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Mission:

Transform Families

Vision:

Moving you to Financial Contentment

Core Values:

Client First

Simplify the Complex

Trust

Genuine Care

Diligence

Resourceful

Flexible

2018 4th Quarter

Cliff's Notes

Volume 17 | Issue 4

Pick Your Plastic: Debit or Credit?

According to a Federal Reserve study, Americans use debit cards more often than credit cards, but the total value and the average value of credit card transactions are higher than those of debit card transactions.

While consumers made 69.5 billion transactions using debit cards, the total value of these transactions was $2.56 trillion, with an average transaction value of $37. Credit card usage resulted in 33.8 billion transactions, with a total value of $3.16 trillion, and a $93 average transaction value.[1]

This reflects fundamental differences. A debit card acts like a plastic check and draws directly from your checking account, whereas a credit card transaction is a loan that remains interest-free only if you pay your monthly bill on time. For this reason, people may use a debit card for regular expenses and a credit card for "extras." However, when deciding which card to use, you should be aware of other differences.

Fraud protection

In general, you are liable for no more than $50 in fraudulent credit card charges. For debit cards, a $50 limit applies only if a lost card or PIN is reported within 48 hours. The limit is $500 if reported within 60 days, with unlimited liability after that. A credit card may be safer in higher-risk situations, such as when shopping online, when the card will leave your sight in a restaurant, or when you are concerned about a card reader. If you regularly use a debit card in these situations, you may want to maintain a lower checking balance and keep most of your funds in savings.

Merchant disputes

You can dispute a credit card charge before paying your bill and shouldn't have to pay it while the charge is under dispute. Disputing a debit card charge can be more difficult when the charge has been deducted from your account, and it may take some time before the funds are returned.

Rewards and extra benefits

Debit cards offer little or no additional benefits, while some credit cards offer cash-back rewards, and major cards typically include extra benefits such as travel insurance, extended warranties, and secondary collision and theft coverage for rental cars (up to policy limits). Of course, if you do not pay your credit card bill in full each month, the interest you pay can outweigh any financial rewards.

Credit history

Using a credit card responsibly can help you build a positive credit history because your usage is reported to credit reporting agencies. A debit card has no effect on your credit.

Money management

Using a debit card helps ensure that you don't overspend. Because purchases are deducted right away from your checking account, you aren't in the dark about how much you're spending. You can quickly check your balance online or at an ATM, and see which purchases are pending.

A credit card offers you the flexibility of tracking your monthly expenses on one bill, which can help you establish and stick to a realistic budget. A credit card can also be used in emergencies.

Considering the additional protections and benefits, a credit card may be a better choice in some situations — but only if you pay your monthly bill on time. The good news is, you don't have to choose just one option.

[1] U.S. Federal Reserve, 2016 (2015 transactions, most recent data available)

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On the Road to Retirement, Beware of These Five Risks

On your journey to retirement, you'll likely face many risks that have the potential to throw you off course. Following are five common challenges retirement investors face. Take some time now to review and understand them before your journey takes an unplanned detour.

1. Traveling aimlessly

Setting out on an adventure without a definitive destination can be exciting, but probably not when it comes to saving for retirement. As you begin it comes to saving for retirement. As you begin your retirement strategy, one of the first steps you'll need to take is identifying a goal. While some people prefer to establish one big lump-sum accumulation amount – for example, $1 million or more – others find that type of number daunting. They might focus on how much their savings will need to generate each month during retirement – say, the equivalent of $5,000 in today's dollars, for example. ("In today dollars" refers to the fact that inflation will likely increase your future income needs. These examples are for illustrative purposes only. They are not meant as investment advice.)

Regardless of the approach you follow, setting a goal may help you better focus your investment strategy. In order to set a realistic target, you'll need to consider a number of factors – your desired lifestyle, pre-retirement income, health, Social Security Benefits, any traditional pension benefits you or your spouse may be entitled to, and others. Examining your personal situation both now and in the future can help you determine how much you may need to accumulate.

