The Light

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Identity Protection after the Equifax Hack

By Tim Rowsey, CPA, Investment Advisor Rep.

Last month the public became aware that one of the three major credit bureaus had been hacked. The data for over 143 million people was potentially compromised. This would include almost anyone who has a credit report. This was especially troubling since a part of the responsibility of a company such as Equifax, in addition to credit reporting, is to offer credit and identity protection. In my own household this was the third time that sensitive data was hacked in just a little over a year. Thanks, Ashland University, WARCOG, and Equifax! In light of the risk of these ever increasing hacks, we thought it might be prudent to look at what can be done to try to safeguard your identity.

If you find yourself exposed due to the Equifax hack, you may consider some options that Equifax itself is recommending. However, keep in mind this is the very company that allowed its own information to be compromised. They have set up a web site which you can use to see if they believe your information has been compromised. This can be found at www.equifaxsecurity2017.com. This site will ask you to enter your last name and the last six digits of your social security number. It will then tell you whether they believe your information has been compromised. They also are offering a one year free service of credit monitoring called TrustedID Premier. This can also be accessed from the same Equifax web site.

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Do I Have to Take an RMD When I Inherit an IRA?

By Tim Rowsey, CPA, IAR

One of the common questions we are often asked relates to required minimum distributions (RMD's) from an IRA. While it might seem that this is a simple question with a simple answer, the truth is it can be somewhat complicated.

For those who may not be aware of the rules, the IRS requires anyone who is age 70 ½ or older to withdraw a minimum amount from their account every year and pay tax on this amount. Beneficiaries are also bound by the same general RMD rules.

The first point of distinction is whether or not the inherited IRA comes from a spouse. For a beneficiary who inherits his spouse's IRA, the rules are relatively straightforward. In this type of situation, the spouse can treat the inherited IRA as his own. If he already has an IRA in his name he can combine the inherited money into his existing IRA. The RMD rules for his own IRA would only come into play when the beneficiary turns 70 ½.

For a non-spouse beneficiary, the rules are somewhat more complicated. There are basically three choices for a non-spouse beneficiary. Each has its own benefits and drawbacks.

The first option would be to take all of the IRA as a lump sum. If this option is taken, there are no future RMD requirements since the entire balance has been taken at once. One advantage of this option is that all of the money is immediately available to you right away. The major downside is that you would

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Helping individuals navigate their financial lives.

Equifax Hack (continued from page 1)

If you want to take other action to protect your identity, and Equifax isn't your first choice, there are other steps that you can consider. One of the best steps that you can take is to monitor your credit. For most people this is done through the use of a paid service. Two of the most popular are Lifelock and Identity Guard. Both of these services have a monthly fee with the cost of Lifelock ranging from $10 to $30 per month and Identity Guard at around $25 per month.

Another option you may consider is to place a "freeze" on your credit. This can effectively stop anyone from adding credit in your name. The downside of this is this also includes you! It is a great protection step but for someone who may be actively using credit in the short run (buying a vehicle on credit, refinancing a home or taking out a new credit card) this may be a bit of a hassle. You would effectively have to unfreeze your account whenever you needed new credit and then once again place a "freeze" on your credit. For those who are older and not expecting to add any new credit this may be a good move. To "freeze" your credit you must do this with all three major credit reporting agencies. Their names, phone numbers and email addresses are listed below:

TransUnion	888-909-8872	www.transunion.com
Equifax	800-685-1111	www.equifax.com
Experion	888-397-3742 opt 2	www.experian.com

There is typically a $3 to $10 fee from each credit reporting agency for placing a "freeze" on your accounts. ■

Schwab Security Guarantee

Charles Schwab offers a security guarantee for clients relating to unauthorized activity. The details of this can be found at:

http://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe/security_guarantee.html

The guarantee basically says that Schwab will cover 100% of any losses in any of your Schwab accounts due to unauthorized activity. Clients have a responsibility to safeguard your account access information and report any unauthorized transactions to Schwab as quickly as possible. If you suspect fraud, you should contact Schwab immediately at 888-372-4922. ■

RMD (continued from page 1)

pay income tax on the entire amount at ordinary income rates. This could be a significant tax cost.

