RetireAHEAD™
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Featured content

By Ilyce Glink

"I've been doing mortgages for my entire career, more than 30 years," says Jerry Anderson, vice president of residential lending for Chicago-based Alliant Credit Union. "And people just don't want to retire with one."

If buying a home is part of the American Dream, getting it paid off before retirement is a dream come true.

And yet, a large percentage of baby boomers are still paying down relatively new 30-year mortgages. According to Freddie Mac's latest 55+ Survey, baby boomers and other homeowners over age 55 controlled two-thirds of the nation's home equity (about $8 trillion) in 2016, but according to Deutsche Bank carry five times the debt of previous generations. That includes a mortgage and, often, a home equity line of credit (HELOC).

With mortgage interest rates staying near rock bottom levels, should paying off your mortgage before you retire be a priority?

"Generally, the first and most important factor is the spread between the interest rate of the mortgage versus the interest rate of an alternative investment," says Merry Brodie, an enrolled agent and owner of Brodie Accounting Services in Brookhaven, Ga. In other words, baby boomers should ask themselves if they can find an investment with a return that is greater than the interest rate they're paying on the property.

So why would someone pay off their mortgage?

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"As you're getting older, you're thinking about not working in the future and, hopefully, that's a choice you get to make. But having peace of mind and a free and clear house is a big driver," says Anderson.

Brodie agrees, noting that most often her clients want to pay off their mortgage because it feels good to just be done.

"Not having to come up with a mortgage payment every month is one large stress factor in the multiple stresses that we face every day. Life and budgeting is much easier when that monthly expense is eliminated," she says.

Word of caution

Some near-retirees use all of their available cash to pay off their mortgage just before retiring, leaving them potentially "house rich, cash poor." That can be a problem if unexpected expenses arise — think replacing a roof or renovating a home to accommodate a new physical disability.

"Unless you have a sudden windfall of non-taxable cash, the only way to come up with a lump sum for the payoff is often … to tap a retirement fund," which isn't a good solution, says Brodie.

"Here's a nightmare scenario: An older adult loses his or her job, is thrown into retirement and still has a mortgage. They take a big draw on their 401(k) and pay off the mortgage … which is a bad idea made worse if the individual is under the age of 59½ years old, because there is a 10 percent tax penalty on the withdrawal. In addition, they still have to pay normal income tax on the draw as well," explains Brodie. Worse, "the 401(k) tap may put them in a higher tax bracket."

What's particularly difficult is that while the monthly mortgage payment is gone, the new retiree has to draw down the retirement fund further when it comes time to settle with Uncle Sam.

"It's a bad spiral," Brodie says — one that she has seen first-hand countless times.

Factors at play

Consider prepaying if:

• You've got liquid savings above the amount you owe on your mortgage or a home equity line of credit (HELOC) and you expect to have less monthly cash flow in retirement.

• Owning your home free and clear will help you sleep better at night.

Don't prepay if:

• You have to liquidate your 401(k), especially if you're under the age of 59-and-a-half and will incur a 10 percent penalty on top of normal income taxes owed.

• You have a better place to invest the cash, such as an investment that will earn a higher rate of return than the interest rate you're paying on the loan.

• You're going to move in the next five years to your real retirement home and you expect it will cost about what you'll net out from the sale of your current residence, Anderson says.

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Use of a HELOC

Another issue to consider is the use of a HELOC.

Anderson says some near-retirees he counsels are struggling with paying off high interest credit card debt they accumulated in the aftermath of the Great Recession, and are using a HELOC to pay off those debts at a low-cost fixed interest rate. This helps them better manage those debts, but it extends further out the date at which all mortgage products will be paid off.

However, HELOCs can be useful in other scenarios as well, and Brodie thinks seniors shouldn't even consider paying off their mortgage without having a HELOC in place.

"Whether or not you use it, if circumstances demand a quick amount of cash and all the money has been put into the home, there is no way to get at that huge piggy bank of equity called 'my house' unless it is sold. And, a fire sale will cheat you," she explains.

"The checkbook HELOC that costs nothing unless it is used gives a wonderful feeling of security. It is a true emergency fund, as long as it is regarded as such. It's a little like a reverse mortgage but much better because you still have control. You can tap into the equity when needed, pay it back and still own the home 100 percent," she adds.

Ilyce Glink is a nationally syndicated columnist, publisher of ThinkGlink.com, and the Founder/CEO of Best Money Moves.

What Social Security strategy is right for you?

