Retirement Report
Your Guide to a Richer Retirement

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Maximize Income From Dividends

DIVIDEND INVESTING IS SUPPOSED TO BE A BIT LIKE watching grass grow: steady progress, few surprises. But lately, investors holding dividend-paying stocks have suffered some jarring setbacks.

Higher-yielding sectors such as utilities and real estate investment trusts saw valuations soar through much of 2016, then suffered sharp pullbacks later in the year. Analysts see more pain ahead for high-dividend-yielding stocks as interest rates start to rise, diverting income-focused investors from stocks into bonds. A stretch of stagnant earnings growth, meanwhile, put the brakes on the double-digit dividend growth that investors have grown accustomed to since the financial crisis. Standard & Poor’s 500-stock index dividends climbed just 5% in 2016.

“It’s realistic to start thinking that the best might be over in terms of dividend growth,” says Christine Benz, director of personal finance at investment-research firm Morningstar.

Does this mean older investors should scale back dividend holdings? Hardly. The idea of getting income from stocks still “makes a lot of sense, particularly in this low-rate world,” says Tony DeSpirito, co-manager of BlackRock Equity Dividend fund. At roughly 2.5%, the yield on the Russell 1000 Value Index is about the same as the yield on the 10-year Treasury, he notes. But while the Treasury

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This free subscription is an exclusive benefit for you as an ICMA-RC Premier Service Summit Level member.
bond offers a fixed coupon, stocks offer potential dividend growth and share-price appreciation.

The challenge is to pick the right dividend stocks or funds. Rounding up the usual suspects—high dividend-yielding utilities, REITs, consumer staples and telecom stocks—may not be the best approach. One reason: You’d be ignoring some of the biggest dividend-paying sectors, including technology and financials.

The higher-yielding stocks also look expensive, even after their late-2016 sell-off, money managers say. Investors have used them as bond substitutes in a low-rate era, and as rates rise, these bond proxies will suffer more than lower dividend-yielders.

Stocks that can deliver steady dividend growth, rather than the richest yields, offer the most fertile ground for dividend investors. These holdings look cheaper than the high-yielders, they can hold up well in a rising-rate environment, and they can offer a buffer against market volatility.

You can maximize the income you get from these holdings by minimizing fees and taxes. In a dividend-focused mutual fund, a lofty expense ratio can chew through most of your yield. And although the 15% tax rate paid by most investors on qualified dividends seems relatively benign, many holdings favored by dividend investors and dividend funds don’t get this treatment. Most REIT payouts, for example, are taxed as ordinary income.

Follow these tips to build a dividend portfolio that can deliver reliable income despite rising rates and slowing dividend growth—so you can get back to watching the grass grow.

**Go for Growth**

Reliable dividend growers have proved resilient during the roughest times in the market. In a recent study, S&P Dow Jones Indices compared the performance of dividend “aristocrats”—S&P Composite 1500 stocks that have raised their dividends every year for at least 20 years—against high-yielding stocks in the S&P 500. During the 15 worst months for the broader stock market from the end of 1999 through September 2016, the aristocrats lost 5.9%, on average, versus an 8.6% loss for the high-yielders and an 8.9% average decline for the S&P 1500.

The aristocrats tend to be more resilient during the worst market downturns in part because raising dividends year after year reflects a certain level of financial health and discipline, S&P notes.

So where can you find dependable dividend growers at a decent price? For old-school dividend investors raised on Ma Bell and Coca-Cola, the answers may be a bit surprising.

One sector that’s highly favored by value-minded dividend fund managers these days: technology. In 2016, the sector surpassed financials to become the biggest contributor to S&P 500 dividends, accounting for 15.5% of payouts.

Mature tech companies, such as Microsoft (symbol MSFT; recent price, $64), Cisco Systems (CSCO, $32) and Qualcomm (QCOM, $54), generate loads of free cash flow and are finding fewer opportunities to reinvest in their businesses, says Mike Liss, co-manager of the American Century Value fund. That leaves them with an “ability to increase their dividends at a rate better than the average stock,” Liss says.

Microsoft, which yields 2.3%, has nearly doubled its quarterly dividend in the past five years, to 39 cents a share. Money managers see more healthy dividend growth ahead as the company’s leadership in cloud computing improves its earnings-growth prospects.

Cisco, which yields 3.3%, is known for making the switches and routers that move data around computer networks. But Cisco is also expanding into faster-growing areas such as collaboration and security. The company has boosted its dividend...
every year since initiating its payout in 2011.

Patient investors should also take a look at Qualcomm, which yields 3.8%, says John Buckingham, chief investment officer at AFAM Capital and manager of the Al Frank fund. The stock has been crushed this year, in part because Apple is suing Qualcomm over its business practices, and it now trades at just 11 times analysts’ estimate of earnings in the coming year. Buckingham believes the litigation will ultimately be settled and “the magnitude of the decline has created opportunity for those who can take a long-term view.”

Look for Healthy Payouts

Health care stocks have looked rather sickly lately. Concerns about repeal of the Affordable Care Act, as well as talk from Washington about negotiating lower drug prices, have weighed on the sector.

But the political noise has created an opportunity for long-term dividend investors, particularly in drug stocks. “If you continue to create drugs that are innovative and meet unmet needs, you’re going to get premium pricing for those products,” Liss says.

Holdings in Liss’s fund include drug giants Pfizer (PFE, $32) and Merck (MRK, $64). Pfizer yields 3.8% and trades at just 13 times analysts’ estimate of its full-year earnings. While the loss of patent protection on several drugs is a headwind, the company maintains an impressive portfolio of patent-protected drugs and is launching several potential best-sellers in cancer, immunology and other areas.

Like Pfizer, Merck has a strong pipeline of new drugs to balance out upcoming patent losses. Cancer drug Keytruda has been a notable success as the company sharpens its focus on unmet medical needs. Merck yields 2.9% and has raised its dividend six years in a row.

Swiss drug giants Roche Holding (RHHBY, $30) and Novartis (NVS, $75) also look like good values, says Matt Burdett, associate portfolio manager at Thornburg Investment Management. Pricey biologics, which tend to have less generic competition, account for a large portion of Roche’s drug sales, and Roche also has a strong diagnostics business. The stock yields 3.4%.

Novartis, which yields 3.6%, is well diversified with pharmaceuticals, eye care and other businesses. The company is launching several drugs in key areas such as cancer and heart failure.