The second option would be to take required minimum distributions spread out over your life expectancy. The IRS has a table that would be used based on your age in the calendar year after the year of the IRA owner's death. This can be found in Table I in Appendix B of the IRS publication 590-B. You would be required to take the first distribution by December 31st of that second year. An example might be helpful in explaining this calculation.

You inherited an IRA from your father who passed away on November 1, 2016. On December 31st of 2016 the balance in his IRA was $257,942. If your age in 2017 is 51 your life expectancy according to Table I would be 33.3 years. The RMD for 2017 that must take place by December 31st of 2017 would be the previous year end balance of $257,942 divided by your life expectancy of 33.3. This would be a RMD of $7,746. The next year you subtract one year from your life expectancy to get your new life expectancy of 32.3. The 2017 year-end balance would then be divided by this life expectancy.

The third option available would be to take the funds within five years of when the original account holder passes away. If this option is chosen, you may withdraw any amount you wish during the five year time period.

However, you must distribute all assets by the end of the five years. This method is not available if the original account holder was older than 70 ½ at the time of his death.

All of the funds that are withdrawn from the IRA are fully taxable. There is no 10% penalty under any of these scenarios. In most cases it is beneficial to spread the withdrawal over an extended period of time in order to reduce the tax paid on the withdrawals.

The rules for Roth IRA's are slightly different in that the original owner is never required to take an RMD. The beneficiary may choose to take all of the inherited ROTH as a lump sum. If he does not take the lump sum, he is then required to take RMD's over his life expectancy. One significant difference with the inherited ROTH IRA is that all distributions are income tax free as long as the original owner held the account for at least five years.

The rules and options relating to inherited IRA's are somewhat complex. It is usually a good idea to discuss your options with a qualified financial advisor who can help you work through the options. We would be glad to assist you through this process if you find yourself the beneficiary of an IRA. ■

Have questions? Give us a call! (419)496-0016

Market Recap

How the major indices performed in the 3rd Quarter 2017:

DOW JONES INDUSTRIAL AVERAGE
3rd Quarter return 4.9% YTD return 13.3%

S & P 500 COMPOSITE
3rd Quarter return 4.0% YTD return 12.5%

RUSSELL 2000
3rd Quarter return 5.3% YTD return 9.8%

BARCLAYS AGGREGATE BOND
3rd Quarter return 0.8% YTD return 3.1%

Market Update

By Greg Emmons
Investment Advisor Rep.

The third quarter for 2017 was strong for stocks.
Stocks yet again found more room to run and the S&P 500 and Dow Jones Industrial Average climbed to new highs in late September. The Dow Jones Industrial Average grew 4.9% for the quarter, bringing the year to date performance to 13.3%. The S & P 500 was also up 4.0% for the quarter, and is now up 12.5% year to date. Small cap stocks, as represented by the Russell 2000, outpaced the other indexes to finish up 5.3%.

Bonds also increased for the quarter.
The Barclays aggregate Bond index grew by 0.8% for the quarter and is now up 3.1% year to date. The Fed left the benchmark interest rate alone at their last meeting but all indications are that they will raise it another .25% in December of this year. They did say they would slow their bond purchases by $10 billion per month – all of this was expected thus the bond market's reaction was fairly muted. The Fed has been very measured and calculating in their approach. At this time we don't anticipate them doing anything that would disrupt the markets in a significant way.

Politics, the Fed and North Korea dominate headlines.
You wouldn't really know it by looking at charts of the major stock indexes, but a lot happened in the last three months. We almost went to war with North Korea, the US survived two devastating hurricanes (with another one on its way as I write this), and the Federal Reserve laid out a plan to reduce its $4.5 trillion balance sheet. Despite all the noise the last three months, stocks continued to march along and keep this bull run of nine years alive and well. While anything can change at a moment's notice, it's usually best to keep the headlines and stories of today in perspective and be very careful not to overreact. ■

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To learn more about the benefits of working with and independent advisor go to http://www.findyourindependentadvisor.com.

Lighthouse Wealth Management believes in giving back. We give 10% of our profits to charities, including several local charities and CURE, International. www.cure.org

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Helping individuals navigate their financial lives.