

My Success

Personal Finance and Community
Banking Magazine

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IS IT TIME TO SHAPE YOUR RETIREMENT

It's an often overlooked question when it comes to retirement planning? Why? It's because we sometimes get so fixated on planning we never take a step back and think about what we really want to do in retirement. Figuring out what you want to do will help you better plan for retirement. So ask yourself the following questions:

- How will I fill my time after my work life is done.
- What do I want to accomplish in retirement.
- What's my vision for retirement.

Developing a plan, however simple or complex, will allow you to develop a plan that centers on your vision of what retirement will look like, such as relaxing and travelling the world, maybe writing a book, going back to school or even volunteering for an organization of your choice. You may even want to do a slow transition and work part time for a few years before you retire. Remember, retirement is a lifestyle change and even though financial considerations are important, you could live 30+ years into retirement, so take the time and start developing your vision.

MY SUCCESS MAGAZINE



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WELCOME

to our second issue of My Success:

I'd like to welcome you to the second issue of My Success, a magazine designed to provide informative information on personal finance and community banking. The articles are written to help people learn the habits and skills necessary to achieve their financial goals and improve their banking experience.

My Success knows that the field of personal finance can be overly optimistic and give people an impression of simplicity, the reality is personal finance is a journey and not a sprint.

My Success also knows that small financial institutions such as community banks and credit unions are an often misunderstood sector that provides superior customer service and lower fees. My Success believes readers can gain insight into community banks and see the value of becoming a valued community bank customer..

Enjoy My Success Magazine

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Editors Notes

**Allan R. Kirby is the
Chief Editor**

My Success Magazine

Life is not perfect, no matter how much we try and learn, we all make mistakes at some point in our lives. This is not any different with personal finance, because bad things will happen to good savers and for every person who succeeds at personal finance there will be others who do not.

What is important is that we learn from our mistakes, keep ourselves disciplined and ensure we keep ourselves committed to our goals and make adjustments when required. Personal finance is never simple, it takes patients and a lot of learning but in the end, you can be successful in personal finance, you just may not end up being a millionaire. 

Sex is not the problem with couples, it's Money!

Sometimes you need to make difficult choices in order to stop living from one paycheck to the next.

My personal experience and recent studies show that couples are avoiding the issues of finance. In fact, a survey from Learnvest says, "Nearly half of Americans (48%) don't know the balances of their significant other's investment accounts and nearly a third of Americans (32%) don't know their partner's salary (32%) or the balances of their partner's bank accounts (31%)".

Learn more in the next edition 



SHAPING MY RETIREMENT - SHOULD I USE SELF DIRECTED IRA'S?

BY ALLAN KIRBY

"It's a great alternative way to invest, but it's more complex to understand and comes with risks, plus a look at The Entrust Group to help you with self directed IRA's"

If there is one thing I have learned over the years, it's that planning for retirement is never simple. With so many investment options, it can be very difficult to decide on what to do. For example, you may ask yourself, should I invest in ETFs (Exchange Traded Funds), bonds, precious metals, real estate or other alternative investments? Even when you do seek help from a financial advisor, you may find the advisor ends up spinning tails and using jargon that leaves you more confused than ever on what to do. Worse, as we have seen through the litany of scandals with major financial Institutions, you are never sure if your financial advisor has your best interests at heart. So you need to ask yourself, what should I do?



What choice to make

Most people find it's too difficult to fully understand the stock and options markets as well as figure out bonds. This steep learning curve leads most people to avoid engaging deeply with their retirement investments. With investments being complex most people instead take a much more passive approach by utilizing a bank or investment firm to build a retirement fund that utilizes active or passive investing methods.

SHAPING MY RETIREMENT - SHOULD I USE SELF DIRECTED IRA'S CON'T

Even if a person is active, they will tend to buy ETFs, which offer a diversified portfolio with low risk and provide a good return using a simple method solutions for investors.

“Self-Directed IRA’s could be a good choice to complement your retirement investments”

For some, the traditional method of investing may not be suitable, especially those who feel the banks provide a cookie cutter solutions that are not flexible enough. In these cases taking control of retirement may mean looking at self-directed IRA’s. With a self-directed IRA, you decide where the money goes and how long it stays there to make the most profit from your investments. Since your custodians ultimately invest according to your decisions, it opens up a lot of room for you to invest in alternative investments that are limited with a bank. However, whether or not you should use this type of method really depends on your ability to be very active with your retirement planning. Additionally, there are rules and limitations for self-directed IR’s, for example: Insurance, S Corporations, Collections such as coins and antiques, plus, you cannot invest in real estate that you are currently benefiting directly from as part of your investment (Owner/Occupier).

