BEDEL FINANCIAL CONSULTING, INC.

Financial Planning and Investment Management

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Planning for the Generations

By: Elaine Bedel, CFP®
President and CEO

There are multiple reasons to do your financial planning with your children and grandchildren in mind. Maximizing the transfer amount by minimizing taxes is the first reason that generally comes to mind. That's important, but there are many other tangible and intangible reasons for including them in the financial planning process.

Your retirement plans. If it's unlikely you will deplete your retirement funds, it may be appropriate to convert your Traditional IRA funds to a Roth IRA. This conversion will result in you paying the income tax on funds that your children will end up spending. If your children are in a higher tax bracket, the tax-free accumulation will definitely be a benefit.

Family loans to younger generations. Making family loans to children or grandchildren can be a win-win situation. You are required to charge a minimum interest rate based on IRS provisions. When that rate is less than a financial institution is charging on loans, but more than you are earning on a certificate of deposit or money market savings account, it can help both you and your family member.

Investing with your heirs in mind. To protect your own financial security, you must determine the amount of your assets that are necessary to meet your needs throughout retirement. Those assets need to be invested with safety in mind. However, the excess may be viewed as the investments your children would inherit. Therefore, the investment strategy for this portion of your portfolio can be invested with your children's or grandchildren's needs in mind. Generally speaking, funds that will be invested for the long-term should be invested for growth.

Sharing values through charitable giving. If you find your portfolio is more than necessary to meet your personal needs, another strategy you might consider is establishing a charitable foundation or donor-advised fund. You will enjoy tax deductions on the money you contribute, but the real beauty of this strategy is your ability to include your children and/or grandchildren in distribution decisions. This experience is a proven way to pass along your values regarding "giving back" to your community and start them thinking in the same manner.

Annual family gifting versus complex trusts. If your financial situation allows you to gift assets to your children or grandchildren each year, consider the needs of each of them. Being "fair" means being "equal" in the minds of some parents. If one sibling needs assistance with a down payment, what do you do for the others to equalize the situation? Sometimes outright gifts are not appropriate if another sibling is not a responsible money manager or has other issues that would make cash a detriment rather than a blessing. A trust arrangement may allow you to meet your objectives while protecting those you love.

Creating a solid financial foundation. While you may have managed your lifestyle and your debt to avoid big mistakes, has the next generation been as successful? It is generally never appealing to pass assets to heirs who have overwhelming credit card debt, low credit scores, and a demonstrated inability to save money. Without a solid financial foundation, any inheritance would likely only pay off existing debt, bringing him/her back to even, at best.

If this is your current situation, perhaps your dollars would be best spent by getting your heirs started with their own financial planning. Helping the next generation to understand the importance of planning and getting their financial house in order may allow them to enjoy an inheritance from you in the same responsible manner that you lived your life.

Sharing financial resources and family values with the next generation or two must be done with intention and purpose. A well-thought-out plan can benefit you now as well as establish a sense of legacy with your family members.

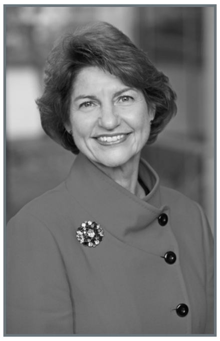
Contact Elaine if you have questions or would like additional information regarding this topic.

Congratulations to Elaine Bedel on her October induction into The Indiana Academy in recognition of her lifetime of exemplary achievement and contribution to the advancement of Indiana and its citizens.

In This Issue

From Elaine

Putting Election Anxiety In Perspective



I am writing this before the November 8th election. As you read this letter, you'll know the results. Whatever the outcome, most Americans agree this is the most contentious campaign season in memory. Even so, voting continues to be the greatest privilege of a free and democratic society. Whichever candidate has been elected to serve will have influence over policies, but will need to collaboratively work with other branches of government. My great hope is that everyone involved will strategize together to bring forth the best ideas. Still, all things considered, the United States remains the best country in the world!

No matter if it's "Mr. President" or "Madam President," life—and Bedel Financial—will march on. At year's end, Bedel Financial will have been in business for 28 years. I find that amazing! It seems like only yesterday that I first opened the doors, playing every role in the company all by myself! Now we have 22 employees—Wealth Advisor, Sarah Mahaffa, CFP®, our most recent hire, joined our Financial Planning Team in October. We actively manage nearly $1 billion dollars for our clients. Even more astonishing is that our growth has been "organic." All our clients have selected us, and are not the result of acquisitions or mergers with other firms.