Guard Against Rising Rates

Rising rates generally aren’t disastrous for dividend stocks. Looking at the two-, three- and five-year periods following the initiation of Federal Reserve rate-hiking cycles dating back to 1954, dividend payers have outperformed non-dividend payers, according to AFAM Capital.

But when interest rates rise, some dividend payers do suffer. In recent research, Morningstar looked at rising-rate periods from May 1953 through the end of 2016. The 30% of stocks with the highest yields lost about 1.5%, on average, while the 30% with the lowest yields gained 3.2%.

Many dividend-focused fund managers are favoring a sector that stands to benefit from rising rates: financials. As rates rise, banks may see an improvement in their net interest margins—a measure of lending profit-
ability. What’s more, banks are likely to see looser capital requirements and other deregulation under the new administration, says Sandy Pomeroy, co-manager of the Neuberger Berman Equity Income fund. With capital freed up, banks may have more flexibility to boost their dividends.

Many big bank stocks saw sharp run-ups after the election. One that still looks attractively valued is Bank of America (BAC, $23), says Matt Quinlan, co-manager of the Franklin Income fund. At 1.1%, it doesn’t have the richest yield, but it trades for less than book value. The bank has slowly recovered from its ill-advised 2008 acquisition of mortgage lender Countrywide Financial and has sharply cut costs in recent years.

Rising rates are also “a positive for insurance companies who have substantial dollars in fixed income,” Buckingham says. He likes MetLife (MET, $53), which yields 3% and trades at just 10 times analysts’ estimate of its full-year earnings. The company is spinning off a U.S. retail unit, a move that analysts see as helping MetLife generate more stable cash flow.

Focus on Funds

If you’re shopping for a dividend-focused mutual fund, keep a close eye on fees. A mutual fund’s expense ratio eats into its yield. So “the relationship between expense ratio and income is quite direct,” Benz says.

One high-quality, low-cost fund is Vanguard Dividend Appreciation (VIG), an exchange-traded fund that yields 2.1% and charges just 0.09% annually. It tracks the Nasdaq U.S. Dividend Achievers Select Index, which includes companies that have boosted dividends for at least 10 consecutive years.

Another low-cost option: Schwab U.S. Dividend Equity ETF (SCHD). The fund tracks the Dow Jones U.S. Dividend 100 Index, which includes companies that have boosted dividends for at least 10 consecutive years.

Investors looking to avoid the highest yielders might also consider iShares Core Dividend Growth ETF (DGRO). It tracks the Morningstar U.S. Dividend Growth Index, which excludes stocks with yields in the top 10% of the broader stock universe. The fund charges 0.08% annually and yields 2.3%.

Whether you’re choosing a dividend-focused fund or picking your own stocks, pay attention to the potential tax hit. Qualified dividends, which include most U.S. stock dividends, get favorable tax treatment. Taxpayers in the 25% to 35% tax brackets pay 15% on qualified dividends. Taxpayers in the 10% and 15% brackets pay zero; those above the 35% bracket pay 20%. If your adjusted gross income is more than $200,000 for singles or $250,000 for married couples, you’ll owe an additional 3.8% on your net investment income, including qualified dividends.

But many holdings favored by dividend investors don’t pay qualified dividends. Payouts from REITs, some foreign stocks and convertibles can be taxed as ordinary income. With master limited partnerships, a large chunk of distributions is typically tax-deferred, but investors may pay a combination of capital-gains and ordinary-income tax rates when they sell their units.

“It’s worth looking under the hood” of dividend-focused funds because many of these funds hold non-qualified dividend payers, Benz says. She points to American Century Equity Income, which is a high-quality fund but tends to hold some non-qualified dividend payers such as convertibles. The fund’s 10-year tax-cost ratio is 1.8, according to Morningstar, meaning that investors have lost an average annual 1.8% of assets to taxes. Investors in Vanguard Dividend Appreciation Index fund, which holds only common stocks, have sacrificed far less to taxes, losing an average annual 0.73% over the period.

Another taxing question for dividend investors is whether to hold foreign dividend-paying stocks—or funds that invest in those stocks—in an IRA. Many countries withhold taxes from dividends that their companies pay to overseas investors. U.S. investors are taxed a second time on those dividends, either when they report dividend income for their taxable accounts or withdraw money from their IRA. You can claim a foreign tax credit on your federal return for the taxes withheld by the foreign country—but only if you hold the stocks in a taxable account. If you hold the investments in an IRA, there’s no way to recoup the foreign taxes paid.

“If you have an IRA and a taxable account, put the foreign stocks or foreign stock funds into the taxable account,” says John Burke, a financial adviser at Burke Financial Strategies, in Iselin, N.J. But there’s a caveat: Companies in countries that don’t have a tax treaty with the U.S. may pay non-qualified dividends, making them a poor fit for a taxable account. Most countries have a tax treaty with the U.S., but there are significant exceptions such as Brazil, Chile and Singapore. K ELEANOR LAISE
For Bargain Stocks, Look Overseas

REMEMBER THE LOST DECADE FOR U.S. STOCKS? From 2000 through 2009, the total return including dividends of Standard & Poor’s 500-stock index was a negative 9.1%, or an annualized loss of 0.95%.

“Today, we’re about to see another lost decade,” says Jeff DeMaso, research director for the Independent Adviser for Vanguard Investors newsletter. “But this time it’s overseas.”

Of course, 2009 proved a wonderful year to buy U.S. stocks because the S&P 500 hit bottom on March 9, 2009, and is now closing in on eight straight years of gains. Similarly, this year may well prove to be a propitious time to buy foreign stocks, DeMaso says.

The divergence between U.S. and international stocks has been stunning. Over the past 10 years, the S&P 500 has returned 7.2% annually, while the MSCI EAFE index of foreign developed-markets stocks returned a meager 0.8% annualized. The MSCI Emerging Markets Index has done little better, returning an annualized 2.4%. Because stocks around the globe peaked in October 2007 before plunging into the worst bear market since the Great Depression, 10-year returns for foreign stocks are virtually certain to be underwater by this fall. (Returns are through February 9.)

But expecting past performance to continue into the future is a classic mistake. Investors should stay diversified, putting a little extra into areas that are statistically cheap. For older investors, devoting about 25% of your stock allocation to foreign holdings is reasonable.

Today, foreign stocks are remarkably cheap relative to U.S. stocks. The S&P currently trades at 24 times earnings over the past 12 months—higher than at any previous time except the late-1990s tech bubble. The MSCI EAFE index, meanwhile, trades at 17 times earnings—pricey, but not ridiculous. Emerging markets are cheap at 15 times trailing earnings.