2. Investment too conservatively…

Another key to determining how much you may need to save on a regular basis is targeting and appropriate rate of return, or how much your contribution dollars may earn on an ongoing basis. Afraid of losing money, some retirement investors choose only the most conservative investments, hoping to preserve their hard-earned assets. However, investing too can be risky, too. If your investment dollars do not earn enough, you may end up with a far different retirement lifestyle than you had originally planned.

3. …Or too aggressively

On the other hand, retirement investors striving for the highest possible returns might select investments that are too risky for their overall situations. Although you might consider investing at least some of your retirement portfolio in more aggressive investments to potentially outpace inflation, the amount you invest in such higher-risk vehicles should be based on a number of factors. Appropriate investments for your retirement savings mix are those that take into consideration your total savings goal, your time horizon (or how much time you have until retirement), and your ability to withstand changes in your account's value. Would you be able to sleep at night if your portfolio lost 10%, 15%, even 20% of its overall value over a short time period? These

4. Giving in to temptation

On the road to retirement, you will likely face many financial challenges as well – the unplanned need for a new car, an unexpected home repair, an unforeseen medical expense are just some examples.

During these trying times, your retirement savings may loom as a potential sources of emergency funding. But think twice before tapping your retirement savings assets, particularly if your money is an employer-sponsored retirement plan or an IRA.

Consider that:

- Any dollars you remove from your portfolio will no longer be working for your future
- You may have to pay regular income taxes on distribution amounts that represent tax-deferred investment dollars and earnings
- If you're under age 59½, you may have to pay an additional penalty tax of 10% to 25% (depending on the type of plan and other factors; some exceptions apply)

For these reasons, it's best to carefully consider all of your options before using money earmarked for retirement.

5. Prioritizing college savings over retirement

Many well-meaning parents may feel that saving for their children's college education should be a higher priority than saving for their own retirement. "We can continue working, if needed," or "our home will find our retirement," they may think. However, these can be very risky trains of thought. While no parent wants his or her children to take on a heavy debt burden to pay for education, loans are a common and realistic college-funding option – not so for retirement. If saving for both college and retirement seems impossible, consider speaking with a financial professional who can help you explore the variety of tools and options.

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Important Disclosures:

What is the federal funds rate?

The federal funds rate is the interest rate at which banks lend funds to each other from their deposits at the Federal Reserve (the Fed), usually overnight, in order to meet federally mandated reserve requirements. Basically, if a bank is unable to meet its reserve requirements at the end of the day, it borrows money from a bank with extra reserves. The federal funds rate is what banks charge each other for overnight loans. This rate is referred to as the federal funds effective rate and is negotiated between borrowing and lending banks.

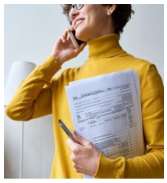
The Federal Open Market Committee sets a target for the federal funds rate. The Fed does not directly control consumer savings or credit rates directly; it can't require that banks use the federal funds rate for loans. Instead, the Fed lowers the federal funds rate by buying government-backed securities (usually U.S. Treasuries) from banks, which adds to the banks' reserves. Having excess reserves, banks will lower their lending rates for overnight loans in order to make some interest on the excess reserves. To raise rates, the Fed sells securities to banks, decreasing the banks' reserves. If enough banks need to borrow to meet overnight reserve requirements, banks with extra reserves will raise their lending rates.

The federal funds rate serves as a benchmark for many short-term rates, such as savings accounts, money market accounts, and short-term bonds. Banks also base the prime rate on the federal funds rate. Banks often use the prime rate as the basis for interest rates on deposits, bank loans, credit cards, and mortgages.

The FDIC insures CDs and bank savings accounts, which generally provide a fixed rate of return, up to $250,000 per depositor, per insured institution. The principal value of bonds may fluctuate with market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk. U.S. Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest.

Source: Federal Reserve, 2018

What is the difference between a tax deduction and a tax credit?



