



The Farmers Bank

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Welcome to the April issue of The Farmers Bank Quarterly Newsletter! We can deliver this newsletter to you directly through your email or we can send a paper version to you directly - just let us know.

The Farmers Bank, Frankfort, Indiana has been serving clients since 1876. Our vision is to provide service levels that continually exceed expectations. We strive to build a strong heritage and it is important to us to continue this legacy to be *your bank for life*. Whether it's saving, investing, retirement planning, estate planning or any other of the services that The Farmers Bank Trust and Asset Management Division offers, we are here to help you.

Enjoy!

-The Farmers Bank Trust and Asset Management Team

April 2015

Points to Consider If Your Retirement Goal Seems Out of Reach

No Matter What Your Age, Your Social Security Statement Matters

Estate Planning for a Second Marriage

I owe a large amount of money to the IRS. Can I pay what I owe in installments?



The Farmers Bank Quarterly *Planning your Financial Future*

Points to Consider If Your Retirement Goal Seems Out of Reach



Each year in its annual Retirement Confidence Survey, the Employee Benefit Research Institute reiterates that goal setting is a key factor influencing overall retirement confidence. But for

many, a retirement savings goal that could reach \$1 million or more may seem like a daunting, even impossible mountain to climb. What if you're investing as much as you can, but still feel that you'll never reach the summit? As with many of life's toughest challenges, it may help to focus less on the big picture and more on the details.* Start by reviewing the following points.

Retirement goals are based on assumptions

Whether you use a simple online calculator or run a detailed analysis, your retirement savings goal is based on certain assumptions that will, in all likelihood, change. Inflation, rates of return, life expectancies, salary adjustments, retirement expenses, Social Security benefits--all of these factors are estimates. That's why it's so important to review your retirement savings goal and its underlying assumptions regularly--at least once per year and when life events occur. This will help ensure that your goal continues to reflect your changing life circumstances as well as market and economic conditions.

Break it down

Instead of viewing your goal as ONE BIG NUMBER, try to break it down into an anticipated monthly income need. That way you can view this monthly need alongside your estimated monthly Social Security benefit, income from your retirement savings, and any pension or other income you expect. This can help the planning process seem less daunting, more realistic, and most important, more manageable. It can be far less overwhelming to brainstorm ways to close a gap of, say, a few

hundred dollars a month than a few hundred thousand dollars over the duration of your retirement.

Make your future self a priority, whenever possible

While every stage of life brings financial challenges, each stage also brings opportunities. Whenever possible--for example, when you pay off a credit card or school loan, receive a tax refund, get a raise or promotion, celebrate your child's college graduation (and the end of tuition payments), or receive an unexpected windfall--put some of that extra money toward retirement.

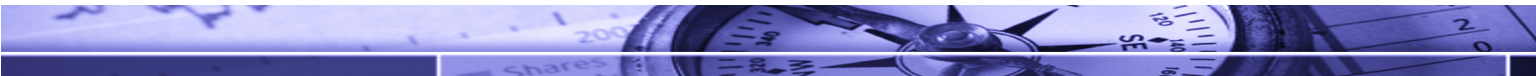
Retirement may be different than you imagine

When people dream about retirement, they often picture images like exotic travel, endless rounds of golf, and fancy restaurants. Yet a recent study found that the older people get, the more they derive happiness from ordinary, everyday experiences such as socializing with friends, reading a good book, taking a scenic drive, or playing board games with grandchildren. (Source: "Happiness from Ordinary and Extraordinary Experiences," *Journal of Consumer Research*, June 2014) While your dream may include days filled with extravagant leisure activities, your retirement reality may turn out much different--and that actually may be a matter of choice.

The bottom line

Setting a goal is a very important first step in putting together your retirement savings strategy, but don't let the number scare you. As long as you have an estimate in mind, break it down to a monthly need, review it regularly, and increase your investments whenever possible, you can take heart knowing that you're doing your best to prepare for whatever the future may bring.

**All investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful.*



No Matter What Your Age, Your Social Security Statement Matters



Don't assume that Social Security is just for retirees; it's much more than a retirement program. According to the SSA, approximately 21% of individuals currently receiving benefits are younger than retirement age who are receiving disability or survivor benefits. Get in the habit of checking your Social Security Statement every year to find out what role Social Security might play in your financial future.*

**Source: Fast Facts & Figures About Social Security, 2014*

Fifteen years ago, the Social Security Administration (SSA) launched the Social Security Statement, a tool to help Americans understand the features and benefits that Social Security offers. Since then, millions of Americans have reviewed their personalized statements to see a detailed record of their earnings, as well as estimates of retirement, survivor, and disability benefits based on those earnings. Here's how to get a copy of your statement, and why it deserves more than just a quick glance, even if you're years away from retirement.

How do you get your statement?