To be sure, overseas stocks aren’t cheap without reason. The European Union is threatened by a wave of nationalism. Japan’s economy faces huge demographic headwinds, mainly because of an aging population. And emerging markets have suffered from a lack of demand from the developed world.

But the stock market rapidly digests all available relevant information. That means the bad news is already reflected in share prices, and if the news gets a bit better than the market expects, foreign stocks will rally.

No one knows when foreign stocks will accelerate or when U.S. stocks will lose their mojo. But history shows that domestic and foreign stocks typically take turns leading each other, often for multiyear periods. Long-term returns for each are about the same. Emerging markets are already pulling ahead, beating the S&P by about 10 percentage points over the past 12 months.

What to buy? Below are some first-rate choices, starting with the lowest-risk options.

**American Funds New Perspective FI** (symbol NPFFX) invests about half its assets overseas and half in the U.S. Over the past 10 years, it has returned 6.1% annually, beating the MSCI All-Country World Index by five percentage points. Buy American funds with no sales charge through the Fidelity and Schwab online brokerages.

**Fidelity International Growth** (FIGFX) manager Jed Weiss looks for unfairly tarnished stocks. The fund, a member of the Kiplinger 25 (kiplinger.com/links/kip25), has returned 6.4% annually over the past five years, an average of 1.2 percentage point better than the MSCI EAFE index. It currently has 21% in U.S. stocks.

**American Funds New World FI** (NWFFX) invests about half its assets in emerging-markets stocks; the remainder is in multinational companies that do business in emerging markets. It has consistently topped emerging-markets stocks overall in bad markets and bested foreign developed-markets stocks in good markets.

**Vanguard Total International Stock ETF** (VXUS) is a great index fund choice. For a mere 0.13% annually, you get the entire foreign world, including 19% in emerging markets. If you don’t like the ETF wrapper, you can buy the mutual-fund investor shares (VGTSX), which cost 0.18% a year and have a $3,000 minimum investment, or the Admiral shares (VTIAX), which cost 0.11% and have a $10,000 minimum.
MANAGING YOUR FINANCES

Taking RMDs When IRA Holds an Annuity

Annuities have a reputation for being complex products, and dealing with IRA required minimum distributions isn’t always a walk in the park, either. Mix the two together, and that can result in a concoction of confusion. Here’s what you need to know if you hold an annuity in your traditional IRA.

Required minimum distributions from an IRA must be taken annually starting the year you reach age 70½. Typically, you figure your RMD by dividing the IRA balance as of December 31 of the previous year by a factor based on your age (see IRS Publication 590-B).

But if your IRA holds an annuity, you may or may not have to include its value when figuring your RMD. The kind of annuity you hold matters. Annuities come in many flavors, but generally there are three types: immediate, longevity and deferred variable annuities.

The first two types have a relatively easy relationship with RMDs. An immediate annuity results in an instant stream of payments, usually paid out over the buyer’s life expectancy. A lifetime stream of payments essentially covers the RMD for the portion of the IRA money invested in it. “That sufficiently duplicates the RMD distribution,” says Mark Luscombe, principal analyst in the tax and accounting business of Wolters Kluwer, in Riverwoods, Ill.

Say you have $300,000 in an IRA and use $100,000 to buy an immediate annuity. The $100,000 is turned into a stream of payments and is excluded from the RMD calculation. You still would have to figure the RMD for the remaining $200,000. But what if the annuity payments are more than the required distribution on the value of the annuity using the IRS method? Sorry, but any excess can’t count as part of the RMD on the nonannuity part of your IRA.

Longevity annuities are bought with a chunk of money now for payouts starting years later, typically at age 85. Qualified longevity annuity contracts, or QLACs, can be bought with IRA money (up to 25% of retirement account assets or $125,000, whichever is less). Money tied up in an IRA QLAC is ignored when figuring the IRA’s RMD. Your RMD is based on any non-annuity holdings.

Owning a deferred variable annuity in an IRA is where RMDs get tricky. How you figure the annuity’s value into the RMD depends on whether or not it has been “annuitized”—that is, turned into a stream of payments, usually over the owner’s life expectancy. “The rules change when you annuitize a contract,” says Ken Nuss, chief executive officer of AnnuityAdvantage.

If the variable annuity is simply an asset in your IRA, then its value must be included along with non-annuity holdings when figuring the RMD. Even if you are withdrawing some cash from the annuity, its value on the previous December 31 counts for RMD purposes, says Bob Gavlak, a certified financial planner at Strategic Wealth Partners, in Columbus, Ohio.

Your insurer may provide an RMD estimate based on the annuity’s value, but keep in mind that it will only cover the annuity, says Joe Heider, founder of Cirrus Wealth Management, in Cleveland. The RMD for any nonannuity IRA holdings must be calculated, too. You can take the total RMD from nonannuity holdings.

When the Rules Twist

But the rules change once the variable annuity is “annuitized,” because the stream of payments will cover the RMD for the IRA value represented by the annuity. “Most [VAs] are RMD friendly,” says Gavlak. “You are satisfying the RMD with those payments.” You still have an RMD for the nonannuity holdings.

If you annuitize the contract after you are subject to RMDs, take particular care with calculating the RMD for the first year of payouts, says Nuss. Your RMD in that first year is based on your prior year account balance, but Nuss says you’ll need to make sure that the total payments you receive during the first year of the annuitized contract are equal to or greater than the calculated RMD. If they are less, he says, you would need to make up the shortfall from nonannuity holdings in your IRA. In subsequent years, the money that’s tied up in the annuitized contract would be excluded from the IRA’s RMD calculation.
to $15,000 for single folks and $30,000 for married couples. That would put a big dent in the number of taxpayers who itemize deductions, since you only go to that trouble if the total of your qualifying expenses exceeds your standard deduction.

But taxpayers age 65 and older need to remember that they already get a supercharged standard deduction. For younger folks, the 2016 standard deduction is $6,300; for married couples, it’s $12,600. At 65, though, the no-questions-asked write-off grows to $7,850 for singles and $13,850 for a couple if one spouse is 65 or older or $15,100 if both spouses are. If the bonus figure beats the total of your itemized deductions, as it might if you’ve paid off your mortgage, you’ll not only avoid the hassle of itemizing but you’ll also save money.

