BELTZ IANNI & ASSOCIATES

Speaking of...

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21ST CENTURY GRANDPARENTS

Forget about white hair and rocking chairs. The idea that all grandparents are “elderly” is as old-fashioned as rotary phones. However, the idea that grandparents spoil their grandchildren has stood the test of time.

Some Things Never Change

A recent TD Ameritrade survey* found that 30% of current grandparents say they’ll experience the most joy in retirement through spending time with grandchildren. To many, grandparenting can be like parenting, only better since there isn’t a primary responsibility for providing care — or discipline. With the benefit of age and maturity on their side, grandparents are better able to appreciate their grandchildren.

That’s not to say grandparents are only in it for the good times. Many feel a responsibility to help shape their grandchildren’s lives by counseling them, passing on values, providing moral guidance and establishing intergenerational family ties.

Spending and Spoiling

Doting on their grandchildren, however, does come with a price tag for many grandparents. The TD Ameritrade survey found that grandparents spend an average of $2,383 each year on toys, school supplies, college savings, and extracurricular lessons to benefit their grandkids. Some grandparents find that they’d rather save their retirement resources to help their adult children and grandchildren rather than build a vacation home or buy an RV.

Gifts That Keep on Giving

Instead of showering grandkids with presents, some grandparents are giving gifts that make a difference, such as money for college or contributions to a savings (or investment) account. For older grandchildren who have earned income, funding a Roth individual retirement arrangement (IRA) is another gift that can provide long-term benefits. A Roth IRA’s potential for tax-deferred earnings and eventual tax-free distributions** can be attractive.

A life insurance policy is another gift with lifelong benefits. If you have grandchildren, talk to your financial professional about how you can spoil them — in a financially sound way.

* *Source: TD Ameritrade Survey Parents and Grandparents Retirement Survey*

** Certain tax law requirements must be met.

SIX TIPS TO PROTECT YOUR FINANCIAL DATA

1. Check all your financial accounts for errors or suspicious activity. Experts recommend that you keep an eye out for missing tax refunds and medical bills you don’t recognize.

2. Enroll in a credit monitoring service. There are a number of reputable services (Identity Guard, Experian, PrivacyGuard, LifeLock, etc.) which monitor your credit and report activity.

3. Place a fraud alert on your credit reports via a credit reporting bureau if you believe you’re a victim of credit theft or fraud. When credit card issuers and other lenders pull your credit reports, they’ll be notified that you may be the victim of identity theft and should contact you before opening an account in your name.

4. Consider placing a security "freeze" on your credit. This locks your credit reports so that lenders cannot pull them and prevents new accounts from being opened in your name.

5. Always use strong passwords with uppercase and lowercase letters, numbers and symbols.

6. If you are a victim of ID theft, you’ll want to file an identity theft report with the Federal Trade Commission (FTC) at identitytheft.gov or by phone at 1-877-438-4338.

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A TWO-MINUTE ECONOMICS COURSE

Economics isn't a fun subject in or out of school, but being familiar with some basic facts about the U.S. economy may help you make better investment decisions for your retirement plan account.

GDP — Measuring Overall Growth

Every quarter, the U.S. Commerce Department estimates the total value of the goods and services produced in the United States during the past three months. Focus on the amount the GDP has changed, not the number itself. The change in the GDP measures the rate of overall economic growth. Slow growth can mean companies' profits are shrinking, which means that stock prices may decline, too. A drop in the GDP for two quarters in a row indicates the economy could be in a recession. When the GDP is growing, companies are doing well and, usually, stocks are too.

Interest Rate Changes — Pushing Bond and Stock Values

The number to watch is the 10-year Treasury yield — the interest on newly issued U.S. Treasury bonds with a 10-year maturity. The bond market sets this yield, not the government. Changes in interest rates affect bond values. Usually, values drop when interest rates rise, and values rise when rates fall. Bonds have a fixed interest rate. So, when newly issued bonds offer a higher rate than existing bonds, it pushes the market value of the previously issued bonds down so that their actual return is in line with the new issues.

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Stocks also react to changes in interest rates. Higher rates increase companies' borrowing costs, which lowers the companies' earnings potential. Because stock values generally reflect earnings prospects, rising interest rates are generally bad for stocks, while falling rates are generally good.

CPI — Indicating the Inflation Rate

The U.S. Department of Labor calculates the monthly Consumer Price Index (CPI) by comparing the current prices of a set list of goods and services — housing, food, clothing, transportation, medical care, etc. — with prices during a base period. The change in the CPI is an important indicator of the rate of inflation. Stock prices often rise when inflation is low and fall when inflation increases.

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Unemployment Rate — Signaling Future Inflation

The U.S. Department of Labor also tracks the percentage of U.S. workers who are unemployed. The monthly unemployment report can forecast future inflation. A low unemployment rate indicates a possibility that inflation will rise because workers' increased spending power drives prices up. High unemployment means less consumer spending and, therefore, less pressure on prices.

Source: DST Systems, Inc.

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