By Jeffrey Steele

Many think of Social Security as a one-size-fits-all proposition. That's simply not true. Strategies about how and when to take Social Security may be as varied as the legions of people eligible for the program.

That's both a good and bad thing. It's good because wise older adults can pick a claiming strategy best tailored to their circumstances. It's bad because it's too easy for folks to claim Social Security without learning how it best fits their retirement plans.

Jay Tyner, president and founder of Semmax Financial Group in Winston-Salem, N.C., says it's smart to seek professional help in determining how Social Security can be optimized to meet retirement income needs.

"There are too many variations that can dramatically impact your income, and the laws change fairly frequently," he says.

First, the basics

You can take Social Security as early as 62. You can wait as late as 70. Or you can choose any point between. Many begin taking benefits at full retirement age: 66 for those born in 1954 and earlier, 67 for those born in 1960 or later, and varying points between 66 and 67 depending when you were born between 1954 and 1960.

At full retirement age, you gain the full benefit entitled to you through Social Security.

"If you wait until age 70, you have a substantially larger benefit that will be in place permanently," says Eric Hutchinson, certified financial planner with United Capital Financial

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Advisors in Little Rock, Ark. "There's a very strong economic incentive in waiting. For someone whose full retirement age is 66, it's an actual 8 percent increase per year, or 32 percent over that time frame. It's huge."

Conversely, turning on payments before full retirement age reduces your benefit. Claiming at the earliest eligible age slashes benefits by 25 to 26 percent, permanently.

The result? Benefits at age 70 are 76 percent richer than they are at 62.

If you take Social Security before full retirement age and continue working, your benefit is reduced. This year, Social Security is reduced by one dollar for every two dollars earned over the threshold of $16,920. "It's a pretty big hit," Hutchinson says.

Claiming considerations

It's easy to argue everyone should wait as long as possible. But people are different and have different needs.

"Maybe they have a health consideration that will affect their life expectancy, and they will be better off taking it early. … Life expectancy is a big factor," Hutchinson says.

Also consider how much money you'll have in your pocket from Social Security by age 70 if you start collecting at 62. If you stand to earn $1,350 in monthly benefits starting at 62 versus $2,376 if you wait until age 70 — and you start taking those benefits at 62 — you'll get $129,600 before you reach 70, not including cost-of-living adjustments.

"That's not a small number," Hutchinson says.

So even though you would earn more per month if you waited until 70, it would take many years to "catch up" to the amount you gained in those years before 70.

Experts urge prioritizing Social Security break-even ages — the ages at which you would come out even, whether you took benefits early or late. They are 77 for married couples and 81 for single people, says Jay Ferrans, president of JM Financial & Accounting Services in Southfield, Mich. Expect to live longer than those break-even marks? Wait as long as possible. If you don't, turn on Social Security benefits earlier.

But Ferrans argues another point. If we choose to wait later to take Social Security, and die before break-even, we don't care. We're dead. If we choose to take it earlier and die later, we do care. We have to fund our lives with lower sums locked in because we started taking Social Security before full retirement age.

His advice: "Seek out professional assistance from a financial planner well-versed in Social Security."

Retire Abroad

5 important things to consider before a big move

By Ed Avis

Does the idea of retiring somewhere outside the United States intrigue you? If so, you're in good company.

Over half a million people who live outside the U.S. receive some kind of Social Security benefit, including retired and disabled workers, as well as spouses, widows, widowers and children, the Social Security Administration reports. That's up from about about 305,000 in 2008.

"I think we'll hear about this more and more," says Lori Shannon, a partner at law firm Barnes & Thornburg in Chicago, who often counsels clients with international offices. "People feel they can retire in a nice climate for less money, or they are immigrants who want to retire where they were born. More people are considering this a retirement alternative."

These five tips can help you make a successful move if overseas retirement sounds appealing to you:

Tap into local resources

Many countries welcome American

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retirees and have programs to assist them.

"In Belize, for example, we have what's called the Qualified Retirement Program," says Andrew Ashcroft, managing partner of Blue Key Capital, a financial advisory firm that facilitates investment in Caribbean countries. "They have an office full of people who will help you retire here. And the qualifications to enter the program are very low — you need $2,000 in monthly income, and you have to be over age 40."

Consider tax requirements

Living abroad does not excuse you from filing a U.S. tax return, and you may have to file state tax returns, too, depending on which state you're from. This applies even if you're just collecting retirement income.

