PERSONAL FINANCE

Military Families Learning Network

2018 Personal Finance Year in Review

Thanks for joining us! We will get started soon.
While you're waiting you can get handouts, etc. by following the link below.

militaryfamilieslearningnetwork.org/events/22904

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This material is based upon work supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, and the Office of Military Family Readiness Policy, U.S. Department of Defense under Award Number 2015-48770-24368.

MILITARY FAMILIES LEARNING NETWORK

Connecting military family service providers
and Cooperative Extension professionals to research
and to each other through engaging online learning opportunities

militaryfamilieslearningnetwork.org

U.S. Department of Defense

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PERSONAL FINANCE
Military Families Learning Network

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Moneytalk & Money Moment Podcasts

Military Families Learning Network

Today's Presenter

Dr. Barbara O'Neill

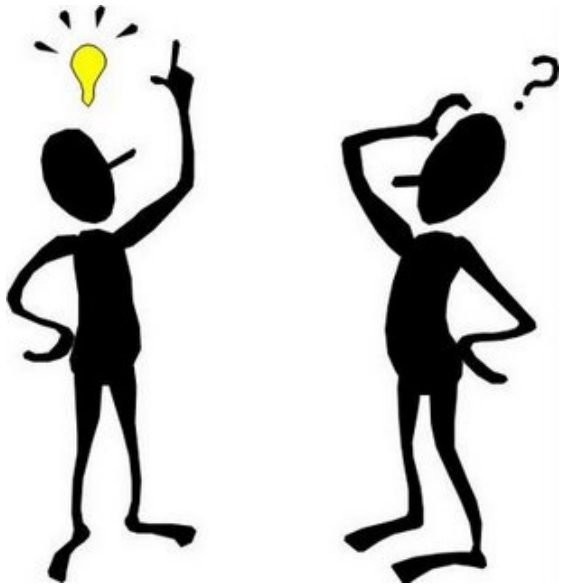
- Rutgers Cooperative Extension's Specialist in Financial Resource Management
- Outreach Coordinator for the Personal Finance concentration area of the Military Families Learning Network

Webinar Objectives

Present a 2018 **"Financial Year in Review"**

- Key findings from 2018 personal finance research studies
- Key findings from 2018 government data
- Key 2018 financial events and trends and products
- Key government legislation/policies affecting personal finances
- New or revised financial education resources in 2018
- Preview of expected 2019 personal finance changes
- Key take-aways of 2018 events for financial practitioners

Q1: What do you think was the MOST significant personal finance event of 2018?

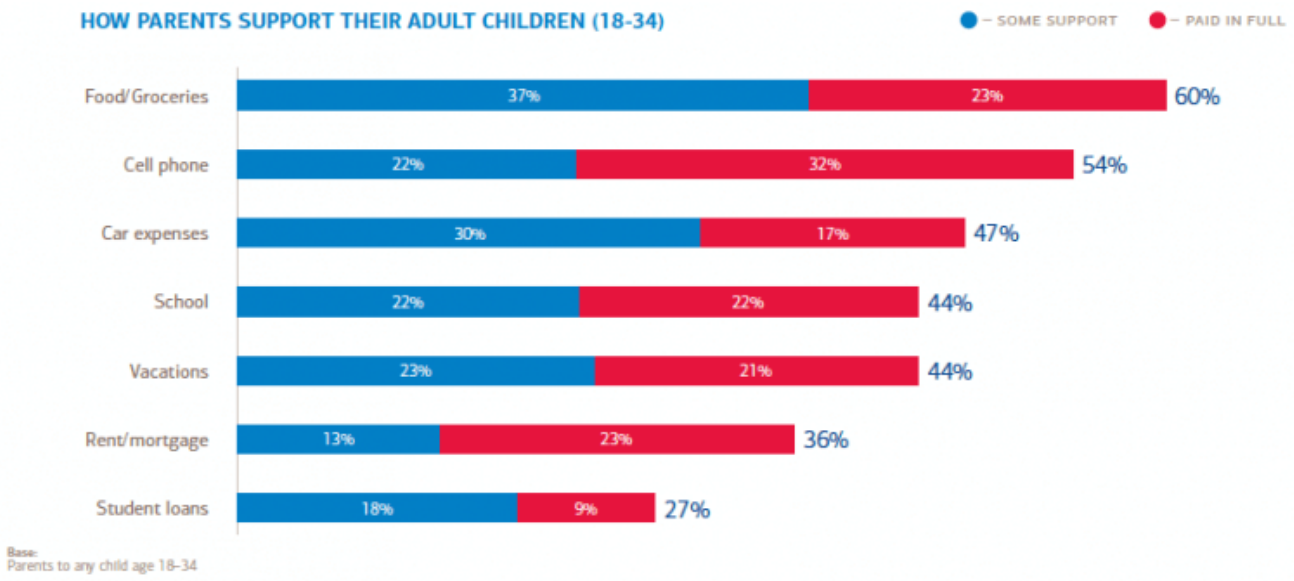


Key Findings from 2018 Personal Finance Research Studies

Image via mohamed_hassan / 3754 images, pixabay.com, CC0

Support to Adult Children

10/18 Study: 4 out of 5 parents provide some type of financial support to adult children; spend twice as much on them as they do saving for retirement



https://www.nextavenue.org/parents-support-adult-kids/
https://www.businesswire.com/news/home/20181002005253/en/Parents-Spend-Adult-Children-Save-Retirement-Merrill
https://www.usatoday.com/story/money/2018/10/02/retirement-help-grown-kids-financially-without-draining-savings/1489172002/

2018 Retirement Confidence Survey

- 4 in 5 workers with a DC plan are interested in guaranteed lifetime income options
- 64% of workers reported that they or their spouse had saved any money for retirement
- Among savers, 45% reported that total value of savings was < $25,000 (26% have < $1,000)
- 38% reported that they or their spouse calculated what they need to save

https://www.ebri.org/pdf/surveys/rcs/2018/2018RCS_Report_V5MGAchecked.pdf

https://www.ebri.org/pdf/surveys/rcs/2018/RCS_18.FS-3_Prep.pdf

The Power of Working Longer

- 7/18 article: “Once the average earner reaches their 50s, substantially increasing sustainable retirement resources by saving more has a significantly smaller impact than working longer does.”

- Working 3 to 4 years longer can increase sustainable retirement resources by 24% to 33%

rawpixel/Pixabay.com, CC0

AAII
AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS®

https://www.aaii.com/journal/article/increasing-your-retirement-resources-the-power-of-working-longer

The Impact of Retirement Income Illustrations

- LIMRA Secure Retirement Institute study: showing projected monthly retirement income increases savings plan contributions
- 48% of plan participants increased their contributions as a result of seeing their estimated monthly income (55% increase for millennials)

http://blog.retireready.com/showing-projected-monthly-retirement-income-increases-plan-contributions

https://www.limra.com/Posts/PR/Industry_Trends_Blog/More_Than_Half_of_All_U_S__Workers_Have_Difficulty_Understanding_Retirement_Savings_in_Terms_of_Future_Monthly_Income.aspx

Social Security Benefit Claiming

- Center for Retirement Research Study (online experiment): husbands do not seem to consider the prospective drop in income experienced by their widows when choosing a SS claiming age

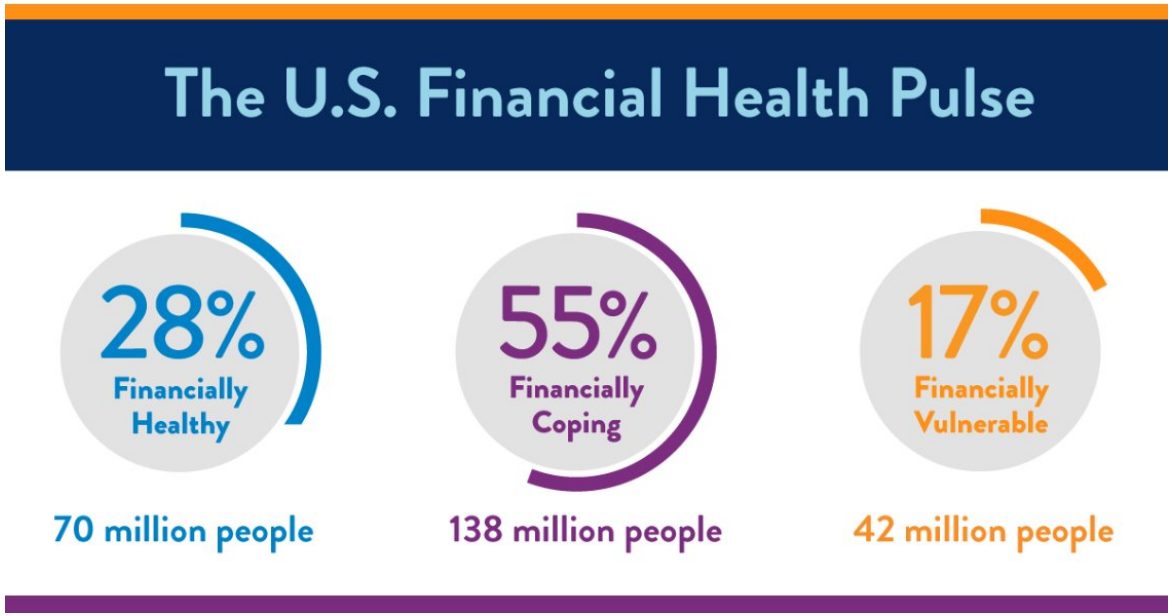
- Simple information interventions that highlight the likelihood and consequences of widowhood may be insufficient to change claiming intentions of husbands