“Self-Directed IRA’s Investments can include: Real Estate and Vacant land (Undeveloped), Gold, Silver, Oil, Gas, Mineral rights and even Water rights, Crypto and livestock”

There is value to alternative investing

As a multiple real estate owner myself, I can see the value added by using a self-directed IRA and it’s a great tool to use for your retirement. But keep in mind that I am a person who is very familiar with the complexities of owning additional real-estate, such as local bylaws dealing with parking, occupancy, renovations, rentals and up keep requirements along with specialized insurance and tax costs.

SHAPING MY RETIREMENT - SHOULD I USE SELF DIRECTED IRA'S CON'T

These hidden rules and costs usually come as a surprise to many who are new to the real estate rental market. Many people assume that you can just buy a home, rent it on Airbnb and you're set for life, but end up getting slapped with huge fine, high insurance costs or even worse, having the place damaged and is not covered.

What you need to know: There are a number of things that you need to know before you start to look more seriously at self-directed IRA's.

1. **Self-directed Fees** can be much higher and fees can also vary depending on the firm you use and the type of investment.
2. **Lack of liquidity** – Remember you have a wide range of investment opportunities. However owning a property for example could be more illiquid, meaning it could be difficult for you to sell quickly and worse, you may need to sell at a discount if your pressed to get money quickly.
3. **Rules and Regulations** – Yes there are a number of rules that you need to understand such as Self-Dealing Rule and Disqualified Persons (IRS code 4975). You will need to ensure you fully understand all the rules and regulations of your self- directed IRA and investments.
4. **Concentrated Investments** – Meaning you're not diversified. If, for example, you put all your retirement in one investment and that investment fails or its value is reduced by a substantial amount, it could have a major impact on your retirement plans.
5. **Watch out for fraud** – It's your responsibility to ensure your investment is legitimate as noted by the SEC. Custodians generally don't evaluate, the quality or legitimacy of any investment in the self-directed IRA or its promoters.

HAPING MY RETIREMENT - SHOULD I USE SELF DIRECTED IRA'S CON'T



Like other investments, unless you are an expert in the field, you will need to take your time and learn as much as possible. If you are approached by a promoter, you need to look at it from all angles not just take the word of a self-directed IRA promoter. This would include the list price, and expected returns which could affect your investment.

6. Contribution Limits. Every year, the IRS sets limits to how much you can contribute. Each self-directed retirement account has set limits provided by the IRS on a yearly basis. Check the contribution allowance for your account type to make sure you know what your limit is.

7. Early Withdrawal - Remember that many retirement accounts require you to wait until retirement age to use your savings without a penalty. This means that early withdrawals will not only be taxed but penalized as well. The IRS has defined the rules with regard to early withdrawal but to be clear a self-directed IRA will not allow you to side step early withdrawal rules.

SHAPING MY RETIREMENT - SHOULD I USE SELF DIRECTED IRA'S CON'T

Who to talk to?

There are a number of companies that provide services to help you. After a detailed search and review, I found three good companies. These are Regal Assets, Advantage Gold and The Entrust Group. Overall all three appear to be well run organizations that provide help in getting you started with self-directed IRA's. However, for this article I decided to provide a short review of The Entrust Group, which I was in contact with in order to get some additional information.

This is what I liked about them:

1. The Entrust Group has been in business for close to 40 years.
2. It has an A+ Better Business Bureau (BBB) rating.
3. Annual fees are scaled and clearly stated on their website.
4. No minimum Investment is required.
5. Learning material is provided through their learning center such as in person educational events, blogs and live webinars.

"Don't take it from just myself see Chamber of Commerce review of The Entrust Group"

The following are additional information I obtained after talking to the The Entrust Group.

Opening an account

When a client decides to open a self-directed IRA account, is it necessary to meet face to face? As noted by Entrust: "Rarely but upon occasion. There is not a necessity to meet face to face since accounts can be established online or by emailing/faxing new account application documents. Applicants must submit a copy of a government-issued photo ID for signature and identity verification. Their name, address, social security, and DOB are confirmed using LexisNexis, and the OFAC search is also done through LexisNexis"

Guidance/Education

Bill Neville, Business Development Manager at The Entrust Group highlights that the most common set of questions or concerns from clients are centered on "How does it work, how long does it take, and what are the fees." Most people establishing accounts are doing this for the first time, so I am usually walking them through the total cradle to grave process – how to open and fund the account, how to fund their investment, what are the rules around prohibited transactions and disqualified persons, what can and can't you invest in, etc" Finally, clients do seem to find The Entrust Group's Webinars tremendously useful and helpful. Therefore it appears that the learning center is a good source of information to help you get started.