Embrace the “angel of death” tax break. Proposed tax reform might restrict this, but for now the tax basis of inherited assets is their value on the date of death of the previous owner. Assume that last year you sold stock that Uncle John bought for $1,000 but was worth $10,000 when he died and left it to you. Your tax basis is $10,000, and you owe capital-gains tax only on any sales proceeds above that level. (The tax on the $9,000 appreciation while Uncle John was alive evaporated when he died.) If you sold for less than $10,000 in this example, in fact, you can claim a tax-saving capital loss. Congress figures that stepping up basis to date-of-death value will save heirs more than $32 billion this year. If you sold inherited assets in 2016, don’t leave your share of the savings on the table.

Can you deduct Medicare premiums? Like other health insurance premiums, what you pay for Medicare counts as a deductible medical expense. But such expenses are generally deductible for 2016 only to the extent they exceed 7.5% of your adjusted gross income (it’s 10% for taxpayers under age 65). But if you’re self-employed—say, you retired from your job as an employee and set up shop as a consultant or contract worker—you’re not inhibited by the 7.5% threshold.

You can deduct medical insurance premiums for Medicare or private insurance on Form 1040. One caveat: You can’t claim this deduction if you are eligible to be covered under an employer-subsidized health plan offered by either your employer (if you have retiree medical coverage, for example) or your spouse’s employer (if he or she has a job that offers family medical coverage).

Compute the tax bill on a widow’s sale of home. We often hear from readers confused over the tax treatment of the sale of a home following the death of one of the

DURING A PRESIDENTIAL DEBATE LAST FALL, HILLARY
Clinton accused Donald Trump of paying $0 in federal taxes for at least a couple of years in the past. The soon-to-be president retorted: “That makes me smart.”

So, just how smart do you feel as you sit down to complete your 2016 tax return? President Trump has promised tax cuts for all. But any changes will be for future years. For now, trimming your tax tab is up to you, not the men and women in Washington who write the tax law. And you’re stuck with the rules as they stand now. We hope some of these ideas will help you burnish your reputation as a taxpayer but limit how much you owe.

Use the right form for 0% gains. Investors with taxable income up to $37,650 on a single return and $75,300 on a joint return get the smartest tax rate ever for their long-term capital gains: 0%. But that’s not exactly the same as saying the gains are tax-free. They still have to be reported on your tax return, and if you simply report your profits on your Form 1040, they will be taxed in your top tax bracket. Instead, report your gains first on Form 8949 and then carry them over to Schedule D. Figuring your tax bill on the Schedule D tax worksheet, which you’ll find in the instructions for that form, will apply the 0% rate to qualifying profits. Whew! It’s a lot easier to use tax-preparation software.

Take advantage of a supercharged standard deduction. One of the proposals in President Trump’s tax plan is to more than double the standard deduction, pushing it
spouse co-owners. Does a widow, for example, get to take up to $500,000 of home sale profit tax-free, or is she limited to the $250,000 exclusion available to single taxpayers? It depends. Assuming at least one spouse met the two-out-of-five-year ownership test and both spouses met the two-out-of-five-year use test at the time the spouse died, the survivor gets the $500,000 exclusion. If more time has passed, the $250,000 limit kicks in. Remember, though, that the stepped-up basis rule mentioned earlier would wipe out the tax on at least half of the profit that accrued up to the time of the first spouse's death.

Meet an April 1 RMD deadline. If you turned 70½ last year and decided to put off your first required minimum distribution from your IRA until 2017, the April 1 deadline is fast approaching. Your 2016 RMD is based on the 2015 year-end balance in your accounts, not the 2016 balance. No matter how many traditional IRAs you have, total the balance and divide by 27.4. You can take the payout from any account or combination of accounts.

Although April 1 is a Saturday, the RMD deadline does not slip to the following Monday. Don’t wait until the last minute. Request the payout with plenty of lead time to meet the April Fool’s Day deadline.

Make a spousal IRA contribution for a retired spouse. Retiring doesn’t necessarily mean an end to the chance to shovel money into an IRA. If you are married and your spouse is still working, he or she can contribute up to $6,500 a year to an IRA that you own. (That assumes you were at least 50 last year; otherwise, the limit is $5,500.)

If you use a traditional IRA, contributions are allowed up to the year you reach age 70½. If you use a Roth IRA, there is no age limit. As long as your spouse has enough earned income to fund the contribution to your account (and any deposits to his or her own), this tax shelter’s door remains open to you.

Use your “get out of jail free” card. The IRS recognizes that it can be difficult to shift gears from being an employee—whose boss makes sure the pay-as-you-go rules are enforced by withholding tax from your paychecks—to a retiree, who may have to make quarterly estimated tax payments to avoid an underpayment penalty at tax-return time. If your 2016 return shows that you owe a penalty, you may catch a break if you retired in 2015 or 2016. In that case, the IRS may waive the penalty if you have a reasonable excuse. Check the instructions for Form 2210 for how to request the waiver.

TAXES

Paying Taxes for a Hired Caregiver

HERE WE GO AGAIN. ANOTHER PRESIDENTIAL transition, another Nannygate controversy. Retirement Report readers likely remember the 1993 case of Zoë Baird, whose nomination to be the first female U.S. attorney general was derailed when it was disclosed that she failed to pay required “nanny taxes” for a household employee.

This time, it started with Congressman Mick Mulvaney, President Donald Trump’s choice to run the Office of Management and Budget, who owned up to failing to pay five years’ worth of taxes for the woman he and his wife hired in 2000 to help care for their triplets. Next came Andrew Puzder. After his nomination as Labor Secretary, he disclosed that he had failed to pay required taxes for a household employee who was in the U.S. illegally. As their confirmation hearings went on, both men said they had paid back taxes they owed.

We bring this up as a reminder that the nanny tax isn’t just for Mary Poppins–like nannies taking care of children. It covers any household employee, such as a housekeeper, gardener or, our main concern here, a caregiver for your spouse or elderly parent. If the caregiver is provided through an agency or is self-employed, you’re off the hook. But if you hired the person yourself and control how the work is done, you’re more than likely an employer in the eyes of the IRS.

In that case, if you paid more than $2,000 last year, the nanny tax applies. When you file your 2016 tax return, you need to include a Schedule H and pay the 15.3% Social Security and Medicare tax on the wages you paid. That tax is supposed to be split evenly between you and your employee (7.65% each). But whether or not you withheld the tax from your employee’s wages during the year, you’re on the hook to pay the full amount when you file your return.