- Speaks to public policy need to “decouple” survivor benefits from husband’s claiming age

http://crr.bc.edu/wp-content/uploads/2018/10/wp_2018-12.pdf

CFSI Financial Health Study (11/18)

- Only 28% of Americans are Financially Healthy
- 45% have sufficient liquid savings
- 37% have sufficient long-term savings



https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2018/11/01021056/Pulse-2018BenchmarkingStudy-Final-web.pdf

Key Findings from 2018 Government Data

3.6 Million College Grads Living in Poverty (U.S. Census)

"A college degree is generally a good bet, but it's not enough to protect you from poverty"

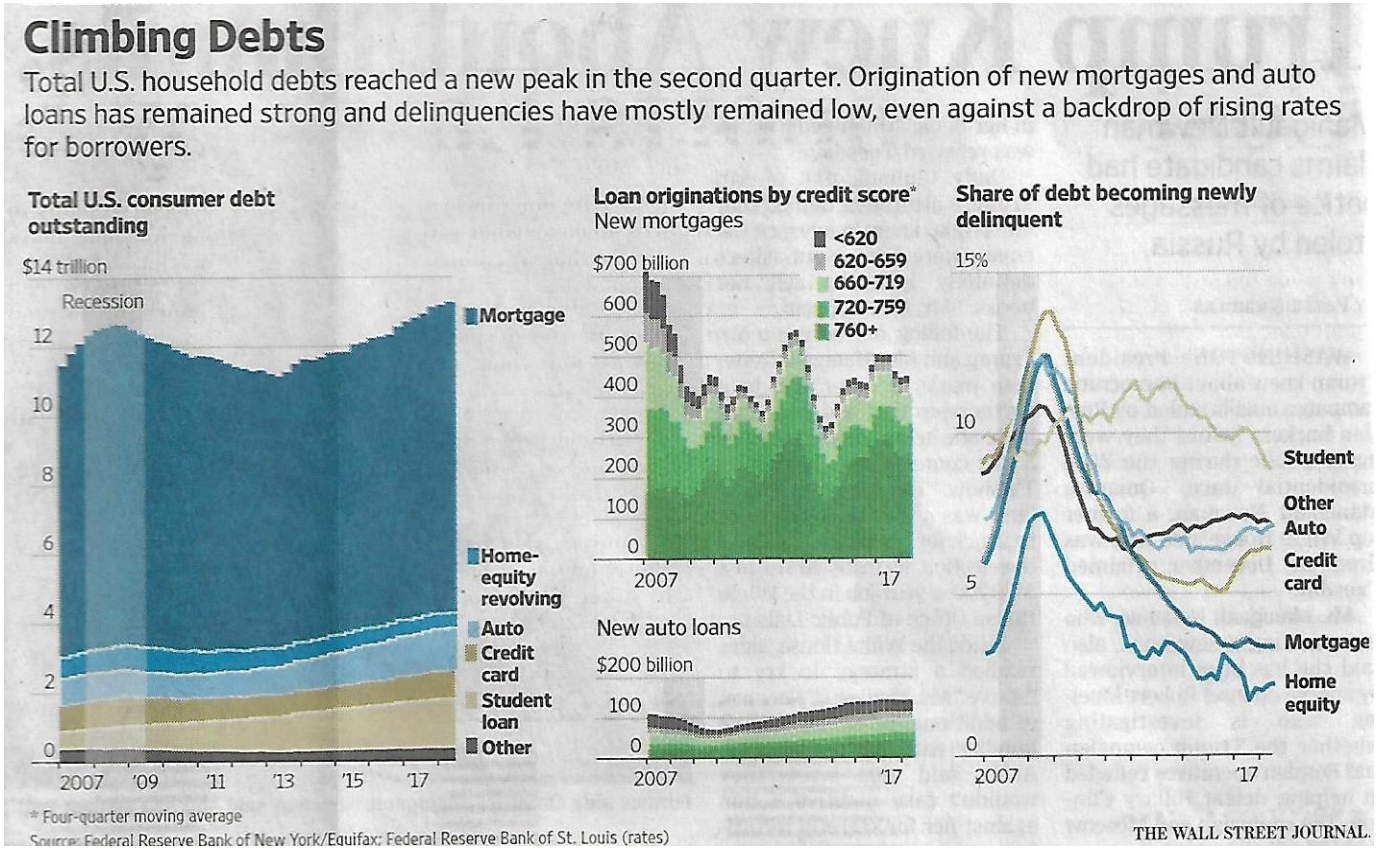
Possible reasons:

1. Larger supply of college graduates
2. explosion in for-profit college enrollment
3. increased diversity in people attending college
4. general labor market trends

https://www.marketwatch.com/story/there-are-36-million-college-graduates-living-in-poverty-2018-09-12

Household Borrowing (Federal Reserve)

- Record $13.3 trillion in U.S. consumer debt in second quarter, 2018
- Total debt is now higher than before the financial crisis



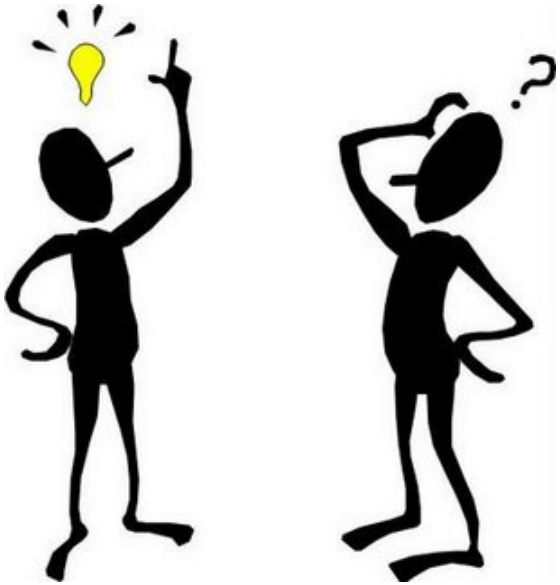
https://www.wsj.com/articles/household-borrowing-reaches-record-13-3-trillion-as-rising-rates-have-yet-to-bite-1534258838

Federal Reserve SHED Study

- 3 in 10 adults has a family income that varies from month to month
- 3 in 10 adults participated in the gig economy
- 4 in 10 adults, if faced with an unexpected $400 expense, would either not be able to cover it or would cover it by borrowing money or selling something
- Less than 2/5 of non-retired adults think that their retirement savings are on track
- 1 in 4 non-retired adults have no retirement savings or pension whatsoever

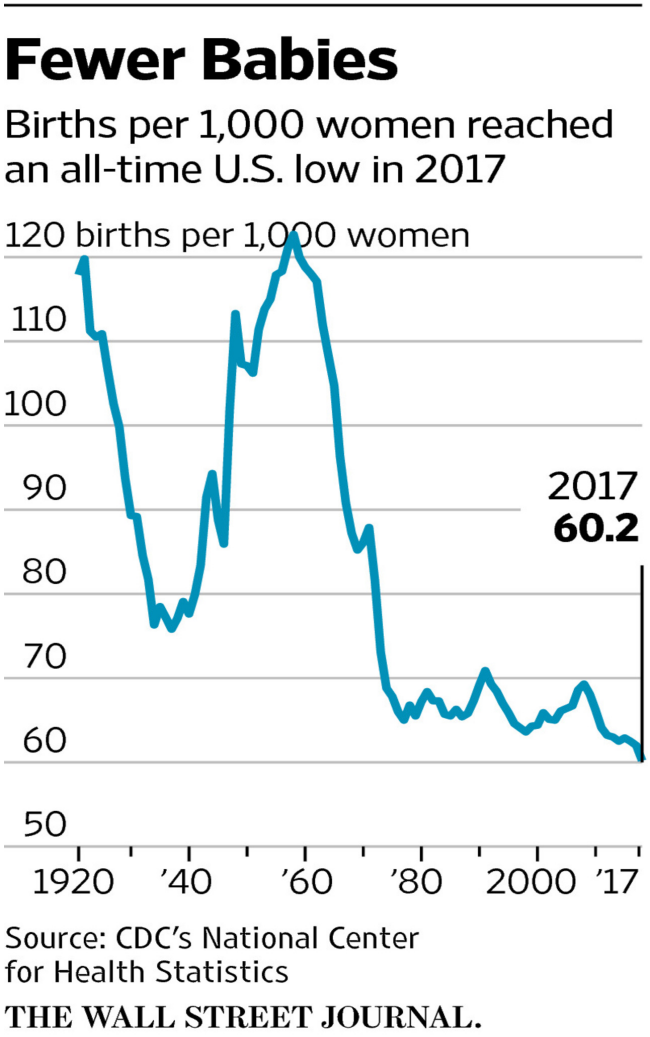
https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf

Q2: Any other interesting 2018 research results that you remember?



