" represent more earnings - To be eligible for Social Security retirement benefits you need to earn 40 Social Security credits, up to a maximum of four per year. In 2018, each credit represents $1,320 in earnings, so you'll need to earn at least $5,280 to earn the four possible credits for the year. [6]

For more information on these and other Social Security topics, please contact Sterling Retirement Resources at 763-762-3400.

[1] https://money.usnews.com/money/retirement/social-security/articles/2018-02-12/the-social-security-retirement-age-increases-in-2018
[2] https://www.ssa.gov/news/press/factsheets/cola-facts2018.pdf
[3] https://www.fool.com/retirement/2017/12/31/8-changes-to-social-security-in-2018.aspx
[4] https://www.aarp.org/retirement/social-security/info-2017/2018-social-security-changes-photo.html
[5] https://www.ssa.gov/oact/cola/rtea.html
[6] https://www.ssa.gov/pubs/EN-05-10072.pdf

CREATING PURPOSE AND MEANING

Our team has a rich tradition of giving back, and this year is no different. You are invited to help serve dinner as part of the Cooks for Kids program at the Ronald McDonald House on Oak Street in Minneapolis.

Details

Date: *Wednesday June 27th, 2018*
Location: ***Ronald McDonald***
Oak Street 818 Fulton St. SE, Minneapolis, MN 55414
Time: *5:00-8:00pm*

Guests and family over age 16 welcome. No special skills required.
Space is limited, please call Melanie at 763-762-3402 to reserve your spot!

YOUR TEAM

Every now and then, we hear interesting feedback from clients. A couple of more recent comments are as follows:

"We have a hard time knowing who to go to for what."
"What do you do here?" – as it relates to the team
"Who should I call when…."

First and foremost, if you need something, anyone here can help. If not themselves, they will find the right person for the job. With that being said, we've asked each member to tell us exactly what they do here at Sterling.

WEALTH PLANNING STRATEGIST

"I'll tackle your questions regarding your financial plan, and will work closely with Steve and Megan to make any changes to your investment or retirement strategy."

CLIENT SUPPORT SPECIALIST

"I do a little bit of everything, but I think my most important jobs are making people feel at home and helping them simplify their lives."

DIRECTOR OF CLIENT SERVICE

"Clients can think of me as their main point of contact. From our onboarding process to their ongoing account related questions, they can come to me for anything, anytime."

TELL US! WE WANT TO KNOW!

When talking to your children or grandchildren about something YOU think is an important life lesson, do you ever get the dreaded eye-roll or know that they have simply just tuned you out? Well, we think financial literacy is one of the most important things we can teach our young adults. But if we were to guess, the likelihood of being able to sit down and talk about these concepts is slim to none.

But, what if someone else were to teach them? Like US! We have ideas, we have concepts, and we can make it fun, but we want to hear from you! Is this something you would be interested in attending with your children or grandchildren? We always value the feedback of our clients and peers.

If this is something you have some interest in, please give Megan a call at **763-762-3405** or send an email to **meg@sterlingretirement.com** with your questions/comments/thoughts/ideas/etc. If we have enough interest, look for an event in the near future!

If attending an event or workshop isn't up your alley, or maybe your grandchildren don't live in Minnesota, here are four easy money lessons for college graduates to take with you right here and now. You may consider bribing your loved one with their favorite ice cream or afternoon out to ensure you have a captive audience.

FOUR EASY MONEY LESSONS FOR COLLEGE GRADUATES

What is the one thing many college graduates fail to learn that could make a difference in their financial future? They don't know how to manage their money. More and more college graduates are drowning in student loan debt. According to an Urban Institute 2015 report, 17% of borrowers are behind or in default on their payments as part of the nation's $1.2 trillion in college loans.[1] College students also managed to rack up credit card debt with an average balance of $499 despite the credit card act that banned credit card approvals for students under 21 years old. [2]
Between student loans and credit card debt, newly minted college graduates might find that their first job paychecks don't stretch as far as they'd like. College grads can start their careers with less stress about paying off debt by following these four simple money lessons. Grads who stay in control of their spending and manage their money can look forward to a debt-free, stress-free financial future.