SHAPING MY RETIREMENT - SHOULD I USE SELF DIRECTED IRA'S CON'T

Final Thoughts

The time and details required to fully understand Self Directed IRA's are beyond the scope of this article. However, I firmly believe this is a great alternative way to invest in retirement if you do your due diligence and find a good organization to help you out and get things started. There are many organizations to help you get started such as The Entrust Group, but you as an investor who is looking into self directed IRA's, need to take the time and effort to determine what your investment needs are. When it comes to self-directed IRA's, the ultimate responsibility is with you, the investor. For example, if you buy a real-estate property and create an Airbnb that turns out to be a disaster, accumulating liabilities such as costly damages, regulatory problems, insurance etc.. the onus is on you to correct the problems and foot the bills. Keep in mind If you are someone who does not want to engage deeply with your investments or find it difficult to understand, it may be better to just let the experts handle your retirement planning. 🏠





Often overlooked, Health Savings Account can give your retirement a huge boost

A Health Savings Accounts or HSA is used to help build a financial cushion to help with expenses related to your health. The often overlooked benefit is that you can leverage an HSA to help with your retirement planning.

How it can benefit you:

Contributions to HSAs are made pretax while earnings and interest are tax free. Better yet you can invest your savings tax-free. Additionally the withdrawals you make for qualified medical expenses are also tax-free. By saving and investing you can build your HSA into retirement which ensures you have a sound financial cushion. This will help with medical expenses that you will incur in your retirement, specifically expenses not covered by Medicare.

One Major issue:

You must be enrolled in a high deductible health plan to contribute to an HSA.

5 WAYS TO STOP LIVING FROM PAYCHECK TO PAYCHECK!

BY ALLAN R KIRBY



Sometimes you need to make difficult choices in order to stop living from one paycheck to the next.

Are you ready for any unexpected expenses that may come in? Will you be stuck using a high interest credit card just to get things paid? If so, this can lead to a situation where you get further behind and run up more debt and continue to overspend each month. Living Paycheck to Paycheck is a situation that nobody wants to be in.

Sometimes bad things happen to the best of us and we land ourselves in this type of situation. I was certainly in that position when I was in school and it's not fun. In fact, I found it can put an immense amount of pressure on a person and for some it can even be a major contributor to health related issues. In my situation, I came to the conclusion that I needed to get myself out of a hole and this entailed making tough decisions.

5 WAYS TO STOP LIVING FROM PAYCHECK TO PAYCHECK! CON'T

I really needed to do this because the stress at the time was affecting my relationship with my family and friends and that was what I hated most about my situation. The process was much harder than I thought. It meant building up basic financial skills, but in the end I was successful, so let's see what can be done.

"Time to make the tough choices"

Controlling expenses by cutting spending Cutting

spending will help control your expenses and it is the first thing you need to do because it will have an immediate impact on your finances. You need to really look at the things you buy each week and determine what can be cut. For example, going out to restaurants and buying drinks and/or buying expensive coffee every morning can be cut. I know it sucks, but I learned quickly that you need to sacrifice in order to succeed. This means learning to make your own coffee and preparing your own lunch; it takes more time but it's worth it. Keep in mind, this may not be easy for some of you, but cutting back is a necessity in controlling expenses or at least slowing down the spending will get you on a better footing. This may mean some lifestyle adjustments, but I recommend a slow withdrawal if possible. This has less impact and helps facilitate a higher success rate.

Pay your credit card debt

I think we are all aware of the importance of not carrying a balance on a credit card. The high interest fees can cost you a substantial amount over time. One myth that has cropped up, from some people I have talked to, is the assumption that carrying a balance on a credit card improves your credit rating. This is not the case and could ultimately affect your credit score if you are just paying the minimum payments all the time. So please ensure you pay more than the minimum and get your cards paid off.