Key 2018 Financial Events, Trends, and Products

Lowest U.S. Birth Rate on Record- EVER!

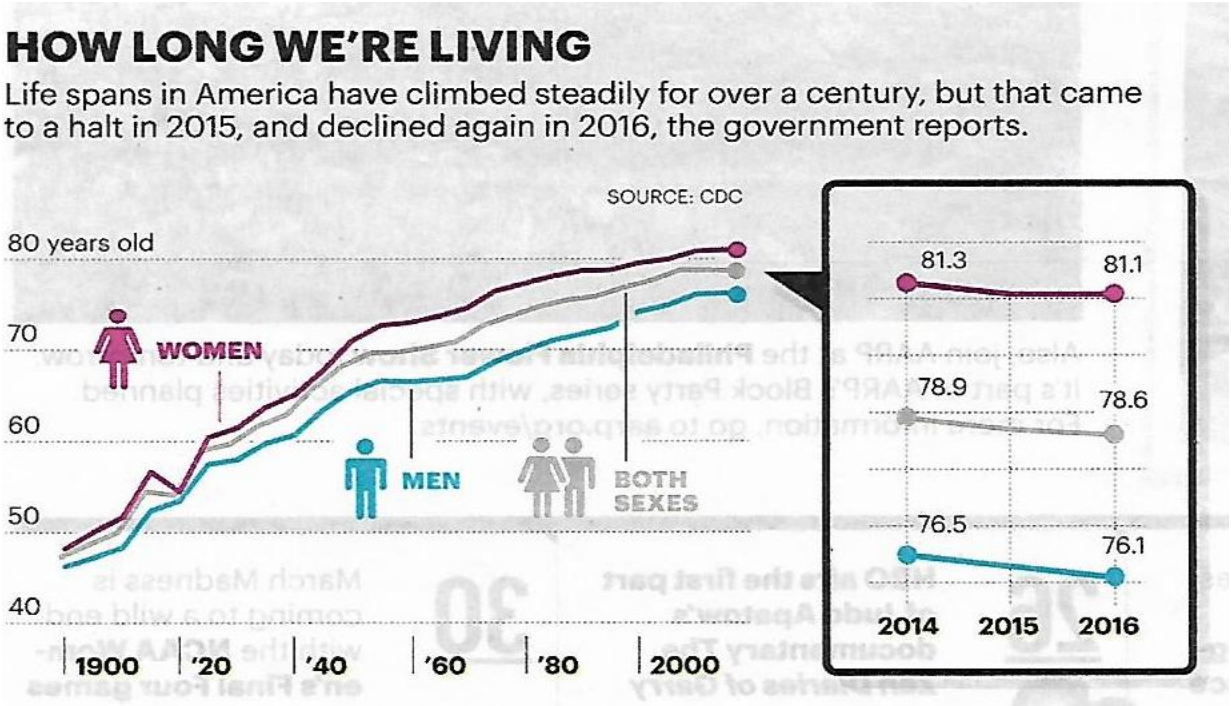


"The figures suggest that a number of women who put off having babies after the 2007-09 recession are forgoing them altogether."

https://www.wsj.com/articles/u-s-births-hit-lowest-number-since-1987-1526529661

Declining Life Expectancy

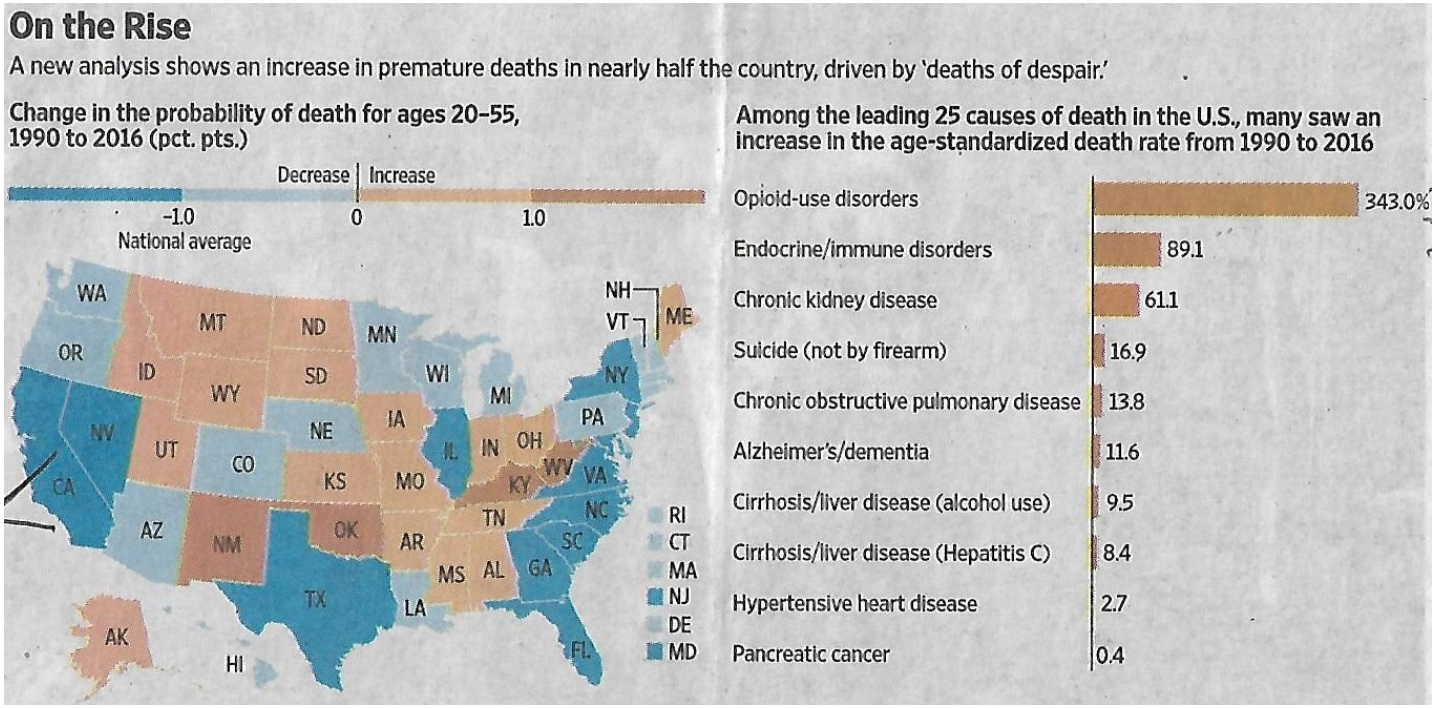
- Overall, aging trends moved downward
- Exception: older women age 65+ (+20.6 years at 65); older men unchanged (+18 years at 65)
- Increase in drug deaths among younger adults contributed to drop in overall U.S. life expectancy



Life Spans of Older Women Tick Up Again, *AARP Bulletin*. March 2018, 59(2).