Stick to a budget – While a new graduate may find the word "budget" unnecessary once they land their first job, it's essential. With easy access to online banking and credit card apps, a budget can help prevent them from being surprised when the bank account says $0 or even plunges into the negative.

Continued on the next page ▸

Four Easy Money Lessons for College Graduates

Overdraft fees can be weighty if this happens too often. Instead, the tech-savvy Millennials can take advantage of online budgeting programs like Mint.com or Budget Tracker. While Mint.com allows you to connect your bank accounts and automatically documents your spending by identified categories, other sites like Budget Tracker allow you to manually enter account information and spending if you prefer your accounts not be accessed by a third party app. Grads will see how the essentials of rent, electricity and car payments add up and how their discretionary expenses can suck their bank account dry. With these applications, new grads can see what they are spending on a limited entry-level income. This will help them budget accordingly to afford to buy the things they want when they can afford them.

Start a virtual piggy bank – The word "saving" may be lacking from the vocabulary of a new college graduate when spending is a more attractive option. Good news – there's an easy way to start saving money with a virtual piggy bank. Simply schedule a transfer of money each paycheck from your bank checking account to a savings account that is not linked to a debit card so there will be no temptation to withdraw funds. Just $25 per paycheck, if paid twice a month, would add up to $600 a year. Plus, banks add interest for keeping your money where it is, it may be a puny one percent, but it's a nice addition to a virtual piggy bank that's stuffing itself.

Get insurance – It may be tempting for college graduates to save a few extra bucks by skipping on healthcare insurance, taking their good health for granted, but that could be a huge mistake. While the new government healthcare reform law allows children to stay on a parents' healthcare plan until they are 26 years old, many grads can also get insurance through their first job, or through the Affordable Care Act. Think you don't need insurance? You could be one emergency away from losing everything if not insured. In fact, a Bankrate.com study reveals 60% of Americans don't have enough money set aside to deal with such a medical calamity[3]. Renters insurance is also a good idea for a graduate to invest in protecting their belongings and saving the hundreds or even thousands of dollars it would cost to replace stolen items.

Don't borrow too much – New grads or undergraduates, who are contemplating attending graduate school, need to watch how much they plan to borrow in financial aid. Not just an undergraduate financial issue, graduate students are borrowing against their repayment means and falling deeper into student loan debt. That's because graduate students can borrow an unlimited amount of money from the government up to the cost for attendance at the school of their choice. While tempting, the lesson learned here is don't borrow what you don't need. With a budget and some extra savings, there may be an opportunity for students to limit how much financial aid they will need. And ask the question: do you really need to go to graduate school? Will it help you advance in your chosen field? Or are you going because you aren't quite sure what else to do?

[1] http://www.usnews.com/news/articles/2015/06/08/heaviest-college-debt-burdens-fall-on-3-types-of-students
[2] http://www.nasdaq.com/article/credit-card-debt-statistics-cm393820
[3] http://www.bankrate.com/finance/smart-spending/money-pulse-0115.aspx

AMELIA'S INVESTMENT INSIGHT

The "Unremarkable" Remarkable 2017

It ended just a few months ago, but do you remember what your portfolio did in 2017? Do you remember the widespread fears that sent ripples through the markets, and how that felt? If you said "no", you're not alone. It wasn't a challenge to earn a positive investment return last year; nearly every major asset class had positive returns.

In fact, we think that long-term, 2017 may be simply forgotten for its lack of major events. Have you ever driven across town and forgotten how you got there because you were on "autopilot"?

What we experienced in 2017 was extremely comfortable, and, as a result, it allowed investors to go on autopilot. It was easy to stay invested for the long-run because there was so little negative news in the markets. While major events were largely non-existent, the aspect that, in reality, made 2017 extremely remarkable was the lack of volatility.

To illustrate how unusual the stock market was in 2017, in a typical calendar year US stocks experience one correction of 13.8%. The maximum decline (highest to lowest point) in 2017 was only 3%. *Source: J.P. Morgan Asset Management, Guide to the Markets, March 2018, "Annual returns and intra-year declines".*

Prior to 2018, the US stock market went an entire 18 months without even a 5% correction. To put the magnitude of that anomaly into perspective – in a typical environment we should have expected seven or eight 5% drops. We saw zero. *Source: J.P. Morgan Asset Management, Guide to the Markets, March 2018, "Annual returns and intra-year declines".*

Some years, like in 2008/2009, we see declines that are much larger than the average, and, because those losses are very emotionally and financially traumatic, our brains do a much better job of remembering them. On the other end of the spectrum, years where volatility is much lower than average simply don't have as much of an emotional effect on our memories and are forgotten.