Learn to budget effectively

I have found this takes time. People need to learn how to budget and manage money, but it's a slow process. If you have never done it, it is not a one day process and everything is good. It took me about two months of learning and adjusting to come up with a budget I could finally follow. I will reiterate this time and time again, financial management is a journey not a sprint. For most people, find a way to create a simple budget and follow it. Do not worry if you make mistakes or need to adjust. It just takes time to understand the process. Using simple excel or google templates will work best for most. I would initially avoid trying more complex software, I have seen too many people, including myself, get frustrated because it ends up taking hours to set everything up and it may be overly complex for beginners. Try Microsoft, they have many free templates for MS Office.

5 WAYS TO STOP LIVING FROM PAYCHECK TO PAYCHECK! CON'T

Save a little for each pay

I cannot stress this enough. Pay Yourself first. This means that every time you get paid, put some money aside for your savings and retirement. For many people it's best to set up automatic transfers the day you get paid. That way you can ensure you have money set aside before you spend your money or pay your bills. You have guaranteed you have saved and not spent the money; think of it as an extra deduction on your pay.

Seek Help from professionals or DIY

It's important to know that personal finance can be difficult so I will always advocate that readers seek out a money coach or visit a financial institutions to talk to a financial advisor if you so choose.

Doing nothing will not solve the problem. So, if you're a DIY type of person, do your research and try and see if you are successful. However if you find it's just too difficult, then seek out a professional that can help you out. Regardless of the path you decide to take, you will still have to make difficult choices in order to stop living from one paycheck to the next. That is not avoidable, lifestyle changes are normally needed when people struggle with their finances.

"Sometimes you may end up liking the changes you made"

The reality is that difficult choices have to be made when living paycheck to paycheck. It can mean changes to your lifestyle but over time you may find it's not that bad at all. I began to adjust and found that I could easily live without having to go to the restaurant every day. In fact, preparing my meals actually was not as bad as I thought it would be and making my own coffee made me realize I can make a good cup of coffee. To this day I still make my own coffee every morning. 🏠





ROTH IRA

What is a Roth IRA?

A Roth IRA is a retirement account that offers a powerful tax benefit: The ability for your money to grow tax-free while your withdrawals from your Roth IRA in retirement are also tax free. This is different from a traditional IRA where you may be eligible to take a tax deduction on your contributions the year you fund your account, but then your withdrawals in retirement are taxed as income.

Good News: Once you fund a Roth IRA, you can invest the funds any way you choose! You can invest in low-cost index funds, use a financial advisor or DIY by building your own portfolio of stocks, ETF's and bonds. You have a lot of flexibility when you have a Roth IRA retirement account.

Biggest Benefit: Your money grows tax-free and there's no tax on your Roth IRA withdrawals in retirement. So a Roth IRA is perfect if you are younger (20's and 30's) because you will have years of investments growth and you will not be paying taxes when you start withdrawing during retirement.

The Rules: **1.** To contribute to a Roth IRA in 2020, a single person's Modified Adjusted Gross Income (MAGI) must be under \$139,000 to contribute. For married couples its \$206,000. **2.** You can contribute up to \$6,000 to a Roth IRA in 2020 if you are under 50 years old. \$7,000 if your over 50 years old. **3.** Contributions are taxed, however qualified Roth IRA withdrawals in retirement are tax-free, This means tax savings can be significant for people who have a long time until retirement.



Shouldn't My Partner Help Me Pay Off My Student Debt?

BY ALLAN KIRBY

There is no easy solution when debt is part of a relationship

Unfortunately this is a very common scenario for many young people starting out today. High debt levels caused by getting an education. Now to be fair, not everyone comes away with school debt but it is still more likely that young adults will be starting out with some level of debt. The good news is that there are many opportunities available for graduates, especially in IT. In fact, many graduates could end up getting good high paying jobs, but there can be a downside and that is housing.

It's unfortunate but many large cities have become unaffordable and as a result can really bite into someone's income. This means that many young people will be entering a relationship with high debt, low savings, and very little in retirement funds. This is not a good start.

Finding out that anyone you are with has a high level of debt can be devastating and negatively affect the relationship. Unfortunately, it's not just high student debt, it could be credit card or other personal debt. This may have your partner questioning whether or not there are underlying issues with the person they are with.

SHOULDN'T MY PARTNER HELP ME PAY OFF MY STUDENT DEBT? CON'T

Money is a serious issue when it comes to relationships and studies have shown this. For example, the results from a Learvest survey found that:

"One in four Americans have broken up with their significant other due to money issues and a further 58% percent of American would prefer to be single than deal with money issues in a relationship"

The fact is, money plays a significant part of a relationship and it is clear that for a relationship to move forward, however difficult, finances need to be discussed. As I have mentioned in previous articles, you need to address financial problems and not hide them, because money issues will not go away and you can never hide financial problems forever.