Increased "Deaths of Despair"

- Increase in premature deaths in nearly half the country (rates rose in 21 states)
- "Years of life lost" due to drug overdoses, suicides, and diabetes



https://www.wsj.com/articles/how-death-strikes-around-the-u-s-1523372401

Disabilities Study (8/18)

- CDC Study: One in four non-institutionalized U.S. adults (61.4 million persons) reported a disability
- Six disability types were studied. Mobility was most prevalent disability (13.7%) followed by cognition (10.8%), independent living (6.8%), hearing (5.9%), vision (4.6%), and self-care (3.7%)
- The prevalence of any disability was higher among older adults

https://www.cdc.gov/mmwr/volumes/67/wr/mm6732a3.htm

"Wannabe" Baby Boomer Grandparents and Home Sellers

- U.S. birthrate dropped to an all-time low
- The only cohort with an uptick is women over 35
- Reasons: long-lasting financial insecurity, cash flow
- Affects baby boomers are looking to cash out equity

Boomer Seller: *The town has great schools.*

Millennial Buyer: *I don't have kids.*

Boomer Seller: *The house has three bedrooms. My husband and I have enjoyed it for years.*

Millennial Buyer: *I live alone...with my dog.*

Boomer Seller: *Well, there is a big, wonderful yard for your dog to play in.*

Millennial Buyer: *It's a very small dog.*

https://www.forbes.com/sites/josephcoughlin/2018/06/11/millennials-arent-having-kids-heres-why-thats-a-problem-for-baby-boomer-real-estate-retirement/#6aedc0ed2058

Sobering Quote

rudyanderson/Pixabay.com, CC0

"The plans of many Boomers to downsize to a downtown area, transplant themselves to a beach or golf community or even to buy into a continuing care retirement community may have to be put on hold – a curious ripple effect in which the lengthening of one life stage for one generation leads to a delay in a life transition for a different generation."

https://www.forbes.com/sites/josephcoughlin/2018/06/11/millennials-arent-having-kids-heres-why-thats-a-problem-for-baby-boomer-real-estate-retirement/#6aedc0ed2058

Lowest "Unbanked" Level EVER

- Record low number of Americans without a bank account (since 2009 FDIC survey)
- In 2017, 6.5% of U.S. households (14.1 million adults) were unbanked (defined as not having a primary bank account) vs. 8.2% in 2011
- Biggest improvement among black and Hispanic households
- About 19% of American households are underbanked (defined as having a bank account but using alternative financial services also)

https://www.nytimes.com/aponline/2018/10/23/us/ap-us-unbanked-americans.html

Surge in Personal Loans

- Surged to a record this year and are the fastest-growing U.S. consumer lending category
- Outstanding balances rose 18% in first quarter to $120 billion
- Financial technology (fintech) companies originated 36% of total personal loans in 2017 vs. less than 1% in 2010
- Unsecured loans appeal to people who don't want to use credit cards or tap home equity
- Used to consolidate debt and make large one-time purchases

https://www.bloomberg.com/news/articles/2018-07-03/personal-loans-surge-to-a-record-as-fintech-firms-lead-the-way

All-Time High Average Monthly Car Loan Payment

- The average monthly loan payment for a new car hit an all-time high of $523
- The average new car loan amount was $31,453
- The average length of a car loan in Q1 was just over 5 years, 9 months

https://www.cnbc.com/2018/05/31/a-523-monthly-payment-is-the-new-standard-for-car-buyers.html

https://www.usatoday.com/story/money/cars/2018/05/31/average-car-buyer-now-paying-523-monthly-loan-payment/658873002/

Higher Auto Loan Rates for Those With Poor Credit

- Subprime borrowers (600 and below): average loan rate rose from 5.91% in 2017 to 16.84%
- "For a 60-month loan of $20,000, that means a monthly payment hike of more than $100 to $495. Their ability to qualify has changed dramatically."
  - 20% of buyers are subprime
  - 61% of buyers are prime
  - 19% in the middle are nonprime

https://www.usatoday.com/story/money/personalfinance/2018/01/07/car-sales-loan-interest-rates-rise-those-poor-credit/999394001/

Bankruptcy is Surging for Older Americans

- Bankruptcy filing rates are rising for older Americans and falling for younger people
- The rate at which Americans age 65+ are filing for bankruptcy has more than tripled since 1991
- Median debt for bankrupt seniors is $101,600, three times the filers' average income
- Reasons: reductions in safety net programs and shift from pensions to 401(k) type plans

https://www.wsj.com/articles/bankruptcy-filings-surge-among-older-americans-1533641401

The Rise of Sports Betting

- Supreme court decision allowed sports gambling across the U.S.; removed federal ban
- NJ won a court case in May clearing the way for legal sports betting in all 50 states
- NJ took in $40.6 million in sports bets in July 2018 (first full month it was legal)

https://www.fool.com/investing/2018/09/08/will-sports-betting-drive-gaming-growth-in-2018.aspx

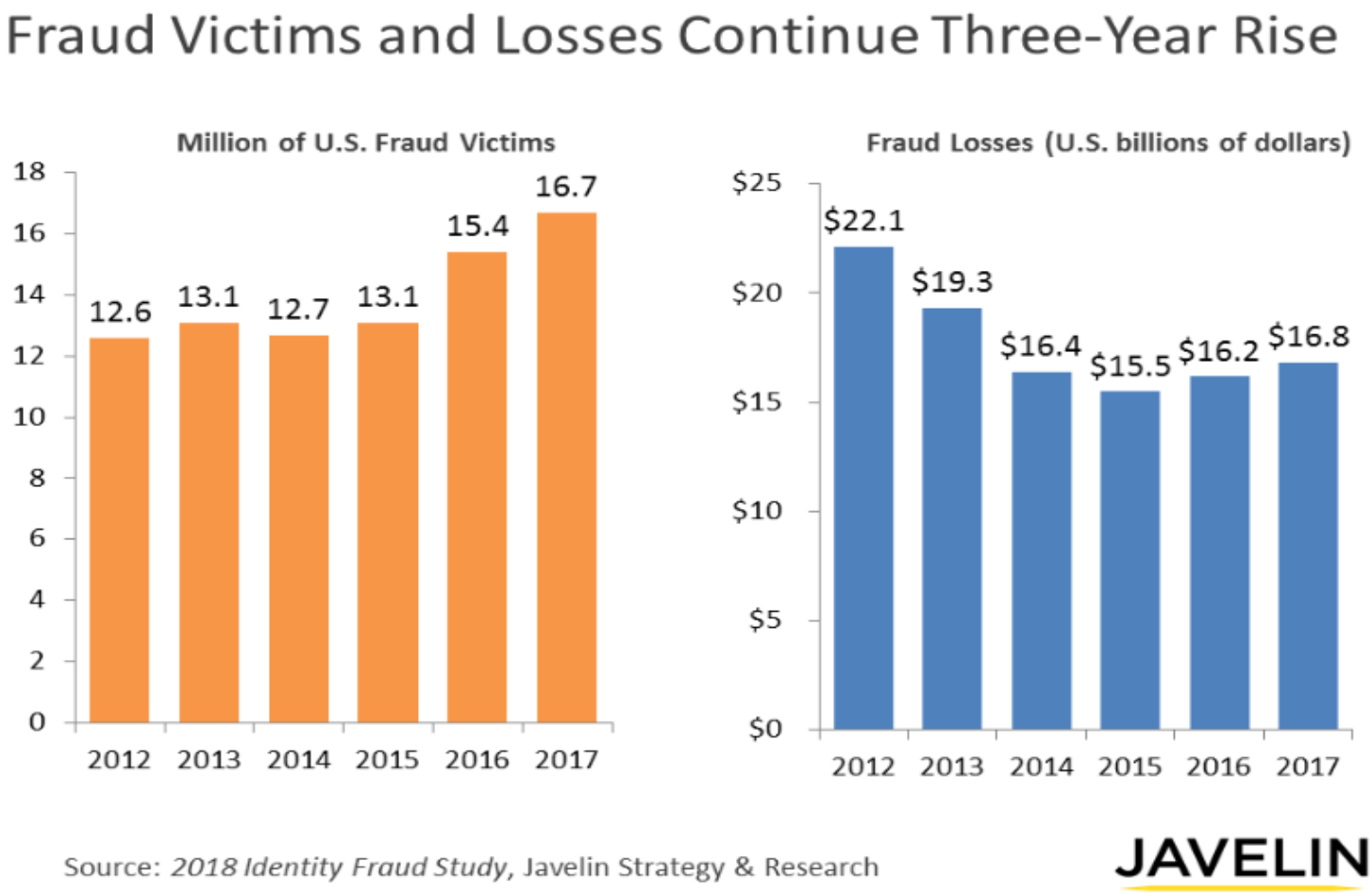
https://www.bostonglobe.com/business/2018/08/14/new-jersey-takes-million-sports-bets-july/mFjWtyN7IdzWlrlu2QGsKO/story.html

All-Time High for Identity Fraud

- Record number of 16.7 million U.S. victims in 2017
- $16.8 billion stolen
- With the adoption of EMV (chip) credit cards, fraud shifted online and away from physical stores
- Increase in fraudulent PayPal and Amazon accounts
- Nearly 30% of U.S. consumers were notified of a breach in 2017
- For the first time EVER, SS numbers (35%) were compromised more than credit card numbers (30%)

https://www.javelinstrategy.com/press-release/identity-fraud-hits-all-time-high-167-million-us-victims-2017-according-new-javelin

Identity Fraud Trends



https://www.javelinstrategy.com/press-release/identity-fraud-hits-all-time-high-167-million-us-victims-2017-according-new-javelin

