

Client Corner | Lennie and Lamar Smith, Mineral Wells

Lennie and Lamar Smith travel together to national parks like Big Bend and Yellowstone and enjoy gardening, reading, and working in their large yard.

"I guess we sound kind of boring," says Lennie Smith.

But your life isn't boring if you are doing exactly what you want to.

The freedom the Smiths enjoy comes after years of hard work. Lamar ran his own construction and

remodeling business, and Lennie started at The Ritchie Law Firm when she was 19. She still works there part time.

They have two grown children, Philip and Marla, and five grandchildren. Though not Texas natives, the Smiths have lived here many years, Lennie since her family relocated from New Mexico when she was 12 and Alabama native Lamar with the Army just before Vietnam.



Lamar and Lennie Smith have been taking road trips to national parks for the last 25 years.

What's Inside

Investor Bookshelf

Why "why" matters

Saver's Corner

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Accolades

We have several reasons to
celebrate

Upcoming Workshops and Client Events

*Workshops are presented by John R. Berry, CFP® professional.
Mark your calendar.*

Mid-Year Market Update

What we might see for the rest of 2015
in the financial markets.

5:30 to 6:30 p.m. July 30 at Titan Bank

Investment Basics

Learning the terms that are important
for your future.

5:30 to 6:30 p.m. Sept. 24 at Titan Bank

Retirement Income Streams

Strategies to help make sure you don't
outlive your savings.

5:30 to 6:30 p.m. Oct. 22 at Titan Bank

Social Security & Retirement

Claiming strategies to maximize your
income.

5:30 to 6:30 p.m. Nov. 5 at Titan Bank

Client Appreciation Family Movie Night

6 to 8 p.m. December 3 at Brazos Cinema III

Investor Bookshelf | *The One-Page Financial Plan*

Here at Corner Post Financial Planning, we were struck by the simple approach Carl Richards espouses in his latest book, the *One Page Financial Plan*. From the start, he admonishes readers to consider why they work hard to earn money.

It's a good little book and a quick read, covering saving, investing, and insurance needs for ordinary people, but in truth, everything revolves around the first question: Why?

We encourage you to

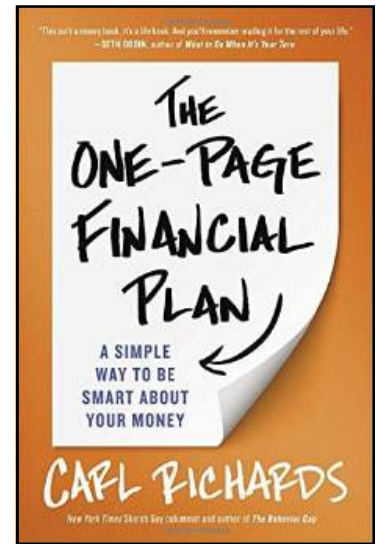
ask that same question in a serious manner if you are still in your earning years, or encourage friends and family members who are working to ask that question: Why are you working hard? Why do you want to save (hopefully you do)?

Being able to answer WHY helps you focus on your values. Richards notes that sometimes people discover that they are spending lots of money on things that are not important to them. Why is that?

Your WHY could be retiring so you can travel or spend more time with grandkids. Your WHY might be giving your kids advantages you did not have through a college education or training program.

Everybody's WHY will be different; it will be very personal. Don't worry if it is something other than what your friends think it should be.

Once you know the WHY behind your work,



you can begin to align your spending and your everyday choices with that bigger question.

What is the Roth IRA 5-year rule?*

Actually, there are two five-year rules you need to know about. The first five-year rule determines when you can begin receiving tax-free qualified distributions from your Roth IRA. Withdrawals from your Roth IRA—including both your contributions and any investment earnings—are completely tax and penalty free if you satisfy a five-year holding period and one of the following also applies:

- ◆ You've reached age 59½ by the time of the withdrawal
- ◆ The withdrawal is made due to a qualifying disability

- ◆ The withdrawal is made for first-time homebuyer expenses (\$10,000 lifetime limit)
- ◆ The withdrawal is made by your beneficiary or estate after your death

This five-year holding period begins on January 1 of the tax year for which you made your first contribution (regular or rollover) to any Roth IRA you own. For example, if you make your first Roth IRA contribution in March 2015 and designate it as a 2014 contribution, your five-year holding period begins on January 1, 2014 (and ends on De-

cember 31, 2018). You have only one five-year holding period for determining whether distributions from any Roth IRA you own are tax-free qualified distributions. (Roth IRAs you inherit are subject to different rules.)

The second five-year rule is a little more complicated. When you convert a traditional IRA to a Roth IRA, the amount you convert (except for any after-tax contributions you've made) is subject to income tax at the time of conversion. Your conversion isn't subject to the 10% early distribution penalty, even if you haven't yet reached age 59½.

