



Bodnar Financial Advisors, Inc

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Happy 30th Anniversary, Bodnar Financial! On January 26, 1988, I resigned from the Ford Financial Group and struck out to create my own financial planning practice. (How about that young guy in the picture above? No grey hair!) It has been a joy reflecting on the many memories shared with clients over the past three decades, and of course, my Dream Team: Karen, Jeanne, Lorraine, and Jackie.

I would like to thank each one of you for putting trust in Bodnar Financial to help guide you towards retirement and your life goals. Enclosed is a white paper commemorating the occasion with a look back, and a look forward. In the coming months, you will also receive an invitation to a 30th Anniversary soiree.

There is still plenty of work to be done, and Bodnar Financial is busier than ever. If you haven't already, save the date for our upcoming Social Security seminar on March 22!

Winter 2018

Don't Delay: The Potential Benefits of Starting to Save Now

It's Time for Baby Boomer RMDs!

How can I protect myself from digital deception?



BODNAR FINANCIAL ADVISORS INC

Client Quarterly Newsletter

What's Your Money Script?



Money is power. A fool and his money are soon parted. A penny saved is a penny earned. Money is the root of all evil.

Do any of these expressions ring true for you?

As it turns out, the money beliefs our families espoused while we were growing up may have a profound effect on how we behave financially today — and may even influence our financial success.

Beliefs drive behaviors

In 2011, *The Journal of Financial Therapy* published a study by financial psychologist Brad Klontz et al., that gauged the reactions of 422 individuals to 72 money-related statements.¹ Examples of such statements include:

- There is virtue in living with less money
- Things will get better if I have more money
- Poor people are lazy
- It is not polite to talk about money

Based on the findings, Klontz was able to identify four "money belief patterns," also known as "money scripts," that influence how people view money. Klontz has described these scripts as "typically unconscious, trans-generational beliefs about money" that are "developed in childhood and drive adult financial behaviors."² The four categories are:

1. Money avoidance: People who fall into this category believe that money is bad and is often a source of anxiety or disgust. This may result in a hostile attitude toward the wealthy. Paradoxically, these people might also feel that all their problems would be solved if they only had more money. For this reason, they may unconsciously sabotage their own financial efforts while working extra hours just to make ends meet.

2. Money worship: Money worshippers believe that money is the route to true happiness, and one can never have enough. They feel that they will never be able to afford everything they want. These people may shop compulsively, hoard their belongings, and put work ahead of relationships in the ongoing quest for wealth.

3. Money status: Similar to money worshippers, these people equate net worth with self-worth, believing that money is the key to both happiness and power. They may live lavishly in an attempt to keep up with or even beat the Joneses, incurring heavy debt in the process. They are also more likely than those in other categories to be compulsive gamblers or to lie to their spouses about money.

4. Money vigilance: Money vigilants are cautious and sometimes overly anxious about money, but they also live within their means, pay off their credit cards every month, and save for the future. However, they risk carrying a level of anxiety so high that they cannot enjoy the fruits of their labor or ever feel a sense of financial security.

Awareness is the first step

According to Klontz's research, the first three money scripts typically lead to destructive financial behaviors, while the fourth is the one to which most people would want to aspire. If you believe you may fit in one of the self-limiting money script categories, consider how experiences in your childhood or the beliefs of your parents or grandparents may have influenced this thinking. Then do some reality-checking about the positive ways to build and manage wealth. As in other areas of behavioral finance and psychology in general, awareness is often the first step toward addressing the problem.

¹ "Money Beliefs and Financial Behaviors," *The Journal of Financial Therapy*, Volume 2, Issue 1

² Financial Planning Association, accessed October 24, 2017





Don't Delay: The Potential Benefits of Starting to Save Now

For long-term investment goals such as retirement, time can be one of your biggest advantages. That's because time allows your investment dollars to do some of the hard work for you through a mathematical principle known as compounding.

The snowball effect

The premise behind compounding is fairly simple. You invest to earn money, and if those returns are then reinvested, that money can also earn returns.

For example, say you invest \$1,000 and earn an annual return of 7% — which, of course, cannot be guaranteed. In year one, you'd earn \$70 and your account would be worth \$1,070. In year two, that \$1,070 would earn \$74.90, which would bring the total value of your account to \$1,144.90. In year three, your account would earn \$80.14, bringing the total to \$1,225.04 — and so on. Over time, if your account continues to grow in this manner, the process can begin to snowball and potentially add up.