Unfortunately, when volatility eventually returns, as it has for the first few months of 2018, we are caught off guard and jolted out of our autopilot. We no longer feel comfortable. The fearful news headlines are everywhere. Often investors jump to conclusions, wanting to do something and anything to protect themselves, which leads them to buy and sell at exactly the worst times.

The higher volatility we've seen this year will most likely continue, but it is by no means a "new normal" – it's just normal, even if most of us have forgotten what that feels like.

Sterling is prepared for volatility. Not only are our individual portfolios constructed based on your individual goals and circumstances, they are diversified into many different kinds of assets that are designed to help smooth out the bumps in the stock market. Through our disciplined rebalancing process, we use the ups and downs as opportunities to both invest in undervalued assets and sell assets at high prices. As we help you achieve your goals, we are diligently on the lookout for controlling your risks and finding values for your investments.

In other words, Sterling serves as the GPS to help navigate your portfolio safely through the turns and bumps along the way to your goals. We never take our eyes off the road!

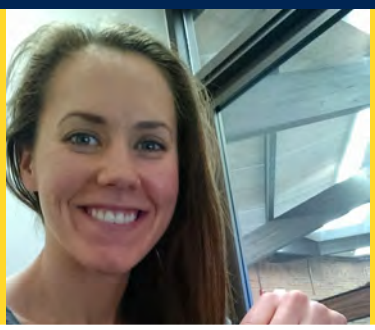
All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful. Asset allocation, which is driven by complex mathematical models, should not be confused with the much similar concept of diversification. A diversified portfolio does not assure a profit or protect against loss in a declining market.

LIVING OUR DREAMS

What keeps us going at Sterling every single day is to watch our clients live their dreams. We also all have a little fun along the way, living our own dreams. Here's what we've all been up to:

Melanie is fast approaching her June 23rd, 2018 wedding date! As many people know, now is crunch time and Melanie spends the majority of her spare time on the planning. Mel is extremely ambitious and creative and plans to make her own bouquets!

At this point, **Amelia** is lucky to have even ten minutes of free time in her life. In those ten minutes, you will likely find her out for a bike ride. The rest of her time is spent studying for her Level 3 of the CFA exam, to be taken on June 23rd, 2018 (same day as Mel's wedding!)
Good luck, Amelia!!



Davis is looking forward to summer filled with frisbee golf, boating, and hanging out with friends. He is taking a trip to help a good friend of his move to Michigan...which also gave Steve a great idea since he is moving shortly as well. Should have kept that one a secret, Davis!

FARM UPDATE:

The llamas have put their winter coats away and were recently sheared for the summer. Also, there's a baby on board at the farm and we are eagerly awaiting the arrival of Tina's baby!

A few fun llama facts:

- A llama's gestation is 11 months but they usually go over their due date (up to a month!);
- You will never know a llama is pregnant by looking at her;
- A baby llama is called a Cria.

Stay **tuned** for an update this **summer**!

Steve has been staying busy packing and getting ready for a big move. All three kids have "launched" successfully and Steve and Stacy are very excited to move to the next phase of their home life! Here's what the kids are up to:

- Since Robb graduated from the University of Indiana, he has worked for both Dish Network and On Deck in Denver, CO. He now works for Idea Financial, based out of Miami, but is living in Chicago to be close to his long-term girlfriend, Caren.
- Eli has been studying hard over the last couple years and just recently graduated from the University of Minnesota! Congratulations! He continues to enjoy golf and is embarking on the hunt for a job.
- Zoe is loving life in Arizona! Going to school at Northern Arizona University , spending time outside in the mountains, and maintaining a job there keeps her busy to the point where she likely won't spend much of the summer in MN.

Meg has been busy with plenty of activities with her kids. Ava (6) just completed her first year of competitive gymnastics and Justin (8) is working his way up in karate belt colors. Meg has also started a side business (only kidding!) doing chicken consulting!