This makes us one of the larger independent wealth management firms in our industry, and places us among the top 25 women-owned firms in the nation. Less than 25 percent of financial advisors are women, and female owners are even more rare. At a recent Schwab IMPACT conference, conversation focused on this lack of female participation. However, here at Bedel, our numbers are far better than the national average. Six of our eight Financial Planning staff are women!

Speaking of numbers, the countdown to the holidays is approaching. Many of you are already thinking about giving. In this issue, we've provided some insightful information on that topic. Our Feature identifies different ways to provide for children and grandchildren, while our Q&A offers information on how to approach charitable gift funds. GenNext focuses on why it's so important for millennials, in particular, to become financially literate. Finally, our Industry News article features ways to keep your investments safe from cyber-fraud.

It's been an unusual year. Hopefully the fireworks will soon fizzle and we can focus on other things. We wish you a wonderful holiday season with your family and friends and an awe-inspiring 2017!

Happy holidays,

Elaine

Elaine E. Bedel, CFP®

Be sure to find us on Social Media!

Industry News

Cyber Security & How to Protect Your Investment Accounts

By: Austin Stagman
Investment Analyst

Without a doubt, technology has made all of our lives easier. However, this increased use of technology gives hackers and thieves new ways to steal your personal information—without even breaking into your home! The good news is that custodians have steps in place to secure your information. And you can take additional steps to decrease the possibility you'll become a victim.

What protection do you already have?
Custodians of assets take protecting your information very seriously. Schwab and Fidelity, two custodians Bedel Financial uses, take it a step further. If you are a victim of identity theft, they have their own security guarantees. Schwab will cover 100 percent of losses in any of your Schwab accounts due to unauthorized activity. Similarly, Fidelity will reimburse your losses from unauthorized activity in covered accounts, as long as they occur through no fault of your own.

Bedel Financial has additional security measures. We use sophisticated electronic barriers on all of our computer systems to help prevent unauthorized access. Those barriers include three levels of firewall protection, along with anti-virus and spyware filtering that's updated multiple times daily. We also provide a client vault (My BFC Keeper) for all clients who wish to participate. My BFC Keeper is fully encrypted and allows clients to securely share information. All communications go through a secure channel that's encrypted with keys embedded in the private certificate.

How to protect yourself
Here are some simple steps you can take to help protect yourself and your investment accounts:

- Be stingy when providing personal information. If you receive an email requesting personal details, be cognizant of who it is coming from and why they might request such information. Fraudulent emails may appear to be from your financial institution and ask you for specific account details. Don't share your private information through an un-secure source. If you receive an email like this, contact your financial institution to authenticate the email.

- Be mindful of any unknown links or attachments in an email.They could contain viruses that steal information.

- Be conscious of information you input or share on public computers. Hackers can install software on public computers that can steal or save the information you enter. Avoid inputting anything you don't want the public to know, such as account numbers.

- Keep a close eye on your financial accounts. Check them frequently to help identify fraudulent transactions. The earlier you spot it, the more easily it can be resolved.

- Change your passwords often. Although it's a pain to remember all your passwords, it's the easiest way to prevent someone from getting into your accounts.

Anytime your information becomes vulnerable, problems can occur. We urge you to take these steps, as well as others, to protect yourself and your investment accounts from fraud.

Contact Austin if you have questions or would like additional information regarding this topic.

GenerationNeXt

Millennials and Financial Literacy

By: Kate Arndt
Financial Planning Coordinator

Studies have shown that Americans do not have a high level of financial literacy. Furthermore, millennials have been identified as the subgroup with the weakest proficiency. According to a recent PricewaterhouseCoopers study, only 8 percent of millennials have a high understanding of basic financial concepts.

Every day we make decisions that impact our personal finances. Understanding the implications of those decisions is difficult when you don't fully grasp the concept to begin with. Financial literacy is directly related to financial independence. And what millennial doesn't want financial independence?

What is financial literacy?
Investopedia.com defines financial literacy as the ability to manage personal finance matters in an efficient manner. It includes areas such as investing, insurance, real estate, college funding, budgeting, retirement and tax planning. Being financially literate means making informed decisions and realizing that every decision comes with a consequence.
Not sure where you fall on the financial literacy scale? Financial Industry Regulatory Authority (FINRA) recently conducted a national study on financial literacy. It consisted of a quiz covering important financial topics such as compound interest and inflation. FINRA now offers the five-question quiz on its website. If you fall short of 100 percent, you're not alone. Indiana participants have posted an average score of 3.19, or 63.8%, which barely edges out the national average of 3.16. On most grading scales this merits a D!