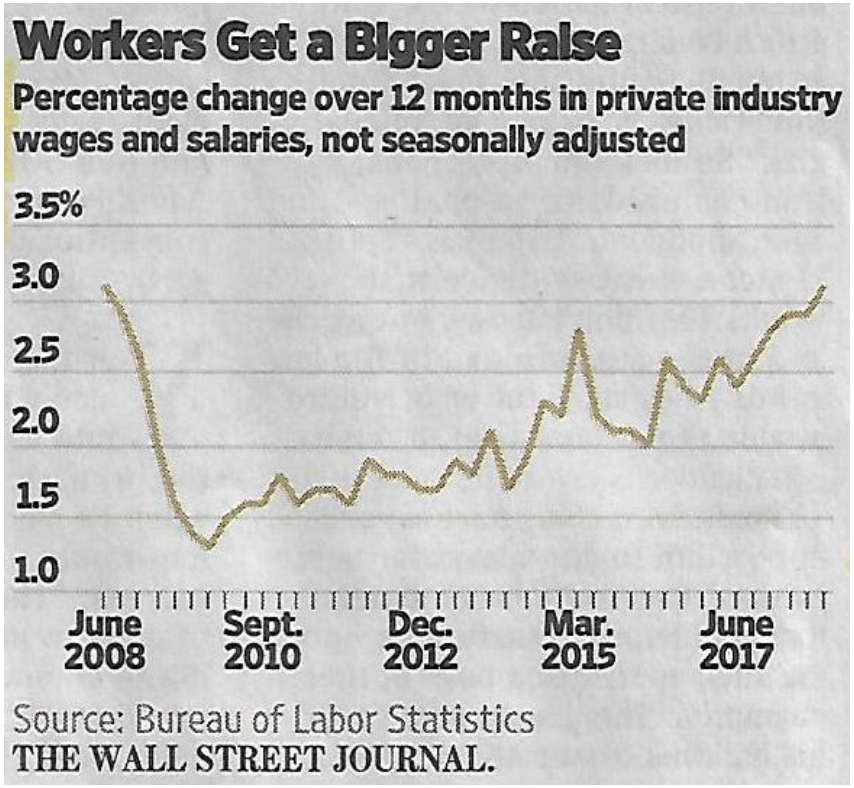
Low Unemployment Rate

- 3.8% unemployment rate in May 2018; sign of a strong economy and a tight labor market
- Tied the lowest unemployment rate since 1969
- Gap between black and white unemployment shrank to the narrowest EVER measured
- Job gains were broad; retail, health care, and construction added the most positions

https://money.cnn.com/2018/06/01/news/economy/may-jobs-report/index.html

Rising Wages

- Average wages in October 2018 up 3.1% from October 2017 and unemployment rate steady at 3.7%
- Fastest increase in a decade
- Low-skilled workers among the biggest gainers



https://www.wsj.com/articles/wages-rise-at-fastest-rate-in-nearly-a-decade-as-hiring-jumps-in-october-1541161920

25th Anniversary of ETFs

- First exchange-traded fund was the S&P 500 Trust ETF (called a SPDR or “spider”) in January 1993 by State Street Global Investors

- It is still one of the most actively-traded ETFs today with over $292 billion in assets under management

- Barclays ETFs (1996) and Vanguard ETFs (2001); Barclays (including iShares) now owned by Blackrock

https://www.investopedia.com/articles/exchangetradedfunds/12/brief-history-exchange-traded-funds.asp

20th Anniversary of Roth IRAs

- First made available in January 1998 (created under Taxpayer Relief Act of 1997)
- Funded with after-tax dollars; qualified distributions can be taken tax-free
- $100,000 Roth conversion income limit eliminated in 2010
- Roth IRAs grew in popularity after this major change (people with rollover distributions could convert)

https://www.prnewswire.com/news-releases/january-2018-marks-the-20th-anniversary-of-the-roth-ira-300576716.html

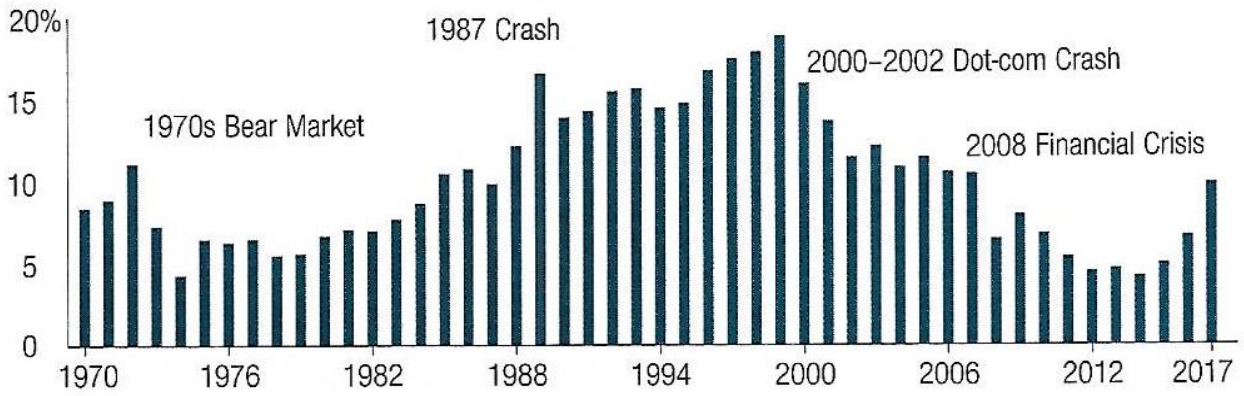
10 Year Anniversary of the 2008 Financial Crisis

- Worst recession since the Great Depression
- Stock market bounced back; steady gains over time

Steady Gains Over Time

The S&P 500 Index has never lost ground during any rolling 15-year period starting back in 1926—and, as shown in the chart, the many recent financial crises haven't changed this fact.

Annualized returns over 15-year periods ending between December 31, 1970, and December 31, 2017



Past performance cannot guarantee future results. Charts are shown for illustrative purposes only and are not indicative of any specific investment. Investors cannot invest directly in an index.

T. ROWE PRICE INVESTOR FALL 2018

10 Year Anniversary of Bitcoins

- 10th anniversary of the paper which led to the creation of bitcoin, the first ever cryptocurrency
- On 10/31/08, bitcoin's mysterious founder Satoshi Nakamoto published a 9-page paper titled *Bitcoin: A Peer-to-Peer Electronic Cash System*
- Since then, wild price swings and $500 million hack
- First bitcoin transactions were done privately
- Now well in the mainstream, but still many concerns

https://www.businessinsider.com/bitcoin-price-10-year-anniversary-of-cryptocurrency-2018-10

Stock Market Changes

- General Electric taken out of the DJIA (a fixture since 1896) and replaced by Walgreens: https://www.marketwatch.com/story/general-electric-booted-from-dow-jones-industrial-average-2018-06-19

- Amazon and Apple hit $1 trillion in market value: https://www.wsj.com/articles/amazon-hits-1-trillion-valuation-1536075734

- Fidelity reaches $2 trillion in retirement plan assets: https://www.investmentnews.com/article/20180828/FREE/180829922/fidelity-breaks-through-2-trillion-in-retirement-assets

October 2018 Stock Market Woes

- S&P 500 lost $1.91 trillion (6.9%) in October
- Losses spread widely across industry sectors
- The biggest technology company stocks were among the hardest hit
  - FANG: Facebook, Amazon, Netflix, and Google parent company Alphabet
- Interest rate uncertainty kicked off volatility

https://www.cnbc.com/2018/10/31/the-stock-market-lost-more-than-2-trillion-in-october.html

Social Security Tipping Point

- The Social Security program's costs will exceed its income in 2018 for the first time since 1982
- Will force SS to dip into its nearly $3 trillion trust fund
- Three years sooner than expected a year ago

BookBabe / 103 /Pixabay.com, CC0

https://www.wsj.com/articles/social-security-expected-to-dip-into-its-reserves-this-year-1528223245

FIRE Caught Fire

- Extreme frugality and aggressive savings early in life to live life “on your own terms” at a relatively young age (e.g., 40s)
- Often Generation Y and younger Gen X with above-average incomes and strict discipline
- Many adopt “4% withdrawal rule” but researcher Bengen (1994) says it was only meant for 30 years

https://www.wsj.com/articles/the-new-retirement-plan-save-almost-everything-spend-virtually-nothing-1541217688