But what the IRS giveth it can also taketh away. If you withdraw any portion of your taxable conversion within five years, you'll have to pay the 10% early distribution penalty on those funds that you previously avoided—unless you've reached age 59½ or qualify for another exemption from the penalty tax. This five-year holding period starts on January 1 of the year you convert your traditional IRA to a Roth IRA. And if you have more than one conversion, each will have its own separate five-year holding period for this purpose.

FAQ Headquarters

QUESTION: *I'm confused. Is an annuity an investment vehicle or an insurance product?**

ANSWER: An annuity is a distinctive financial product. Although it's not an insurance policy per se, it is a contract with an insurance company. Many different types of annuities exist, with many different features. A deferred annuity is a savings vehicle that accumulates earnings on a tax-deferred basis. An immediate annuity is a financial instrument that converts a lump-sum premium into a stream of payments over a certain period of time or for as long as the annuitant lives.

Deferred Annuities

Here's how a deferred annuity works. You (the annuity owner) make a lump-sum payment or a series of premium payments to an annuity issuer (the insurance company), which will accumulate earnings at a fixed interest rate (a fixed annuity) or a variable rate determined by the growth (or losses) in investment options known as subaccounts (a variable annuity). This is known as the accumulation period. With some deferred annuities, during the accumulation period you are allowed to withdraw a percentage

of the principal and earnings without incurring surrender charges. Any earnings in the annuity are not subject to taxation until distributed. At the end of the accumulation period, you can receive the principal and any earnings in one lump sum when the contract is surrendered (i.e., cashed in), or you typically can exchange the deferred annuity for an immediate annuity. If you die before surrendering the deferred annuity, your beneficiary generally receives the principal and any accumulated earnings (although some exceptions may apply).

Immediate Annuities

An immediate annuity is a contract between you and an annuity issuer (an insurance company) to which you pay a single lump sum of cash in exchange for the issuer's promise to make payments to you (or the annuitant) for a fixed period of time or for the life of the annuitant. The payments are based on a number of factors, including the annuitant's age at the time of purchase, the annuitant's gender, whether payments will be made to only one

annuitant or to joint annuitants, and whether payments will be made for a fixed period of time or for the life of the annuitant(s).

Guarantees

An annuity may have certain guaranteed or insurance-like characteristics. (Guarantees are based on the claims-paying ability of the issuing insurance company.) For example, a deferred variable annuity may guarantee that your beneficiary will receive at least the amount of your original principal if you die, even if the value of the annuity has declined due to poor performance of the subaccounts you selected. And whether you purchase a fixed or variable immediate annuity, you're guaranteed to receive payments for life if you elected that payout option, no matter how long you live.

Deferred annuities are most commonly used to help save for retirement. Immediate annuities are generally used to provide a guaranteed income during retirement.

Note: Variable annuities are long-term investments suitable for retirement funding and are subject to market fluctuations and investment risk, including the possibility of loss of principal. Variable annuities contain fees and charges including, but not limited to, mortality and expense risk charges, sales and surrender (early withdrawal) charges, administrative fees, and charges for optional benefits and riders. Variable annuities are sold by prospectus. You should consider the investment objectives, risk, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the variable annuity, can be obtained from the insurance company issuing the variable annuity, or from your financial professional. You should read the prospectus carefully before you invest.

*These are the views of Broadridge and not necessarily of the named representative or ICA and should not be construed as investment advice. Neither the named representative nor ICA gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your Financial Advisor for further information.



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Chamber recognizes Corner Post



The Mineral Wells Area Chamber of Commerce paid a surprise visit to our office on June 5. The Chamber bestowed upon Corner Post Financial its "Member of the Month" award for June. Corner Post was recognized for its financial education series, which provides free workshops to the public on topics such as market trends, retirement planning, and Social Security. Thank you to each of our clients and community champions, including our sponsor Titan Bank. None of these efforts would be possible without you. Pictured with Chamber staff and Ambassadors are John R. Berry and Administrative Assistant Hannah Foster.

Account access 24/7 @
www.cornerpostfinancial.com

Celebrations

- ◆ Congratulations to **Laronda and Michael Lee** on the marriage of their daughter, Kendall Michelle, to Jorge Arturo.
- ◆ **Melissa Martin**'s father, the late Leslie Byron Hair of Post, is a well-deserved addition to the Vietnam Veterans Memorial Fund's In Memory Honor Roll.
- ◆ **Jaci Snyder** is on her way to Texas Christian University! Parents are **Sandra and Robert Snyder**.
- ◆ Congratulations to **Angela Sherrill** on her recent marriage to Cris Munoz. Parents are **Helen and Dheryl Sherrill**.
- ◆ Congratulations to **Melissa Barry** on her retirement from Oncor Electric Delivery.