Tax deductions and credits are terms often used together when talking about taxes. While you probably know that they can lower your tax liability, you might wonder about the difference between the two.

A tax deduction reduces your taxable income, so when you calculate your tax liability, you're doing so against a lower amount. Essentially, your tax obligation is reduced by an amount equal to your deductions multiplied by your marginal tax rate. For example, if you're in the 22% tax bracket and have $1,000 in tax deductions, your tax liability will be reduced by $220 ($1,000 x 0.22 = $220). The reduction would be even greater if you are in a higher tax bracket.

A tax credit, on the other hand, is a dollar-for-dollar reduction of your tax liability. Generally, after you've calculated your federal taxable income and determined how much tax you owe, you subtract the amount of any tax credit for which you are eligible from your tax obligation. For example, a $500 tax credit will reduce your tax liability by $500, regardless of your tax bracket.

The Tax Cuts and Jobs Act, signed into law late last year, made significant changes to the individual tax landscape, including changes to several tax deductions and credits.

The legislation roughly doubled existing standard deduction amounts and repealed the deduction for personal exemptions. The higher standard deduction amounts will generally mean that fewer taxpayers will itemize deductions going forward.

The law also made changes to a number of other deductions, such as those for state and local property taxes, home mortgage interest, medical expenses, and charitable contributions.

As for tax credits, the law doubled the child tax credit from $1,000 to $2,000 for each qualifying child under the age of 17. In addition, it created a new $500 nonrefundable credit available for qualifying dependents who are not qualifying children under age 17. The tax law provisions expire after 2025.

For more information on the various tax deductions and credits that are available to you, visit irs.gov.

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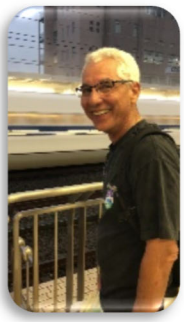
What's Happening at CMR…

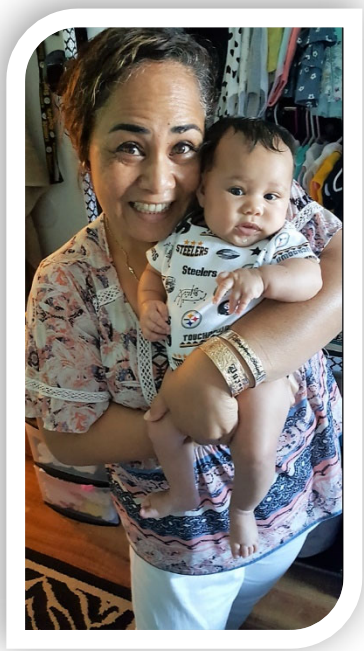
Cliff…

I finally made it to Japan!

Check one off the bucket list. It's like everyone told me it would be. We visited Tokyo, Mt Fuji and Hakone. So many people and so much food…oh the food was so ono! Weather was perfect in early September. We can't wait to go back and explore more of the country.

Bullet Train





Margaret…

I would like you all to meet the newest member to our Ohana…

Hayden-Marie Ikamoeokanani Cuarisma…

she was born on June 18th

She's such a cutie and brings so much JOY…

Sheri and Zane…

On July 25th, we welcomed a health baby girl, Zaia. Her brother Zeke has truly been loving having a new sister. We are learning how to be a family of 4 and loving watching both kids grow and mature. As parents, Zeke and Zaia are truly a blessing for us.

Roxanne…

My summer ended in Washington State and it was great! We took my grandchildren to the State fair, it was the best fair I ever went to. So much food, rides, and games compared to the fair here in Hawaii. When it was time to leave, my daughter gave me the good news, grandbaby #7 is a Boy!!!

Whitney …

Hope everyone had a great Summer Vacation! My family and I had a great summer creating memories. It's become a family tradition to attend Bon Dances, frequent the beach, and the pools. My wife and my girls pick up the different Bon Dances easily, but me not so much. Hope everyone has a great Thanksgiving, just remember "Gobble till you Wobble".