In September 2014, the SSA began mailing Social Security Statements to most workers every five years. Workers attaining ages 25, 30, 35, 40, 45, 50, 55, and 60 who are not receiving Social Security benefits and are not registered for an online account will receive a statement in the mail about three months before their next birthday. Workers older than age 60 will receive a statement every year.

But why wait? A more convenient way to view your Social Security Statement is online. First, visit socialsecurity.gov to sign up for a personal my Social Security account (you must be 18 or older to sign up online). Once you have an account, you can view your Social Security Statement anytime you want, as often as you want.

Check your estimated benefits

Your Social Security Statement gives you information about retirement, disability, and survivor benefits. It tells you whether you've earned enough credits to qualify for these benefits and, if you qualify, how much you can expect to receive. As each Social Security Statement notes, the amounts listed are only estimates based on your average earnings in the past and a projection of future earnings. Actual benefits you receive may be different if your earnings increase or decrease in the future. Amounts may also be affected by cost-of-living increases (estimates are in today's dollars) and other income you receive. Estimated benefits are also based on current law, which could change in the future.

Retirement benefits

Although Social Security was never intended to be the sole source of retirement income, retirement benefits are still very important to many retirees. Your statement shows estimates of how much you can expect to receive if you begin receiving benefits at three different ages: your full retirement age (66 to 67, depending on your birth year), age 62 (your benefit will be

lower), or age 70 (your benefit will be higher). When to start claiming Social Security is a big decision that will affect your overall retirement income, so if you're approaching retirement, this information can be especially useful. But even if you're years away from retirement, it's important to know how much you might receive, so that you can take this information into account as you set retirement savings goals.

Disability benefits

Disability is unpredictable and can happen suddenly to anyone at any age. Disability benefits from Social Security can be an important source of financial support in the event that you're unable to work and earn a living. Check your Social Security Statement to find out what you might receive each month if you become disabled.

Survivor benefits

Survivor protection is a valuable Social Security benefit you may not even realize you have. Upon your death, your survivors such as your spouse, ex-spouse, and children may be eligible to receive benefits based on your earnings record. Review your Social Security Statement to find out whether your survivors can count on this valuable source of income.

Review your earnings record

In addition to benefit information, your Social Security Statement contains a year-by-year record of your earnings. This record is updated whenever your employer reports your earnings (or if you're self-employed, when you report your own earnings). Earnings are generally reported annually, so keep in mind that your earnings from last year may not yet be on your statement.

It's a good idea to make sure that your earnings have been reported correctly, because mistakes do happen. You can do this by comparing your earnings record against past tax returns or W-2s you've received. This is an important step to take because your Social Security benefits are based on your average lifetime earnings. If your earnings have been reported incorrectly, you may not receive the benefits to which you're entitled.

What if you find errors? The SSA advises you to call right away if any earnings are reported incorrectly. The SSA phone number is 1-800-772-1213 (TTY 1-800-325-0778).



Estate Planning for a Second Marriage

Giving love another chance:

- About 12% of men and women have married twice
- About 3% of each have married three or more times

Source: U.S. Census Bureau, 2011 (data from 2009, most current data available)



You should consider the counsel of an experienced estate planning professional and your legal and tax advisors before implementing any of these strategies. There are costs and expenses associated with the creation of these legal instruments.

They say that love is lovelier the second time around. But for many individuals, remarriage later in life can create some unique estate planning issues.

If you're anything like the typical person contemplating a second (or third) marriage, you are older, have children, have accumulated property, and have been enjoying a standard of living you would like to maintain. Entering into a new marriage can raise many, perhaps conflicting, concerns such as:

- How can you protect assets you already own?
- How can you provide for children from a previous marriage?
- How do you share assets acquired or inherited after the marriage equally or fairly?
- How do you ensure your prospective spouse's future financial security?
- How can you avoid family disharmony?

Put your financial cards on the table

Money is a major cause of stress in any marriage, but it can be especially so in a second one. You and your future spouse should discuss and agree on all important financial issues and formulate plans that, hopefully, you both can live with. Full disclosure is important, especially if you are considering a prenuptial or postnuptial agreement.

Protect your assets with a prenuptial or postnuptial agreement

You're probably well aware that life is not a stroll down the primrose path, so while the suggestion of a prenup or postnup may not fan the flames of romance, you should know that this contract is important if you're bringing assets into the marriage. Why? By law, a surviving spouse has the right to take an "elective share" of the deceased spouse's estate, regardless of what is in the will. An elective share is typically one-third or one-half of the elective estate. An elective estate can include almost all the decedent's property, even property with beneficiary designations and property held in trust. If your surviving spouse takes his or her elective share, this may result in the unintentional disinheritance of your children or other heirs.