Time and money

Now consider how compounding works over long time periods using dollar-cost averaging (investing equal amounts at regular intervals), a strategy many people use to save for retirement.¹ Let's say you contribute \$120 every two weeks. Assuming you earn a 7% rate of return each year, your results would look like this:

Time period	Amount invested	Total accumulated
10 years	\$31,200	\$45,100
20 years	\$62,400	\$135,835
30 years	\$93,600	\$318,381

After 10 years, your investment would have earned almost \$14,000; after 20 years, your money would have more than doubled; and after 30 years, your account would be worth more than three times what you invested.² That's the power of compounding at work. The longer you invest and allow the money to grow, the more powerful compounding can become.

The cost of waiting

Now consider how much it might cost you to *delay* your investing plan. Let's say you set a goal of accumulating \$500,000 before you retire. The following scenarios examine how much you would have to invest on a monthly basis, assuming you start with no money and earn a 7% annual rate of return (compounded monthly).

Time frame to retirement	40 years	35 years	30 years	25 years
Retirement accumulation goal	\$500,000	\$500,000	\$500,000	\$500,000
Annual rate of return	7%	7%	7%	7%
Monthly contribution needed	\$190	\$278	\$410	\$617

So the less time you have to pursue your goal, the more you will likely have to invest out of pocket. The moral of the story? Don't put off saving for the future. Give your investment dollars as much time as possible to do the hard work for you.

¹ Dollar-cost averaging does not ensure a profit or prevent a loss. It involves continuous investments in securities regardless of fluctuating prices. You should consider your financial ability to continue making purchases during periods of low and high price levels. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Review your progress periodically and be prepared to make adjustments when necessary.

² Assumes 26 contributions per year, compounded bi-weekly.

These hypothetical examples are used for illustrative purposes only and do not represent the performance of any specific investment. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary. Rates of return will vary over time, particularly for long-term investments. Investments with the potential for higher rates of return also carry a greater degree of risk of loss.





It's Time for Baby Boomer RMDs!



In 2016, the first wave of baby boomers turned 70½, and many more reach that milestone in 2017 and 2018. What's so special about 70½? That's the age when you must begin taking required minimum distributions (RMDs) from tax-deferred retirement accounts, including traditional IRAs, SIMPLE IRAs, SEP IRAs, SARSEPs, and 401(k), 403(b), and 457(b) plans.

In 2016, the first wave of baby boomers turned 70½, and many more reach that milestone in 2017 and 2018. What's so special about 70½? That's the age when you must begin taking required minimum distributions (RMDs) from tax-deferred retirement accounts, including traditional IRAs, SIMPLE IRAs, SEP IRAs, SARSEPs, and 401(k), 403(b), and 457(b) plans. Original owners of Roth IRAs are not required to take RMDs.

If you're still employed (and not a 5% owner), you may be able to delay minimum distributions from your current employer's plan until after you retire, but you still must take RMDs from other tax-deferred accounts (except Roth IRAs). The RMD is the smallest amount you must withdraw each year, but you can always take more than the minimum amount.

Failure to take the appropriate RMD can trigger a 50% penalty on the amount that should have been withdrawn — one of the most severe penalties in the U.S. tax code.

Distribution deadlines

Even though you must take an RMD for the tax year in which you turn 70½, you have a one-time opportunity to wait until April 1 (not April 15) of the following year to take your first distribution. For example:

- If your 70th birthday was in May 2017, you turned 70½ in November and must take an RMD for 2017 no later than April 1, 2018.
- You must take your 2018 distribution by December 31, 2018, your 2019 distribution by December 31, 2019, and so on.

IRS tables

Annual RMDs are based on the account balances of all your traditional IRAs and employer plans as of December 31 of the previous year, your current age, and your life expectancy as defined in IRS tables.

Most people use the Uniform Lifetime Table (Table III). If your spouse is more than 10 years younger than you and the sole beneficiary of your IRA, you must use the Joint Life and Last Survivor Expectancy Table (Table II). Table I is for account beneficiaries, who have different RMD requirements than original account owners. To calculate your RMD, divide the value of each retirement account balance as of December 31 of the previous year by the distribution period in the IRS table.

Aggregating accounts

If you own multiple IRAs (traditional, SEP, or SIMPLE), you must calculate your RMD separately for each IRA, but you can actually withdraw the required amount from any of your accounts. For example, if you own two traditional IRAs and the RMDs are \$5,000 and \$10,000, respectively, you can withdraw that \$15,000 from either (or both) of your accounts.