That’s not all. If you paid more than $1,000 to employees in any calendar quarter of 2016 or 2015, you also owe the federal unemployment tax. And you probably owe a state unemployment tax, too. Contact your state tax authority to find out. If you haven’t done so already, you need to give your employee a W-2 showing wages paid and any withholding (it was due at the end of January) and send a copy to the Social Security Administration.

K KEVIN McCORMALLY
giving the government that clout would lead to reduced costs. Studies have suggested that any savings would be modest, though, because Part D plans do a pretty good job of negotiating with drug makers, except in the case of some specialty drugs for which there are few, if any, alternatives.

Avoiding the Medicare Premium Surcharge
I’ll retire in April, and I’m sure my income for 2017 will fall below the level that triggers the high-income surcharge for Medicare. But if the government sets the premium based on my 2015 tax return, I’ll have to pay almost $350 a month. Am I stuck with the surcharge until Medicare gets my 2017 tax return showing lower income?
No. Because retirement is considered a “life changing” event, you can appeal to have your estimated 2017 income used to set the premium. The basic premium for Medicare Part B for someone who signs up this year is $134 a month. The surcharges, which start when adjusted gross income plus tax-free interest exceeds $85,000 for single filers and $170,000 for joint filers, can drive that monthly cost as high as $428.60.
You’ll need to file Form SSA-44 with Social Security to avoid a surcharge. We’ve heard that the most efficient way to handle this is to call Social Security (800-772-1213) to set up a face-to-face meeting at a local office. If you wind up paying the surcharge for a month or two before your appeal is approved, Social Security will reimburse you for the overpayment.

In-Kind Distributions From IRA
After reading your story about in-kind distributions from an IRA (“Shift Stock to Satisfy Your RMD,” December), I moved stock that had lost value out of my IRA as part of my required distribution. When I sell it from my brokerage account, can I deduct the loss since the sale would occur in a taxable account?
Sorry, but no. The tax basis of the transferred stock is its value on the day it came out of the IRA. Any loss that was incurred inside the tax shelter is ignored. If you later sell for less than the value on the transfer date, then the decline in value would be a deductible capital loss. K

DO YOU HAVE A RETIREMENT-PLANNING QUESTION? EMAIL IT TO RETIRE@KIPLINGER.COM.
**ECONOMY**

**Outlook.** Expect gross domestic product to grow 2.1% this year, short of the 4% target of President Trump. His goals for tax reform and infrastructure spending will take a while to make a difference in growth. Meanwhile, a rise in interest rates and the value of the dollar will slow growth. GDP growth should rise higher in 2018 and 2019, in the range of 2.5% to 3% annually.

**INVESTING**

**Fee cut savings.** How much you pay for your investments can make a big difference to your wealth. For instance, Vanguard reports that lower expense ratios for 21 of its fund shares resulted in nearly $25 million of savings for investors over a 12-month time period. Fifteen of the 21 funds shaved a single basis point (one-hundredth of 1%) off the fund company’s take. The rest cut from two basis points to 25. Within the past year, fund firms, including BlackRock, Fidelity and Schwab, have waged a fee-cutting war—with investors winning the battle.

**TAXES**

**File free.** Taxpayers with adjusted gross income of $64,000 or less can file federal returns free using tax-preparation software. Taxpayers can even use smartphones or tablets to prepare and file tax returns electronically through the IRS’s Free File program. You can access the mobile versions through the IRS app, IRS2Go, or by using the device’s internet browser. Those whose AGI is higher can use Free File Fillable Forms. Find the freebies at www.irs.gov/freefile.

**Refund options.** Rather than getting a paper check in the mail, you can have your tax refund direct deposited into a checking or savings account, or into a retirement account: a traditional IRA, a Roth IRA, SEP-IRA or a Treasury myRA account. If you use direct deposit, you can split the refund and deposit it in up to three accounts. You can also use your refund to buy up to $5,000 of Series I savings bonds, or you can deposit the money into a TreasuryDirect online account to buy U.S. Treasury securities and savings bonds.

**HEALTH CARE**

**ACA replacement guide.** Now that Tom Price has been sworn in as secretary of the Department of Health and Human Services, movement toward repealing the Affordable Care Act is likely not far behind. To see details of how current ACA replacement proposals stack up to current law, check out the Kaiser Family Foundation’s online comparison guide at www.kff.org/health-reform/issue-brief/proposals-to-replace-the-affordable-care-act. Kaiser says the guide will be updated to keep up with the latest proposals.

**Medicare therapy coverage.** A recent court decision demands that the rules for Medicare therapy coverage be made clearer, including explaining that improving health isn’t a criterion for coverage. The order calls for the government to develop a website that includes information on how claims for physical and occupational therapy and other skilled care should be handled.

**CONSUMER INFORMATION**

**Phone scams.** During tax filing season, the IRS says it generally sees a surge in scam phone calls in which the caller claims to be from the IRS, demands payment of a bogus tax bill and threatens actions such as arrest or license revocation if the

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**TAX TIP**

**Adjust Your Withholding**

As you finish your 2016 tax return, it’s the perfect time to consider whether you should adjust your withholding for 2017. If you ended up with a refund for 2016, consider reducing the amount of money you have withheld from your income. If you ended up falling short on your tab to Uncle Sam, consider upping your withholding a tad.

If you’re still working, you can change your allowances on Form W-4. Try our “Easy-to-Use Tax Withholding Calculator” (kiplinger.com/links/withholding) to see how much more money you could take home per month.

Retirees can also adjust their withholding on retirement income streams. File Form W-4V to request or change the amount of tax to be withheld from Social Security benefits. Form W-4P controls withholding on pensions, IRA distributions and annuities. The form goes to the payer, not the IRS. Having taxes withheld from retirement income can let you avoid the headache of making quarterly estimated tax payments during the year.

Elder abuse. The Centers for Disease Control and Prevention offers a fact sheet titled Understanding Elder Abuse, which details six frequently recognized types of abuse and steps to help prevent such abuse. Go to www.cdc.gov/violenceprevention/elderabuse to download the free guide.

LONG-TERM CARE

Costs. A couple both age 60 purchasing long-term-care insurance will pay between 6% and 9% more this year than last year, according to the American Association for Long-Term Care Insurance’s annual analysis of prices. The news is better for singles: A single male age 55 would pay between 20% less than last year to 3% more, while a single woman age 55 would pay either the same as last year or up to a 0.7% increase. Go to www.aaltci.org.