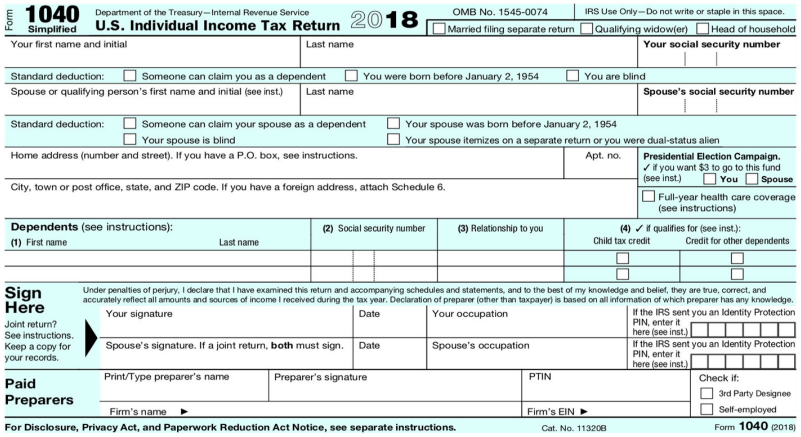
Post TCJA Income Taxes

- Concerns about some people being under-withheld, especially those with large past SALT deductions
- Only about 18 million taxpayers will itemize in 2018 vs. 47 million in 2017
- Only about 200,000 filers will owe the AMT vs. 5 million in 2017
- Strategy to classify state taxes as “charitable contributions” blocked by Treasury Department

https://www.wsj.com/articles/everything-you-need-to-know-about-the-new-tax-lawbefore-the-end-of-the-year-1541151030

Simplified Income Tax Forms

- Sort of like a postcard: two halves of a standard 8.5” x 11” sheet of paper and 6 accompanying worksheets
- Millions of taxpayers will save preparation time by skipping itemized deductions
- Concerns that more taxpayers may mail returns, which could overwhelm the IRS



Form **1040** Simplified — Department of the Treasury—Internal Revenue Service — **U.S. Individual Income Tax Return** 2018 — OMB No. 1545-0074 — IRS Use Only—Do not write or staple in this space.

Married filing separate return ☐ Qualifying widow(er) ☐ Head of household

Your first name and initial | Last name | **Your social security number**

Standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

Spouse or qualifying person's first name and initial (see inst.) | Last name | **Spouse's social security number**

Standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Your spouse was born before January 2, 1954 ☐ Your spouse itemizes on a separate return or you were dual-status alien ☐ Your spouse is blind

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | **Presidential Election Campaign.** ✓ if you want $3 to go to this fund (see inst.) ☐ You ☐ Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. | ☐ Full-year health care coverage (see instructions)

Dependents (see instructions): (1) First name Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.): Child tax credit	Credit for other dependents
			☐	☐
			☐	☐

Sign Here — Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately reflect all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

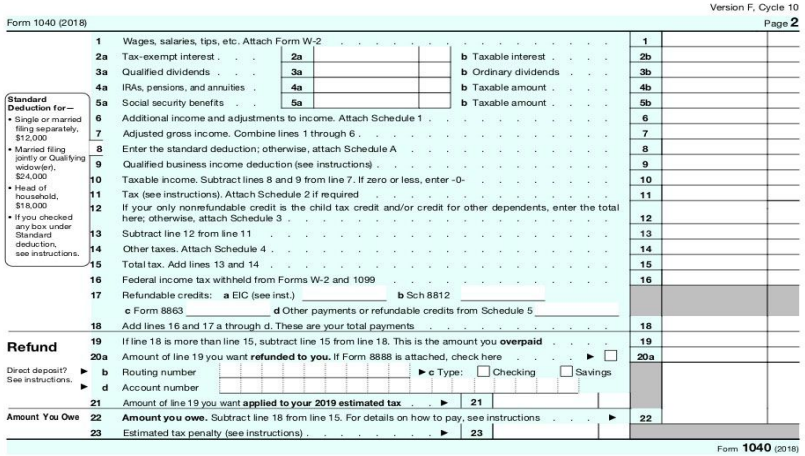
Your signature | Date | Your occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparers — Print/Type preparer's name | Preparer's signature | PTIN | Check if: ☐ 3rd Party Designee ☐ Self-employed

Firm's name ► | Firm's EIN ►

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2018)



Version F, Cycle 10

Form 1040 (2018) Page **2**

Standard Deduction for—
- Single or married filing separately, $12,000
- Married filing jointly or Qualifying widow(er), $24,000
- Head of household, $18,000
- If you checked any box under Standard deduction, see instructions.

1	Wages, salaries, tips, etc. Attach Form W-2			1	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
4a	IRAs, pensions, and annuities	4a	b Taxable amount	4b	
5a	Social security benefits	5a	b Taxable amount	5b	
6	Additional income and adjustments to income. Attach Schedule 1			6	
7	Adjusted gross income. Combine lines 1 through 6			7	
8	Enter the standard deduction; otherwise, attach Schedule A			8	
9	Qualified business income deduction (see instructions)			9	
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-			10	
11	Tax (see instructions). Attach Schedule 2 if required			11	
12	If your only nonrefundable credit is the child tax credit and/or credit for other dependents, enter the total here; otherwise, attach Schedule 3			12	
13	Subtract line 12 from line 11			13	
14	Other taxes. Attach Schedule 4			14	
15	Total tax. Add lines 13 and 14			15	
16	Federal income tax withheld from Forms W-2 and 1099			16	
17	Refundable credits: a EIC (see inst.) ____ b Sch 8812 ____ c Form 8863 ____ d Other payments or refundable credits from Schedule 5 ____				
18	Add lines 16 and 17 a through d. These are your total payments			18	
19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you **overpaid**			19	
20a	Amount of line 19 you want **refunded to you.** If Form 8888 is attached, check here ► ☐			20a	
b	Routing number ► c Type: ☐ Checking ☐ Savings				
d	Account number				
21	Amount of line 19 you want **applied to your 2019 estimated tax** ►		21		
22	**Amount you owe.** Subtract line 18 from line 15. For details on how to pay, see instructions ►			22	
23	Estimated tax penalty (see instructions) ►		23		

Refund — Direct deposit? See instructions.

Amount You Owe

Form **1040** (2018)

https://www.cnbc.com/2018/06/29/the-irs-new-tax-forms-are-out-heres-what-you-should-know.html

Tax-Advantaged Charitable Gifts

- “Bunch” gifts into alternate years
- Make qualified charitable distributions from an IRA if age 70 ½ +
- Establish and make gifts through donor advised funds
- Make gifts of appreciated assets
- Make gifts that will pay income (e.g., charitable remainder trusts)

Decreasing Tax Audit Rate

- The IRS audited about 1 in 160 individual tax returns in 2017
- Lowest rate since 2002 and sixth consecutive year that audits declined
- IRS lost nearly a third of its enforcement employees since 2010 peak when it audited 1 in 90 returns
- Drop in audits reflects decline in IRS compliance personnel

https://www.wsj.com/articles/the-irs-is-auditing-a-lot-fewer-americans-1522315800

State Retirement Savings Plans

- Picking up where myRA left off…state-sponsored savings plans for workers in small business
- 10 states have agreed to create a private sector retirement plan:
  - CA, CT, IL, MA, MD, NJ, NY, OR, VT, WA
- Roth IRA accounts that employees invest in through payroll deduction

https://www.marketwatch.com/story/dont-have-a-401k-at-your-job-your-state-could-come-to-the-rescue-2018-04-05

https://www.marketwatch.com/story/dont-have-a-401k-state-governments-have-a-retirement-plan-for-you-2018-10-05

Wealth Gaps Among Boomer Retirees

- Many middle-class boomers are unprepared to maintain their quality of life in retirement
- Reported incidents at 55+ communities (e.g., a dispute over a new pickleball court)
- “Wildly different circumstances are leading to hard-to-resolve social tensions”

Stevepb/Pixabay.com, CC0

https://www.wsj.com/articles/the-battle-of-the-pickleball-court-retirement-wealth-gap-disrupts-old-age-1538666948

Wake-Up Calls About Future "Elder Orphans" ("Solo Agers")

- Oldest baby boomers are 72 in 2018
- Elder orphans are living without the safety net of a spouse or children
- 22% of older adults are in this category or will be in the future
- Need proactive plans: CCRCs, "concierge" services by professionals, nieces and nephews, etc.

https://www.nytimes.com/2018/03/23/business/elder-orphans-care.html

Record-Breaking Charitable Gifts

- June 2018 report: Charitable gifting in the U.S topped $400 billion for the first time ever in 2017
- Fueled by stock market gains and huge gifts from billionaires; increased use of donor advised funds
- 2% of disposable income, on average, vs. 2.4% in 2000 and 2% in 1978

https://www.apnews.com/84a9d91f4ff749398dd634dc10ff5938

“Hot” Housing Market

- U.S. homeownership rate rose for first time in 13 years in 2017
- Record low housing supplies in 2018 and a “sellers market” in many locations
- Driven by young first-time buyers embracing home buying and overcoming years of stagnant wages

https://www.wsj.com/articles/millennial-buyers-drive-uptick-in-homeownership-1540919655 \

https://blogs.cornell.edu/react/2018/08/27/millennials-are-kickstarting-the-real-estate-market/

https://www.cnbc.com/2018/07/02/housing-is-getting-more-expensive-as-home-sellers-retreat.html