"The U.S. has tax treaties with a number of countries, and that helps avoid double taxation, meaning you're paying income taxes on the same income to two different countries," says Shomari Hearn, managing vice president of Palisades Hudson Financial Group in Fort Lauderdale, Fla., who regularly advises clients retiring abroad.

When deciding where to retire, consult a tax professional who understands the special requirements of filing from overseas.

Make an investment strategy

Consider how living abroad will affect your IRA disbursements, pension payments and other sources of income. Also make sure your investment adviser is willing and able to effectively service an account belonging to someone outside the country. Some financial services firms restrict overseas client transactions for fear of violating foreign investment regulations, Hearn cautions.

Some of Hearn's clients set up revocable trusts with a trusted family member in the United States as co-trustee; that person can make decisions or access money if needed. Finally, be aware that if you keep $10,000 or more outside the United States, you need to disclose that to the IRS.

"It's just a disclosure document, but if you don't file it, you can be subject to hefty penalties or even jail time," Hearn says.

Research health care

Most retirees in the United States count on Medicare as their primary insurer, but Medicare does not pay for care outside the United States, except in rare instances.

"So that's a benefit you may forgo if you retire abroad," Shannon says. Sometimes retirees assume they'll just return to the United States for care, but that obviously doesn't work in an emergency. And even if they buy an insurance plan that works in their new country, they may not be thrilled with the care.

"You may find the health care is not as expeditious as what you're used to, or you may not feel the quality is comparable," Shannon says.

Choose a home wisely

Once you've picked your new country, get help on the ground with choosing a home.

"I always recommend going with a branded real estate agency," Ashcroft says. "Do that and you'll find some very good people."

Ashcroft also suggests using expat websites to find other Americans living in the country who can tell you about their experiences, and tapping local chapters of clubs you belong to, such as Rotary International. Another way to learn about the area is to rent for a year or two before buying, Hearn suggests.

U.S. retirees find lots to love in Ecuador

Affordable health care a big draw

By Jim Wyss
Tribune News Service / Miami Herald

CUENCA, Ecuador — To casual visitors, this colonial town in southern Ecuador looks as though it was torn from the pages of history. With its cobbled streets, soaring cathedrals and lovely markets, it exudes a lazy, old world charm.

But Cuenca is also on the cutting edge of a very modern trend: providing a haven for U.S. retirees who have found themselves unwilling — or unable — to live out their golden years at home.

The growing wave of expat seniors is not only upending notions about retirement in the hemisphere but reshaping the face of communities throughout the Americas. And the trend is expected to grow as waves of baby boomers exit the workforce ill-prepared for retirement.

In the Americas, records show that seniors are flocking to Canada, Mexico, Colombia, the Dominican Republic and Ecuador.

Perhaps best known for the Galapagos, Ecuador is home to about 3,000 retirees receiving benefits, according to the U.S. government. But that number doesn't tell the full picture. The city of Cuenca recently conducted a census that found its municipality alone was home to almost 10,000 foreign retirees, most of them Americans from Texas and Florida.

> *In the Americas, records show that seniors are flocking to Canada, Mexico, Colombia, the Dominican Republic and Ecuador.*

Susan and Michael Herron are having a long, lazy breakfast near the

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Tomebamba River that cuts through the city. Both in their 70s, they have the lean look of people whose principal mode of transportation is walking — and a sense of adventure usually found in people half their age.

They had previously "retired" in Central Florida, Georgia, Alaska, South Carolina and Panama before finally settling on Ecuador because it is beautiful and cheap.

"We could have survived (financially) in the United States if we had moved to a more rural area," says Susan, 71, a semi-retired property manager. "But we wanted to take this chance while we were still healthy enough to be able to do it."

In Cuenca, a city of about 350,000 people, they've found robust public transportation, an extensive museum network, solid health care and markets bursting with fresh fruits and vegetables. Their two-bedroom, two-and-a-half bath apartment costs less than $400 a month. They've found that for about $1,500 a month, they can live a solidly upper-class lifestyle, dining out frequently and traveling.

"In the United States, we couldn't afford to go anywhere," Susan says. "We were having to stay home."

Countries across the hemisphere are trying to woo U.S. retirees and their pensions. Mexico, Panama, Nicaragua and Costa Rica, among others, try to make it as easy as possible for seniors to set up shop.

But city officials say Cuenca is something of an accidental hotspot.

"Cuenca never wanted to attract retirees," says Ana Paulina Crespo, the director of international relations for the municipality. "In fact, we're facing lots of problems over how to deal with a phenomenon that we aren't responsible for creating."