A unique generation
Millennials are an interesting group for a number of reasons. Their lifestyles depict a new type of financial picture. Millennials are more likely to postpone moving out of their parents' homes and to delay marriage. Trends like these have a significant impact on their financial status.

Millennials are the most college-educated generation, with 34 percent having a minimum of a bachelor's degree. On the flipside, they also have the most college debt. According to Student Loan Hero, the average 2016 college graduate owes $37,172 in college debt. And millennials have the lowest credit scores, according to credit provider, Experian. Those two facts combined make it easy to see why a lack of financial literacy is an alarming issue for this generation.

Knowledge is power
What steps can you take to improve your financial literacy? First of all, start now. The earlier you can understand intimidating topics such as mortgages, taxes and social security, the better. There are many resources that promote and teach financial literacy. Do as millennials do and pick up your smartphone! Apps like Mint can categorically track your spending and help you understand the budgeting process. Parents are an often overlooked resource. They have years of valuable experience in budgeting, saving for retirement and paying off a mortgage. You might as well benefit from it!

Contact Kate if you have questions or would like additional information regarding this topic.

Q&A

Charitable Gift Funds

By: Meredith Carbrey, CFP®
Wealth Advisor

Are you interested in simplifying your charitable giving? Or, perhaps you want to reduce your tax liability in a high income year. Do you have high-value, low-basis stock that you intend to give to charities over a number of years? If so, a charitable gift fund may be the perfect tool to help you accomplish these and other goals. Here's what you need to know to get started.

Q: How does a charitable gift fund work?

A: A charitable gift fund is an account to which you can contribute cash or appreciated securities. The investments can be maintained in the account or sold, and the proceeds reinvested. At your request, the administrator will send a check from your charitable gift fund to qualified charities. Once your charitable gift account is established, you can distribute funds from the account during the initial year or any future year—as long as there are funds in the account.

Q: What is the tax benefit?

A: You will receive a charitable deduction on Schedule A of your federal tax return each year you make a contribution to your charitable gift account. In addition, you will not have to pay any capital gain tax on appreciated securities sold in the charitable gift account. However, since you receive a charitable deduction in the year you contribute cash or securities to the charitable gift account, you will not receive a charitable deduction when funds are distributed to charities.

Q: What are the minimum amounts?

A: While requirements may differ, the minimum initial contribution to a charitable gift fund is generally $5,000. Once the fund is established, subsequent contributions can be for any amount. All contributions are irrevocable. In most cases, each gift that you direct to qualified charities must be $50 or more. A typical annual maintenance fee for a charitable gift fund is 0.65% of the fund's market value or $100, whichever is greater.

Q: I'm 70.5 or older. Can I contribute a qualified charitable distribution from my IRA to my gift fund?

A: No. All qualified charitable distributions from your IRA must be sent directly to the charitable organization.

Q: How can a charitable gift fund simplify my charitable giving?

A: If you make multiple charitable gifts each year, you are required to enter information on Schedule A for each contribution. By establishing a charitable gift fund, you make one contribution to the fund and then distribute gifts to multiple charities from the gift fund. In this situation, only your contribution to your charitable gift fund is recorded on your Schedule A.

Contact Meredith if you have questions or would like additional information regarding this topic.

- **We'd like to extend a warm welcome to our newest team member, Sarah Mahaffa, CFP®. She has joined the Financial Planning Team as a Wealth Advisor. We're happy to have her with us!**
- **Congratulations to Abby VanDerHeyden, Financial Planning Coordinator, for earning her CFP® certification. We're proud of all your hard work in earning this prestigious designation!**

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Corporate Calendar

Bedel Financial Consulting will be closed for business on the upcoming days:

Nov. 24	Thanksgiving Day
Nov. 25	Day After Thanksgiving
Dec. 26	Christmas Day
Jan. 2	New Year's Day

Please remember that past performance may not be indicative of future results. You should not assume that any information or any corresponding discussions serves as the receipt of, or as a substitute for, personalized investment advice from Bedel Financial Consulting, Inc. Portfolio Managers. The opinions expressed are those of Bedel Financial Consulting, Inc. and are subject to change at any time due to changes in market or economic conditions.

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