Proliferation of FinTech

Source: Next Gen Personal Finance

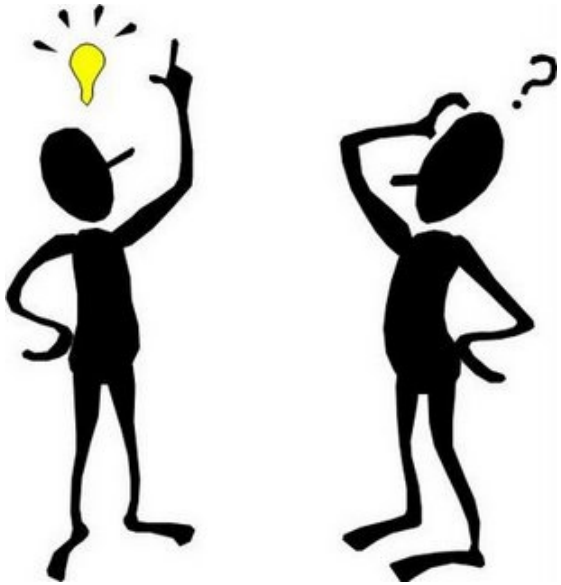
https://www.statista.com/statistics/412374/investment-in-fintech-companies-usa/

Continuing Trends that Will Affect Personal Finances

- Tax reform taking hold
- “The Great Delay” (Millennials)
- Workplace demographic shifts; near full employment
- Rising cost pressures: wages, interest rates, energy costs, tariffs and trade policies
- A recession is inevitable: 2/3 of economists surveyed by National Association of Business Economists predict a recession by the end of 2020

https://www.inc.com/joe-galvin/5-economic-trends-every-business-owner-should-watch-in-2018.html

Q3: Any other interesting 2018 financial events, trends, or products?

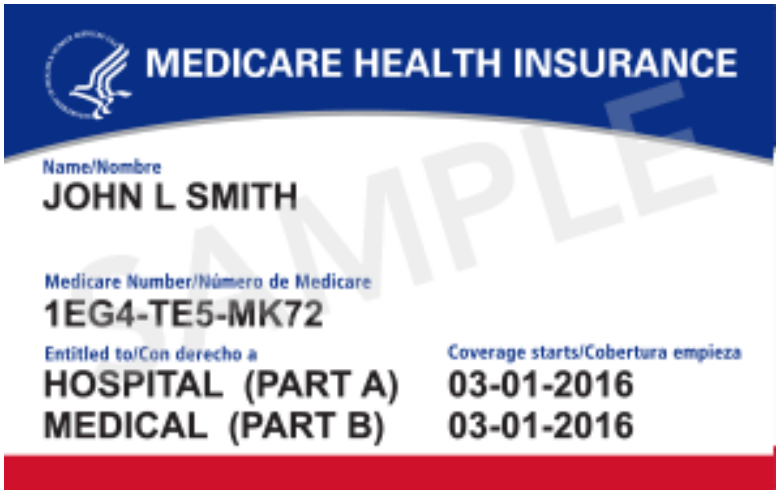


Key Government Legislation and Policies Affecting Personal Finances

mohamed_hassan / 3754 images Pixabay.com, CC0

New Medicare Cards

- New Medicare cards started getting mailed out in April 2018
- Uses a unique number instead of SSN
- Con artists charging fees for “processing” or telling people that card has to be “activated”



https://www.consumer.ftc.gov/blog/2018/09/hang-medicare-card-scams

Free Credit Freezes Nationwide

- Effective 9/21/18, free credit freezes and unfreezes and year-long fraud alerts (vs. 90 days)
- Free freezes also available for children under 16
- Free freezes also available for people who have a guardian or power of attorney

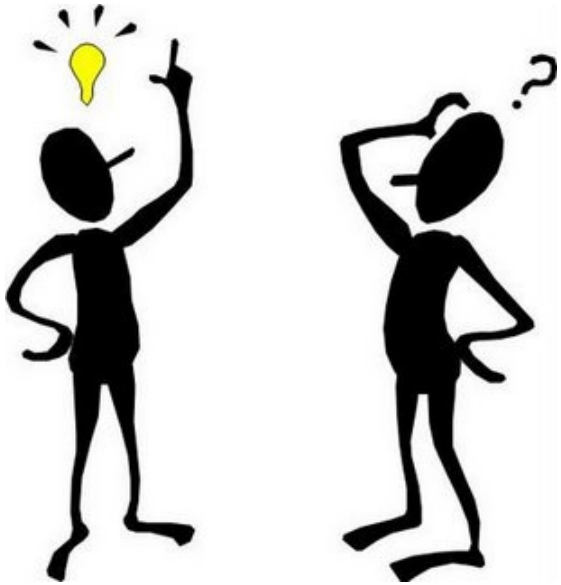
https://www.consumerfinance.gov/about-us/blog/free-credit-freezes-are-here/

States Can Tax Web Sales

- Supreme Court ruling that states have the authority to make online retailers collect sales taxes (5-4 vote)
- Overruled a prior case that required a merchant's physical presence in a state

https://www.wsj.com/articles/us-supreme-court-rules-states-can-require-online-merchants-to-collect-sales-taxes-1529591376

Q4: Any other interesting 2018 financial legislation or policies?



Military Policies Affecting Personal Finances

mohamed_hassan / 3754 images/Pixabay.com

Blended Retirement System

- Service members who joined the service before 2006 will remain in the legacy retirement system
- Those who joined after 2006 but before Jan. 1, 2018 have the choice to stay with the legacy system or opt into the Blended Retirement System
- Those who joined starting on or after Jan. 1, 2018 were automatically enrolled into the Blended Retirement System

https://militarypay.defense.gov/blendedretirement/

New or Revised Financial Education Resources in 2018

mohamed_hassan / 3754 images/Pixabay.com, CC0

New Documentary Film: The Pension Gamble

- 55-minute PBS Front Line program focusing on the fragility of public pension systems
- Focuses on KY, but examines the consequences of pension under-funding for teachers, police, firefighters, and other public workers everywhere