Similar rules apply if you participate in multiple 403(b) plans. You must calculate your RMD separately for each 403(b) account, but you can take the resulting amount (in whole or in part) from any of your 403(b) accounts. But RMDs from 401(k) and 457(b) accounts cannot be aggregated. They must be calculated for each individual plan and taken only from that plan.

Also keep in mind that RMDs for one type of account can never be taken from a different type of account. So, for example, a 401(k) required distribution cannot be taken from an IRA. In addition, RMDs from different account owners may never be aggregated, so one spouse's RMD cannot be taken from the other spouse's account, even if they file a joint tax return. Similarly, RMDs from an inherited retirement account may never be taken from accounts you personally own.

Birthday Guide: This chart provides sample RMD deadlines for older baby boomers.

Month & year of birth	Year you turn 70½	First RMD due	Second RMD due
Jan. 1946 to June 1946	2016	April 1, 2017	Dec. 31, 2017
July 1946 to June 1947	2017	April 1, 2018	Dec. 31, 2018
July 1947 to June 1948	2018	April 1, 2019	Dec. 31, 2019
July 1948 to June 1949	2019	April 1, 2020	Dec. 31, 2020
July 1949 to June 1950	2020	April 1, 2021	Dec. 31, 2021



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How can I protect myself from digital deception?

Imagine that you receive an email with an urgent message asking you to verify your banking information by clicking on a link. Or maybe you get an enticing text message claiming that you've won a free vacation to the destination of your choice — all you have to do is click on the link you were sent. In both scenarios, clicking on the link causes you to play right into the hands of a cybercriminal seeking your sensitive information. Just like that, you're at risk for identity theft because you were tricked by a social engineering scam.

Social engineering attacks are a form of digital deception in which cybercriminals psychologically manipulate victims into divulging sensitive information. Cybercriminals "engineer" believable scenarios designed to evoke an emotional response (curiosity, fear, empathy, or excitement) from their targets. As a result, people often react without thinking first due to curiosity or concern over the message that was sent. Since social engineering attacks appear in many forms and appeal to a variety of emotions, they can be especially difficult to identify.

Take steps to protect yourself from a social engineering scam. If you receive a message conveying a sense of urgency, slow down and read it carefully before reacting. Don't click on suspicious or unfamiliar links in emails, text messages, and instant messaging services. Hover your cursor over a link before clicking on it to see if it will bring you to a real URL. Don't forget to check the spelling of URLs — any mistakes indicate a scam website. Also be sure to look for the secure lock symbol and the letters *https*: in the address bar of your Internet browser. These are signs that you're navigating to a legitimate website.

Never download email attachments unless you can verify that the sender is legitimate. Similarly, don't send money to charities or organizations that request help unless you can follow up directly with the charitable group.

Be wary of unsolicited messages. If you get an email or a text that asks you for financial information or passwords, do not reply — delete it. Remember that social engineering scams can also be used over the phone. Use healthy skepticism when you receive calls that demand money or request sensitive information. Always be vigilant and think before acting.



Is the Social Security Administration still mailing Social Security Statements?

Your Social Security Statement provides important information about your Social Security record and future benefits. For several years, the Social Security Administration (SSA) mailed these statements every five years to people starting at age 25, but due to budgetary concerns, the SSA has stopped mailing Social Security Statements to individuals under age 60.

Workers age 60 and over who aren't receiving Social Security benefits will still receive paper statements in the mail, unless they opt to sign up for online statements instead. If you're age 60 or older, you should receive your statement every year, about three months before your birthday. The SSA will mail statements upon request to individuals under age 60.

However, the quickest way to get a copy of your Social Security Statement is to sign up for a *my* Social Security account at the SSA website, ssa.gov. Once you've signed

up, you'll have immediate access to your statement, which you can view, download, or print. Statement information generally includes a projection of your retirement benefits at age 62, at full retirement age (66 to 67), and at age 70; projections of disability and survivor benefits; a detailed record of your earnings; and other information about the Social Security program.

The SSA has recently begun using a two-step identification method to help protect *my* Social Security accounts from unauthorized use and potential identity fraud. If you've never registered for an online account or haven't attempted to log in to yours since this change, you will be prompted to add either your cell phone or email address as a second identification method. Every time you enter your account username and password, you will then be prompted to request a unique security code via the identification method you've chosen, and you need to enter that code to complete the log-in process.