Should your partner help pay off your student loans

Unfortunately there is simply no simple answer to the question. It ultimately depends on the couple's ability to find a solution to the problem. The path to finding the solution basically starts with communicating and opening up on how to discuss the issues. Simply put, couples will never succeed in resolving financial issues unless they sit down and talk to each other. I do understand that it's not a subject we like to discuss but It does need to be dealt with. As difficult as it is to discuss the issues, finding a solution could be just as difficult. Tough decisions such as: postponing marriage, having children, buying a home, going on trips and planning for retirement, may need to be made.

However, the point is that you need to start talking and finding a solution by working together and building a stronger relationship.

Seek advice

Seeking advice is important when looking at how to deal with paying off student loans or other personal debt. If both parties are looking for a workable solution but are having troubles finding what that solution should be, discussions with a professional to help could be the best route to take. Sometimes a money coach or financial advisor can:

1. Assess your current situation.
2. Develop a budget and repayment plan.
3. Help determine how the loans are paid back.



SHOULDN'T MY PARTNER HELP ME PAY OFF MY STUDENT DEBT? CON'T

My only suggestion is to take your time with whom you talk to and the type of help you are seeking. It can be very difficult to open up to a professional in order to figure out your money problems, however having a someone who has a vested interest in seeing both of you succeed will help ensure success.

“Get Innovative” I have taken notice of some couples that have found innovative ways to ensure they start their relationship fresh. For example, I know two couples who married with a small ceremony and used the money they saved and received from guests and family to pay off their debts. For these couples, they felt it created a fresh start to the relationship and it was a gift that they really wanted. The decision to forgo the big wedding to pay off debt, instead of spending big was not an easy decision, and it's not for everyone, but the point is to work together to find a solution that will work for both of you.

Work together to find a solution

The ultimate goal of course is to figure out how to approach the debt issues and find a resolution that will work best for both partners given the situation. The truth is that regardless of personal feelings on the issue, debt is still going to be part of the relationship if you chose to stay together. Additionally keep in mind that if the solution benefits one person over the other, this too will create issues later in the relationship. Many adults want to get into a relationship free of money issues, but statistically speaking, it's very likely one or both persons in the relationship will be bringing some type of money issues. Discussing the issue and finding a solution will be the key to a successful relationship. 





IT'S TAX TIME - TAX CHANGES FOR 2020

Good News for 2020 contribution limits for 401(k) and 403(b) will be increasing from from \$19,000 to \$19,500 . If you are over 50 guess what you can now contribute up to \$6,500.

For people who qualify to open a Health Savings Account (HSA), they will see the individual limit raise from \$3,500 to \$3,550 while the family plan goes from \$7,000 to \$7100.

What else might be of interest:

The standard deduction for married people filing jointly rises to \$24,800 from \$24,400.

For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,400 from

For heads of households, the standard deduction will be \$18,650 for tax year 2020, up \$300.



THREE + ONE MONEY MANAGEMENT TIPS FOR YOUR SUCCESS.

Let's Look at the first three:

1. **Reduce debt:** Pay off your high interest loans and credit cards. The reason is that you can save a bundle on interest.
2. **Budget and cut spending:** Budget wisely and cut discretionary spending if possible. Your Budget will help you stay on track and help you build on your success.
3. **Invest your money:** Cash is not always king, let your money grow, invest some of your money in CD's or index funds.

However there is one that is often forgotten but is important to your success:

1. **Taking a break from your finances:** Although it's good to budget, reduce debt and cut spending, you do need to take a break and give yourself a treat every so often.



ALOHA! LOOKING TO INVEST IN HAWAII?

Aloha! Get a taste of Hawaii, create your own ETF by investing in these Hawaiian stocks.

Hawaiian Banking Stocks:

1. Bank of Hawaii Corporation (Ticker: BOH).
2. First Hawaiian Inc (Ticker: FHB).
3. Central Pacific Financial Corp (Ticker: CPF).

Hawaiian Real Estate, Resort Operation and Agriculture Stocks:

1. Alexander & Baldwin Inc (Ticker: ALEX).
2. Maui Land & Pineapple Company (Ticker: MLP).

Hawaiian Airline and Utility Stocks:

1. Hawaiian Holdings Inc (Ticker: HA).
2. Hawaiian Electric Industries Inc (Ticker: HE).

Take your time, do research and see which Hawaiian stocks meets your own investment needs, Good luck.



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