SOCIAL SECURITY

Replacement form. If you have misplaced your SSA-1099 form, you can download a copy if you have a My Social Security account. You can sign up for an account at www.socialsecurity.gov/myaccount. Log in and go to “Replacement Documents” to view, download or print your SSA-1099. The form shows how much Social Security income to report on your tax return.

TRAVEL

Booking flights. When booking airfare online, browse for flights in “incognito” mode. Booking sites often can tell when you’ve looked at a flight multiple times, according to Wisebread, a personal finance website. To encourage you to buy, the site may raise the price so you’ll lock in the fare before it goes any higher. Searching in “private” mode or clearing your internet browser’s cache can defeat that ploy. And that could save anywhere from $50 to $200, Wisebread says. For more savings tips, go to kiplinger.com/links/booking.

ANNUAL INDEX

2016 articles. Looking for an article from last year? You can find it with Retirement Report’s Articles Index for 2016. Send a note to retire@kiplinger.com to get a copy e-mailed to you. Subscribers who have signed up for free electronic access at KiplingerRetirement.com can download a copy.
Medicare beneficiaries are not necessarily immune from proposals on Capitol Hill to repeal, or partially repeal, the Affordable Care Act. The 2010 health care law includes a number of popular Medicare-related provisions—such as free preventive-care services and the closing of the Part D prescription-drug coverage gap—that could be swept away if Congress repeals the ACA.

Lawmakers could take a scalpel to free screenings for diabetes, heart disease and cancer, including breast and colorectal cancers, as well as free flu and pneumonia vaccinations. A repeal was included in health care legislation introduced in 2015 by Tom Price, the new secretary of the Department of Health and Human Services, when he was chairman of the House Budget Committee. Legislation that Price introduced in 2016 also called for the full repeal of the ACA.

A handful of Republican proposals, including Price’s, would also end the shrinking of the Part D “doughnut hole.” The ACA enacted a gradual closing of the coverage gap with a combination of government subsidies and drug-company discounts. The gap is scheduled to be eliminated in 2020.

In 2017, beneficiaries in the coverage gap receive discounts and savings of 60% on the cost of brand-name drugs and 49% on the cost of generics. Under current law, the coverage gap disappears in 2020, when savings climb to 75% for both brand-name and generic drugs, regardless of total drug costs. Before the ACA, beneficiaries in the doughnut hole paid the full amount for drug costs until they left the gap—and those subsidies and discounts could end with a repeal. This year, a beneficiary reaches the gap when total drug costs (his share and his insurer’s share) reach $3,700, and he leaves the gap when total costs reach $4,950.

These provisions are near and dear to the powerful senior lobby, so it is far from clear that the provisions will be targeted as part of the attack on the ACA. But budgetary pressures have “the potential for indirect effects” on these benefits, says Paul Van de Water, a senior fellow at the Center on Budget and Policy Priorities.

Legislation in the last session of Congress called for eliminating most of the ACA taxes that financed the expansion of health coverage. Without those revenues, “there could be more pressure to look to Medicare” when Congress seeks to replace the ACA, Van de Water says (see box).

One possible effect of a repeal—and of some replacement proposals—could be higher out-of-pocket costs under Medicare Part A, which covers hospital services, and Part B, which covers outpatient care, according to an analysis by the Kaiser Family Foundation. Those expenses include the Part A deductible and co-payments and the Part B premium and deductible. The Part A deductible in 2017

Will ACA Repeal Lead to Tax Cuts?

Congress imposed new taxes—and raised others—to pay for benefits under the Affordable Care Act. A repeal or rollback of the ACA could affect the following taxes:

- 3.8% surcharge on investment income of high-income taxpayers
- 0.9% additional Medicare tax on earnings of high-income taxpayers
- Penalty tax (for 2017, $695 per adult and $347.50 per child under 18 or 2.5% of household income above the tax-filing threshold, whichever is larger) on those who don’t have health insurance
- Penalty tax (for 2017, $2,260 per employee) on companies that employ 50 or more and don’t provide health coverage
- $2,500 cap (instead of an unlimited) amount that can be funneled through pretax medical reimbursement plan
- 10% of AGI threshold (instead of 7.5%) for deducting medical expenses
- 40% tax on “Cadillac” high-benefit employer-provided health plans
- 20% penalty (instead of 10%) for nonmedical early withdrawal from a health savings account
- 10% tax on indoor-tanning services
for each benefit period is $1,316, and the Part B deductible in 2017 is $183.

These out-of-pocket charges are based on government payment levels to hospitals and other health care providers. For instance, the Part A deductible is indexed to increases in hospital payment rates. The ACA restrained the rate of hospital payment hikes. Repealing the ACA cost restraints would lead to increased government spending and, hand-in-hand, lead to increased out-of-pocket costs for patients, according to Kaiser. Congressional bills differ on whether cutbacks on provider payments will continue.

**Repeal Could Benefit Some Beneficiaries**

But repeal may offer a silver lining to some beneficiaries. Enrollees in private Medicare Advantage plans may reap some extra benefits from a repeal. The ACA reduced payments to Advantage plans to get their per-beneficiary spending more in line with per-beneficiary spending under traditional Medicare. The ACA also imposed an annual tax on health insurers, including those that offer Advantage plans. If legislation that would repeal these provisions passes, insurers could then use the extra money “to reduce premiums and increase benefits” to beneficiaries, says Gretchen Jacobson, associate director of the Kaiser Family Foundation’s program on Medicare policy.

Many higher-income beneficiaries could see a financial benefit from repeal. The ACA froze the income thresholds for the income-related Part B premium. By ending the inflation adjustments, the ACA estimated that more households over time would pay the premium surcharge, which starts at $85,000 of adjusted gross income for individuals and $170,000 for couples. The Price bill would restore the inflation adjustment.

The ACA also imposed a Part D premium surcharge on higher-income beneficiaries. “If there is a repeal, the income-related premium for Part D would end,” Jacobson says.

Any action Congress takes on specific Medicare benefits under the ACA will seem trivial compared to a top goal of key lawmakers: an overhaul of Medicare. House Speaker Paul Ryan’s repeal-and-replace ACA proposal would give a fixed government contribution to each Medicare beneficiary to go toward the cost of enrolling in private plans or traditional Medicare. Beneficiaries would pay out of pocket for what this “premium support” doesn’t cover. Also, starting in 2020, Ryan would gradually raise the Medicare eligibility age to 67, for people born in 1966 or later.