The city is trying to combat local

fears that the retirees are driving up land prices and bleeding the public health care system, she said. And the language barrier has become a source of local irritation. Some restaurants and even neighborhoods seem like English-only spaces.

"Cuencanos are feeling like strangers in their own city," she says.

Starting in about 2009, Cuenca became a viral sensation on retirement websites. International Living, an influential publication, ranked it the top expat retirement site several years running. As newly arrived retirees began blogging, there was a snowball effect.

"The internet has changed everything," says Dan Prescher, a senior editor at International Living who recently moved from Ecuador to Mexico to be closer to his family in the United States. "Now you can talk to expats who are living the life in real time. It has lowered the research bar for those who are thinking about it."

A full 73 percent of the retirees in Cuenca, according to the city's survey, said they found out about the city via "best of" rankings online.

There are drawbacks to life abroad, of course. Some seniors say they feel isolated amid the language and cultural barriers, and feel they have to be on guard from being fleeced by local merchants who see them as walking ATMs.

But for many retirees, the cost of health care is a huge plus.

James Skalski, a 74-year-old semi-retired architect and builder from Minneapolis, credits the city's quality-but-quirky medical establishment for turning his life around.

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When he arrived here three years ago, he was 20 pounds overweight, had high blood pressure and was running from a family history of heart disease.

"In the United States, all they would do for you is give you drugs," he says. Here, a holistic doctor worked with him for six months, using a regimen of nutrition, chelation therapy and meditation that Sakalski says reversed all that. Price tag: $1,600.

Cuenca's survey of retirees found that most were either paying for health care out-of-pocket or had private health care. But some are reliant on Ecuador's public health care system. Foreigners only need to pay into the system for three months before they have access to full benefits.

Because Medicare doesn't cover most costs abroad, the Herrons, for example, are paying $84 a month to belong to the public health care system. When Michael, a 76-year-old retired IT worker-turned-novelist, recently ended up in the emergency room for a cardiac issue, the total bill was $133. In the past, the same procedure in the United States had been billed to his insurance company at $186,000.

Crespo, the city official, said the retirees are pumping money into the economy, but there are growing concerns over how they might be affecting the health care system.

"We've heard about cases where someone night need brain or heart surgery that might cost $300,000 in the United States and they have the operation here for $300 because they had paid into the system for three months," she says. "The price differences are abysmal."

Continuing care

Retirement communities can offer stability, comfort

By Lucy Maher

If you're 55 or older and looking for a new living option, you've got many options, from basic independent living communities to resort-like "active adult" communities.

If you're seeking to "age in place" and need a retirement home that will eventually include nursing care, you may want to consider a continuing care retirement community.

The services offered by CCRCs vary, but in general they provide housing, health care and social services to senior adults, all in one location and in varying degrees as needed.

"Residents move into the community when they are still able to live independently," explains Nancy Chiquone, director of marketing and resident services at Wake Robin, a CCRC in Shelburne, Vt. "They settle in, build a life, make new friends, and become a part of the fabric of that community. As their health needs change, and they transition to residential care or skilled nursing, they are still a part of that same community. There is a level of comfort and familiarity that comes with this."

An important characteristic of CCRCs is that they're not nursing homes, at least not at the beginning, Chiquone notes.

CCRCs generally combine at least three levels of care — independent living, assisted living and nursing care. An increasing number also offer Alzheimer's and dementia care, according to retirementliving.com, a resource from the Retirement Living Information Center.

The accommodations in the independent-living portions of CCRCs can range from studio-like apartments to luxurious townhomes. For

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example, The Clare, a CCRC in Chicago's Gold Coast neighborhood, offers one-, two-, and three-bedroom apartments in a wide range of floor plans. If needed, residents move into The Terraces, a rehabilitation and nursing care facility in the same high-rise as The Clare.

Traditionally, CCRCs require an entry fee that can range from the low to mid six figures, plus monthly maintenance fees, in exchange for a living unit, meals and health care coverage, up to the nursing home level.

CCRCs usually have three basic fee schedules, according to elderlawanswers.com, a long-term care and planning resource.

- Extensive contracts, which include unlimited long-term nursing care at little or no increase in the monthly fee. This arrangement requires residents to pay a higher fee initially.
- Modified contracts, which include a specified duration of long-term nursing care, beyond which fees rise as care increases.
- Fee-for-service contracts, in which residents pay a reduced monthly fee but pay full daily rates for long-term nursing care.