The only way to supersede elective share laws is with a prenup or postnup, in which both parties can waive their rights to the elective share. This way, you can minimize the chance that state law will interfere with your intended estate plans.

Revise your will and other estate planning documents

Remarriage does not revoke a will (although state law can trump a will, as we have just discussed). It is vital, therefore, that you draft a new will in light of your new circumstances. While you're at it, review and update other estate planning documents, such as your durable power of attorney, advance medical directives (for example, a living will or health-care proxy), trusts, and beneficiary designations (for life insurance and retirement plans, for example).

Providing for your children from a previous marriage

A big concern in many second marriages is providing for the new spouse without disenfranchising children from a prior marriage. Having your assets pass into a qualified terminable interest property (QTIP) trust can be part of the solution. With a QTIP trust, all trust income is used to support the surviving spouse while the principal is preserved for the children. And there's a bonus: Assets passing to a valid QTIP trust qualify for the marital deduction, helping to minimize potential estate taxes at your death.

Dealing with wealth disparity

In second marriages, it's not uncommon for one spouse to be wealthier than the other. If federal estate taxes are a concern, equalizing your estates so that you and your spouse can take advantage of both of your basic exclusion amounts (\$5,430,000 in 2015) may be in order. Without equalization, you may lose valuable tax savings if the less wealthy spouse dies first. This may be less of a concern now that the applicable exclusion amount is portable. Portability allows a surviving spouse to use the unused applicable exclusion amount of a predeceased spouse. You might also consider state death taxes.

Apportioning estate taxes

If you and your spouse have children from a previous marriage, you may want to plan for the payment of estate taxes in such a way that each child will bear the burden equally.

Conclusion

Each couple entering into a second marriage has unique concerns and goals. It's important to deal with your issues squarely, and create a plan that will optimize dispositions, help minimize taxes, and avoid unintended results, family disharmony, or even litigation.

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I owe a large amount of money to the IRS. Can I pay what I owe in installments?

Unfortunately, not everyone gets a refund during tax season. If you are in the unenviable position of owing a large amount of money to the IRS, you may be able to pay what you owe through an installment agreement with the IRS.

With an installment agreement, the amount of your payment will be based on how much you owe in unpaid taxes and your ability to pay that amount within the agreement's time frame. Although you are generally allowed up to 72 months to pay, your plan may be for a shorter length of time.

To request an installment agreement, fill out Form 9465, Installment Agreement Request, and attach it to your tax return, or mail it by itself directly to your designated Internal Revenue Service Center. If your balance due is not more than \$50,000, you can apply for an installment agreement online at IRS.gov.

The IRS will generally let you know within 30 days after receiving your request whether it is approved or denied (if you apply online, you'll get immediate notification of approval). If the request is approved, the IRS will send you a

notice detailing the terms of your agreement. You will also be required to pay a fee of \$120 (\$52 if you make your payments by direct debit). You can make your payments by check, money order, credit card, payroll deduction, or direct debit from your bank account.

Keep in mind that even if your request for an installment agreement is granted, you will still be charged interest and may be charged a late-payment penalty on any tax not paid by its due date. This interest and any applicable penalties will be charged until the balance you owe to the IRS is paid in full.

It is important to realize that the fees and interest charged by the IRS for an installment agreement can add up. As a result, before you enter into an installment agreement, the IRS suggests that you consider other alternatives, such as getting a bank loan or using available credit on a credit card.



Will I have to pay a penalty tax if I don't have qualifying health insurance?

It depends. One of the main objectives of the health-care reform law, the Patient Protection and Affordable

Care Act (ACA), is to encourage uninsured individuals to obtain health-care coverage. As a result of the ACA, everyone must have qualifying health insurance coverage, qualify for an exemption, or pay a penalty tax. This requirement is generally referred to as the individual insurance or individual shared responsibility mandate.

Health insurance plans that meet the requirements of the ACA generally include employer-sponsored health plans, government health plans, and health insurance purchased through state-based or federal health insurance exchange marketplaces.

Individuals who are exempt from the individual insurance mandate include:

- Those who qualify for religious exemptions
- Certain noncitizens
- Incarcerated individuals
- Members of federally recognized American Indian tribes

- Those who qualify for a hardship exemption
- Individuals may also qualify for an exemption if:
- They are uninsured for less than three months
 - The lowest-priced insurance coverage available to them would cost more than 8% of their income
 - They are not required to file an income tax return because their income is below a specified threshold

For tax year 2014, the penalty tax equals the greater of 1% of the amount of your household income that exceeds a specific amount (generally, the standard deduction plus personal exemption amounts you're entitled to for the year) or \$95 per uninsured adult (half that for uninsured family members under age 18), with a maximum household penalty of \$285. In 2015, the percentage rate increases to 2%, the dollar amount per uninsured adult increases to \$325, and the maximum household penalty increases to \$975.