**Older Adults With ACA Plans Face Uncertain Future**

Adults who are ages 55 to 64 and covered by an insurance plan created by the Affordable Care Act could be hit hard by a repeal of the health care law and various replacement proposals. About 4.5 million Americans in this age range could have lost coverage under a law approved by Congress last year and vetoed by President Obama, according to the nonpartisan Urban Institute. Congress is considering similar legislation.

The health care law prohibits insurers from charging the oldest adults more than three times what they charge the youngest adults. Because the law requires that everyone enroll, younger, healthier persons in effect subsidize the costs of older, sicker persons. The leading Republican proposals to repeal the ACA would either end this “age rating” or allow insurers to charge older policyholders up to five times as much as younger ones. If either happens, “the people most adversely affected would be those in the 55-to-64 range,” says Paul Van de Water, a senior fellow at the Center on Budget and Policy Priorities.

Without age rating or a mandate to lure in younger workers, out-of-pocket costs could rise significantly. Plus, insurers would no longer be required to offer policies with a full range of benefits. “This is the age when people start getting high blood pressure and high cholesterol,” says Karen Pollitz, a senior fellow at the Kaiser Family Foundation. An insurer could offer comprehensive coverage to an older person, she says, but the cost could be prohibitive.

Legislation introduced by former Rep. Tom Price of Georgia, who now heads the Department of Health and Human Services, would replace subsidies with tax credits based on age, not income, to be used to buy any policy. Those 50 and older would get a $3,000 credit. For many with moderate income, that could fall far short of current federal help. Consider a 64-year-old widow in 2017 who has $45,000 in income. Under the ACA, she receives a federal subsidy of $5,799 for a comprehensive plan, according to Kaiser’s health insurance marketplace calculator (www.kff.org/interactive/subsidy-calculator).
**CHARITABLE GIVING**

**Make the Most of IRA-to-Charity Move**

It’s easier than ever to give to charity from your IRA. Since Uncle Sam made the qualified charitable distribution, or QCD, permanent in 2015, eligible taxpayers can now reliably figure this break into their tax planning for the year. But to make the most of a QCD, you need to mind the IRS’s rules. Here are answers to some of the common questions Retirement Report readers ask us about this tax-saving move.

**Can any traditional IRA owner take a qualified charitable distribution?** You must be age 70½ or older to do a QCD. Those who qualify can give up to $100,000 from their IRA directly to charity. If you’re married, each spouse can give up to $100,000 from his or her IRA. Note that a beneficiary of an inherited IRA can do a QCD if the heir meets the age requirement.

**How does this move cut my tax bill?** QCD money is not included in your adjusted gross income, and that’s “the main advantage,” says Mark Luscombe, principal analyst in the tax and accounting business of Wolters Kluwer, in Riverwoods, Ill. The lower your AGI, the lower your tax bill will be.

Reining in AGI—which is your income before subtracting exemptions and deductions—can also help maximize other tax breaks. “A number of itemized deductions are tied to AGI, such as medical expenses,” says Paul Jacobs, chief investment officer for Palisades Hudson Financial Group, in Atlanta. Lower AGI might also help you avoid tax on Social Security benefits or avoid or limit Medicare Part B premium surcharges.

**Can a QCD count as my annual required minimum distribution?** Yes, but you must time the move properly because the first dollars coming out of your IRA for the year count toward your RMD. For the QCD to fulfill part or all of your RMD, the QCD needs to be done before you satisfy your annual RMD.

Here’s an example: Say an IRA owner’s RMD is $20,000. He transfers $10,000 to a charity to do a QCD in January. The distribution can count toward his RMD and also as a QCD. He can then take $10,000 out of his IRA later in the year to satisfy his total RMD.

Say instead he takes out his $20,000 RMD in January and then later decides to do a $10,000 QCD. He would have to transfer an additional $10,000 out of his IRA to do the QCD, meaning he would be withdrawing a total of $30,000 from his IRA for the year. It would not count toward his RMD for the year, because that first $20,000 taken out already met his RMD.

**Can I donate my QCD to any group I choose?** The charity must be deemed to be a tax-exempt organization under section 501(c)(3) of the tax code. To be sure, check the IRS’s “Exempt Organizations Select Check” tool at [www.irs.gov/eoselectcheck](http://www.irs.gov/eoselectcheck).

Maura Cassidy, vice president of retirement for Fidelity Investments, also notes that you cannot donate a QCD to a private foundation, a supporting organization or a donor-advised fund.

**Can I give the money to the charity myself?** The money must be directly transferred to the charity from your IRA. However, you can ask your IRA custodian to mail a check payable to the charity to your address, and then give that check to the charity. But be careful: If the check is made out to you, it’ll be considered a taxable distribution and won’t qualify as a QCD. (It’s easy to fix such a mistake. Simply redeposit the money in your IRA within 60 days and then try again for a QCD.)

**How do I report a QCD on my tax return?** At tax time, report your total IRA distributions for the year on line 15a on Form 1040. Then subtract the QCD and report the remainder (even if it’s $0) on line 15b. Write “QCD” next to line 15b so the IRS knows why the numbers don’t match.

**What if I have nondeductible contributions in my IRA?** When you hold nondeductible contributions, you must do a pro rata calculation to figure the percentage of an IRA distribution that is tax-free. But, Jacobs notes, the pro rata rule goes out the window with QCDs. The IRS says a QCD comes out of pretax money first.

Say your IRA holds $20,000 of nondeductible contributions and $105,000 of deductible contributions and earnings, and you want to withdraw $15,000.

For a regular IRA distribution, 16% of the $15,000, or $2,400, would be tax-free because you hold $20,000 of nondeductible contributions out of the $125,000 in total IRA assets. The rest of the withdrawal would be taxed at your top ordinary-income tax rate.

But a QCD would be considered to be withdrawn from the $105,000 of pretax money, leaving the nondeductible contributions intact.
Should You Convert a Traditional IRA to a Roth?

It seems like a stickier question the older you get. But if you plan to leave the IRA to an heir, paying the tax bill to convert now can make sense because the Roth can grow tax-free not only over your lifetime, but your heir’s lifetime, too. A study by the Vanguard Group shows that in some circumstances, converting can result in a larger legacy for your loved one than if you passed on a traditional IRA.