https://www.pbs.org/wgbh/frontline/film/the-pension-gamble/

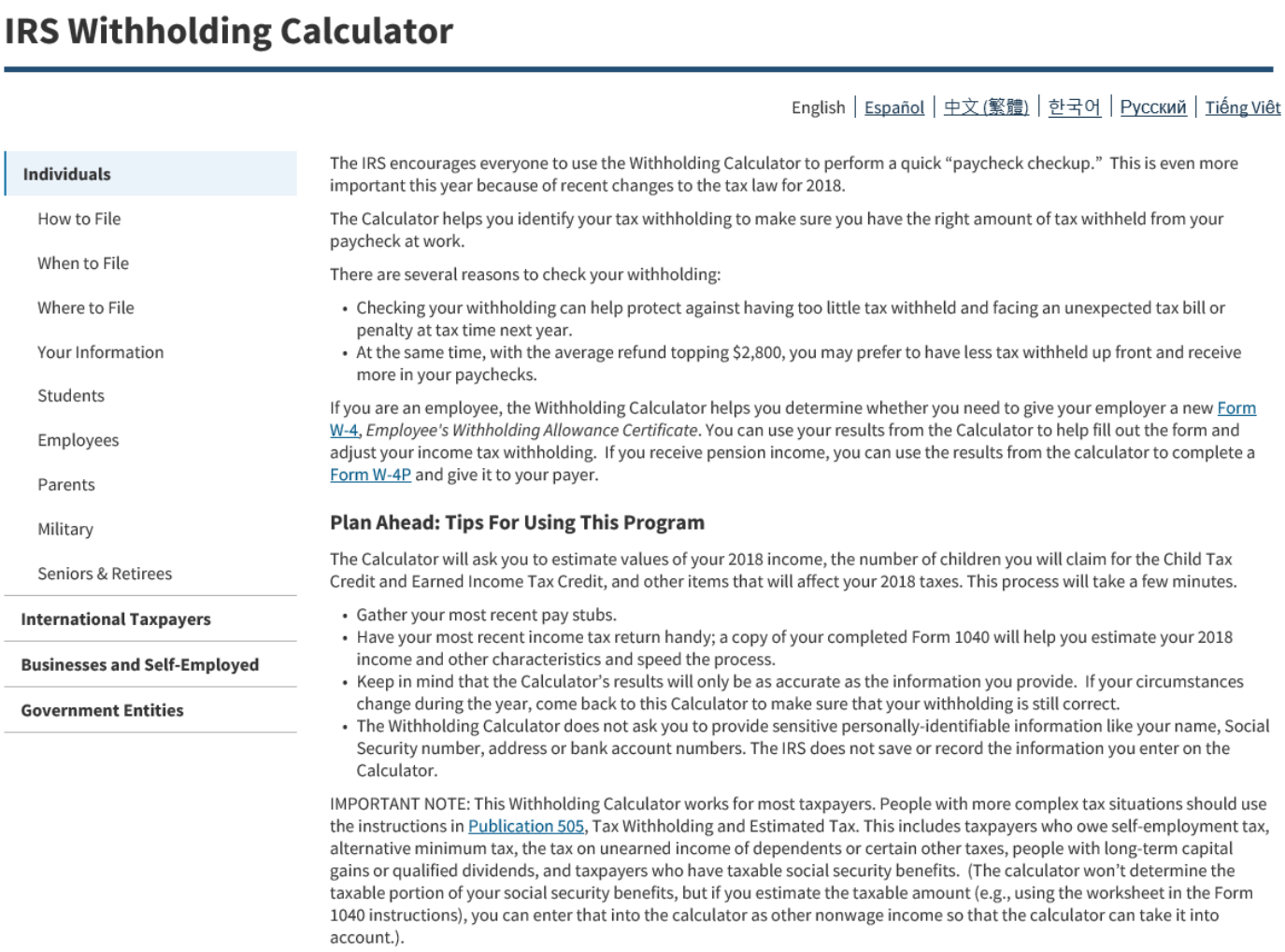
New Documentary Film: Playing With FIRE

- 3-minute video trailer for a forthcoming documentary about the Financial Independence, Retire Early (FIRE) movement
- FIRE stresses frugality at an early age to be able to afford to leave full-time paid employment earlier than typical retirees

https://www.youtube.com/watch?v=kD8uNm5ck0Q&t=16s

IRS Tax Withholding Calculator

https://www.irs.gov/individuals/irs-withholding-calculator



IRS Withholding Calculator

English | Español | 中文 (繁體) | 한국어 | Русский | Tiếng Việt

Individuals

- How to File
- When to File
- Where to File
- Your Information
- Students
- Employees
- Parents
- Military
- Seniors & Retirees

International Taxpayers

Businesses and Self-Employed

Government Entities

The IRS encourages everyone to use the Withholding Calculator to perform a quick "paycheck checkup." This is even more important this year because of recent changes to the tax law for 2018.

The Calculator helps you identify your tax withholding to make sure you have the right amount of tax withheld from your paycheck at work.

There are several reasons to check your withholding:

- Checking your withholding can help protect against having too little tax withheld and facing an unexpected tax bill or penalty at tax time next year.
- At the same time, with the average refund topping $2,800, you may prefer to have less tax withheld up front and receive more in your paychecks.

If you are an employee, the Withholding Calculator helps you determine whether you need to give your employer a new Form W-4, *Employee's Withholding Allowance Certificate*. You can use your results from the Calculator to help fill out the form and adjust your income tax withholding. If you receive pension income, you can use the results from the calculator to complete a Form W-4P and give it to your payer.

Plan Ahead: Tips For Using This Program

The Calculator will ask you to estimate values of your 2018 income, the number of children you will claim for the Child Tax Credit and Earned Income Tax Credit, and other items that will affect your 2018 taxes. This process will take a few minutes.

- Gather your most recent pay stubs.
- Have your most recent income tax return handy; a copy of your completed Form 1040 will help you estimate your 2018 income and other characteristics and speed the process.
- Keep in mind that the Calculator's results will only be as accurate as the information you provide. If your circumstances change during the year, come back to this Calculator to make sure that your withholding is still correct.
- The Withholding Calculator does not ask you to provide sensitive personally-identifiable information like your name, Social Security number, address or bank account numbers. The IRS does not save or record the information you enter on the Calculator.

IMPORTANT NOTE: This Withholding Calculator works for most taxpayers. People with more complex tax situations should use the instructions in Publication 505, Tax Withholding and Estimated Tax. This includes taxpayers who owe self-employment tax, alternative minimum tax, the tax on unearned income of dependents or certain other taxes, people with long-term capital gains or qualified dividends, and taxpayers who have taxable social security benefits. (The calculator won't determine the taxable portion of your social security benefits, but if you estimate the taxable amount (e.g., using the worksheet in the Form 1040 instructions), you can enter that into the calculator as other nonwage income so that the calculator can take it into account.).

Annual Limits Relating to Financial Planning

https://static.twentyoverten.com/5a12db15f6341058956b079a/B18rd29YM/annual_limits_2018.pdf

CFPB Youth Financial Education Resources for Educators

https://www.consumerfinance.gov/about-us/blog/new-financial-education-resources-help-teachers-bring-youth-financial-capability-classroom/

Resources on the site include:

- The journey to financial well-being that describes four steps to achieve adult financial well-being, while highlighting the role financial education plays in helping young people successfully navigate their way.
- A robust activity search feature that provides access to free high school classroom activities to teach the building blocks of financial capability across the curriculum, designed for use in a single class period. Teachers can search by grade level, activity duration, and other key filters. Check back for more activities throughout the remainder of 2018.
- Assessments to help teachers gauge their students' mastery of the building blocks and to help students assess their knowledge, skills, and habits related to financial capability.
- A curriculum review tool, to help educators review and compare financial education curricula across four key dimensions, so they can select the most promising ones for their classroom.

These resources are based on three interconnected building blocks that form the foundation of youth financial capability. Our research identifies these building blocks as critical to developing financial well-being as adults.

The building blocks of youth financial capability are:

1. Executive function: The ability to plan ahead, remember information, multitask, solve problems, and control impulses.
2. Financial habits and norms: The values, standards, routine practices, and rules to live by that people use to navigate daily financial activities.
3. Financial knowledge and decision-making skills: Familiarity with financial facts and concepts, along with competency in research and analysis.

Q5: Any other new financial education resources developed in 2018?

Preview of Expected 2019 Personal Finance Changes

Demographics

Americans under age 18 will be outnumbered by those over age 60 in 2019

https://www.wsj.com/articles/building-bridges-across-the-generational-divide-1541086302

Higher 2019 Contribution Limits

- 401(k)/403(b)/457/and Thrift Savings Plan (TSP)- Contribution limit increases from $18,500 to $19,000; $6,000 catch-up unchanged

- IRA (Traditional or Roth)- Contribution limit increases from $5,500 to $6,000; $1,000 catch-up unchanged

- SIMPLE- Contribution limit increases from $12,500 to $13,000

More Limit Changes

- 2019 Roth IRA income phase-out range:
  - $122,000 to $137,000 (singles and heads of household), up from $120,000 to $135,000
  - $193,000 to $203,000 for married couples filing jointly, up from $189,000 to $199,000

- 2019 Retirement Savers Credit income limits:
  - $64,000 for couples filing jointly (up from $63,000)
  - $48,000 for heads of household (up from $47,250)
  - $32,000 for singles and mfs (up from $31,500)

Ultra FICO Scores: Coming in 2019

- Refined consumer scoring product that promises to make credit available to more people
- Will be calculated using people's bank transaction data (i.e., activity in checking, savings, and money market accounts)
- Attempting to pull in more people with "thin" credit files (more well-rounded view of creditworthiness)
- Privacy and data breach concerns; more data in credit files would increase identity theft risks

http://knowledge.wharton.upenn.edu/article/ultra-fico-score/

Key Take-Aways

- Many people have insufficient retirement savings and financial challenges
- Health and financial behaviors appear to be related
- Many young adults are delaying key life events, perhaps permanently
- There were some positive economic trends (wages, unemployment, decrease in unbanked)
- Surge in personal loans, car payments, sports betting, ID theft, and older adult bankruptcies

Comments? Questions?

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Evaluation and Continuing Education Credits/Certificate

MFLN Personal Finance is offering 1.5 credit hours for today's webinar.

Please complete the evaluation and post-test at:
https://vte.co1.qualtrics.com/jfe/form/SV_7PvScTkSDsgxiSx

Must pass post-test with an 80% or higher to receive certificate.

PERSONAL FINANCE
Military Families Learning Network

Upcoming Events

Tax Cuts and Jobs Act of 2017

- Tuesday, January 15, 2018
- 11 a.m. – 12:30 p.m. Eastern
- https://militaryfamilieslearningnetwork.org/event/22039/

Dispelling the Myth of the VA Home Loan

- Tuesday, February 12, 2019
- 11 a.m. – 12:30 p.m. Eastern
- https://militaryfamilieslearningnetwork.org/event/29433/

For a complete list of upcoming programming visit
https://militaryfamilieslearningnetwork.org

MILITARY FAMILIES LEARNING NETWORK

Find all upcoming and recorded webinars covering:

Personal Finance
Military Caregiving
Family Development
Family Transitions
Network Literacy
Nutrition & Wellness
Community Capacity Building

militaryfamilieslearningnetwork.org

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USDA

This material is based upon work supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, and the Office of Military Family Readiness Policy, U.S. Department of Defense under Award Number 2015-48770-24368.