“We really were trying to think about Roths beyond retirement,” says Maria Bruno, a senior investment strategist for Vanguard and a co-author of the study. In Vanguard’s study, the authors considered a 65-year-old with a 40-year-old nonspouse beneficiary. The investor has a $100,000 traditional IRA and a $28,000 taxable account. Both accounts earn the same 6% annual rate of return, and both the IRA owner and the heir are in the 28% tax bracket. Vanguard’s study assumes the beneficiary inherits the accounts after 20 years.

In one scenario, the investor keeps the traditional IRA and, upon reaching age 70½, reinvests all required distributions in the taxable account. When the heir inherits the traditional IRA, he takes annual RMDs over his own life expectancy and reinvests the after-tax amounts into the taxable account.

At the time the heir inherits the traditional IRA and taxable account, he receives a total of $318,799. Ten years later, that wealth climbs to $536,850. Not bad. But if the investor had converted the IRA to a Roth at age 65, the heir’s total inheritance could be worth more than $21,000 extra at the time of inheritance and 10 years later could be worth up to nearly $66,000 more. With a Roth, Bruno says, “you can transfer a greater amount of wealth.”

For simplicity’s sake, Vanguard assumes the investor and her heir have the same tax rate. By converting, Bruno says, “you are taking an asset with an embedded tax liability and prepaying that tax.” If the investor’s tax rate is lower than the heir’s, the conversion could be even more advantageous to the heir. If, however, the heir is in a lower bracket, the advantage may be diminished, or even disappear. (Keep this in mind as the new administration contemplates lowering income tax rates as part of a major tax reform push.)

Paying the Conversion Tax Bill

The conversion scenario outlined above assumes the IRA owner pays the conversion tax bill with funds in the taxable account rather than dipping into the IRA. That makes a big difference. If the tax had been paid with IRA money, the advantage of the conversion after 30 years would be cut nearly in half.

Paying the tax bill with IRA funds would leave just $72,000 in the Roth, plus the $28,000 taxable account. The Roth lets the IRA owner avoid RMDs during her lifetime. Twenty years later, her heir inherits both accounts, and he must take tax-free RMDs from the Roth over his life expectancy. At inheritance, he receives $329,924, about $11,000 more than in the traditional IRA scenario. Ten years later, his wealth is about $36,000 more, at $572,903. Pretty good.

But the results are even better if the IRA owner pays the Roth conversion tax bill with the $28,000 in the taxable account. When the heir inherits the Roth 20 years later, he receives about $10,000 more than if the tax bill is paid with IRA funds. The heir invests his tax-free RMDs in a taxable account, and 10 years later the two accounts hold $602,461—nearly $30,000 more than if IRA money is used to pay the tax.

Paying the tax bill with outside funds keeps more money in the tax shelter, supercharging the growth and giving you a bigger bang for your tax bucks. “It’s the better way to go,” Bruno says.

But it’s the Roth’s benefits for the heir that also pump up his inherited wealth. Tax-free RMDs mean he can fully reinvest the withdrawals. And the money still sitting in the inherited Roth continues to grow tax-free over his own lifetime. K RACHEL L. SHEDDY

Roth Conversion Impact

Vanguard’s research assumed a 65-year-old starts with a $100,000 traditional IRA and $28,000 in a taxable account. After 20 years, the accounts pass to a nonspouse heir.

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Source: Vanguard Group
Mark Stein ended up in a tough spot last year, just before turning 58. A change in management at the firm he worked at in Connecticut meant he needed to find a new job—and soon. Stein checked job boards, called friends and sent résumés. Then he focused on another tactic: fixing up his LinkedIn profile that he had set up years ago, and using it aggressively.

Out went Stein’s dated photo, showing him in a casual shirt, replaced by one with him in a suit and tie. He rewrote his summary to describe his skills as a communications professional, replacing a rambling paragraph listing former jobs and personal interests.

Stein made LinkedIn part of his daily job search routine. He set criteria for notification of job openings and used his connections to learn more about those openings. For one posting, he realized his network included a former colleague, who once worked with a manager at the think tank Stein was applying to. Stein reached out. “I asked, ‘What would it take to make me stand out?’” The former colleague gave him useful advice and offered to contact the manager. Stein tailored his application accordingly. He got the job.

It’s not just job ads that have gone online. Networking has gone virtual, too. And LinkedIn, a website that calls itself the world’s largest professional network, is a key tool. Like other social media platforms, you create a profile and connect with other users. You can job search, find former colleagues, follow companies, or join industry and business groups. About 21% of LinkedIn users are ages 50 to 64, and another 8% are 65 and older, according to Pew Research Center. For an idea of just how big a deal LinkedIn is, this past December Microsoft acquired it for about $26 billion.

If you’re actively looking for a new job, you can’t just set up a LinkedIn account and sit back. Instead, like Stein, sharpen your strategy for using it. Say you’ve been a marketing professional for 30 years. You could spiff up your profile to show that you are interested in social media and innovation, on top of industry trends and current with your online training. “It’s totally how you spin it,” says Kerry Hannon, AARP’s jobs expert.

After signing up for an account at LinkedIn.com, fill out the fields listing your experience and education. For inspiration, find examples of profiles you like. Take LinkedIn’s free online tutorials. Skip overused buzzwords, such as “passionate” and “specialized.” And don’t confuse it with Facebook. “LinkedIn is strictly professional,” says Lori Russo, president of Stanton Communications, in Washington, D.C.

Post a profile photo that’s less than five years old, and don’t try to hide your age. “No ’80s hair,” says career coach Janice Burch, co-founder of Pro Resume Center, in Milwaukee. Rather, go for an action shot—holding a microphone and leading a presentation.

Mind your online etiquette. Send “connection” requests to people you know well, from friends to former co-workers. Sending out invitations blindly may annoy the recipients. Follow only companies that interest you and comment on pertinent posts.

Creating Your Connections

Your long career gives you an advantage: a massive network. Use LinkedIn to activate it, as Stein did.

Get recommendations reflecting your experience and accomplishments from colleagues of different ages. That sends a subtle message that you work well with younger professionals, says Nicole Williams, chief executive officer of Works, a New York–based career consulting firm. Post updated training. Include videos and presentations. Contrary to what you may have heard, don’t leave out all your previous experience, she says. Employers figure it out anyway. Plus, it can give you an edge over younger job seekers, Williams says.

If you are flexible about contract or temporary work, state that upfront. Connect with smaller firms and start-ups. “Post something once a day to show you are embracing technology and still very much a part of the conversation,” Williams says.

If you want to volunteer or find a board seat, participate in industry groups. And use LinkedIn’s alumni tool to send a note to fellow college alums. K Mary Kane