One variation of a typical CCRC is a "life care" community, where residents are guaranteed home and health care coverage for life—even if they exhaust all of their financial resources, the Retirement Living Information Center reports. However, people who apply to live in these communities must undergo a financial evaluation so the provider is comfortable with the risk of the resident running out of money.

Some communities now offer rental or equity arrangements instead of the traditional arrangement, too.

Under a rental arrangement, residents pay only a monthly fee, which typically covers housing and

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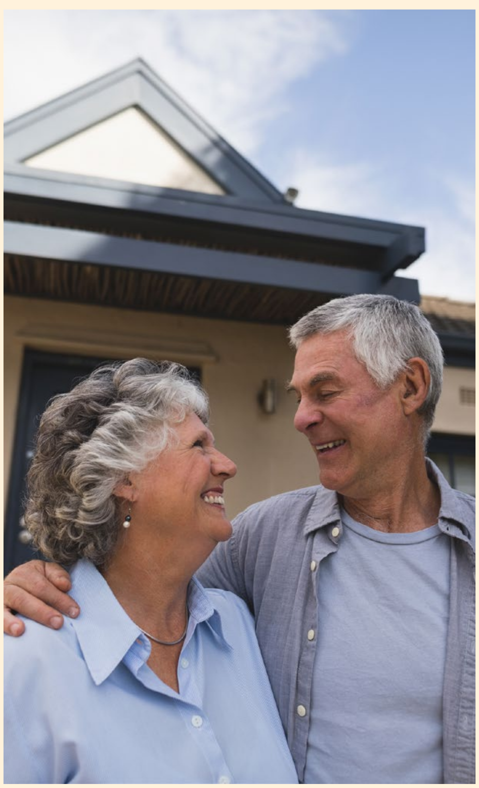
designated services — sometimes including health care. Under equity arrangements, residents buy a home in the same way they would purchase a cooperative apartment or condominium, and can add service and health care packages for an additional fee, information from elderlawanswers.com explains.

Whatever the payment plan, CCRCs offer a level of stability that many retirees enjoy.

"CCRCs allow an individual or family to remain in a very comfortable environment with familiar surroundings and the people they know, and is one of the best designs in senior community living in the United States," says Kurt Kazanowski, a senior care expert and author of "A Son's Journey: Taking Care of Mom and Dad." "It decreases the stress and anxiety as people age and require more assistance."



Plan for possible long-term care needs

By Janet Kidd Stewart
Tribune News Service

Q. If my husband ends up in a nursing home, can they take my 401k to pay for it? We live in Minnesota. —F.T.

A. Yes, so it pays to get a game plan ready now for how you will handle these costs if a lengthy nursing home stay is necessary. Spouses can be sued by nursing homes to recover unpaid bills.

Often, nursing home residents try to qualify for the federal Medicaid program to cover the costs, but that program generally requires recipients to be impoverished to receive the aid.

Last year Minnesota began allowing spouses of Medicaid applicants to keep annuity income payments and still have the other spouses qualify for Medicaid to pay for nursing-home stays, says Douglas Peterson, an attorney in Albert Lea, Minn. The practice also occurs in other states, but state laws vary widely, so hiring an experienced estate-planning attorney on these types of issues is vital, experts said.

Generally, spouses can keep their homes, one car and up to $120,900 as assets. Now, they also may convert assets above that level into monthly annuities for the spouse.

"We're able to convert an excess asset into an income stream," Peterson says.

Some 401k plans allow participants to convert liquid savings to annuities, or they can be rolled into an IRA that can hold annuities, but you'll need to make sure that the annuities used conform to IRS and Medicaid rules, he said. (They have to be commercial annuities paid in equal installments over the holder's life expectancy, for example.)

Assuming it's too late for your husband to qualify for long-term care insurance, you might also consider using other assets to pay for the care,

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including a reverse mortgage, to help preserve the 401k.

In 2016, the national median monthly cost of a semi-private nursing home was $6,844, according to insurer Genworth.

Despite the staggering cost, most people aren't doing much to delay ill health as they age, a new survey from Transamerica Center for Retirement Studies shows.

While almost 9 in 10 Americans said health is a key concern in old age, just 58 percent reported healthy eating habits, 56 percent are exercising and 48 percent think about their long-term health when making lifestyle choices, the June survey found.

The survey also found 45 percent of workers identified "declining health that requires long-term care" as one of their greatest retirement fears. And of the 63 percent of workers with a written or unwritten retirement strategy, just 27 percent have factored long-term care needs into their strategies. Put another way, fewer than 2 in 10 workers overall have considered how they'll pay for long-term care needs in retirement.

"It really is scary how little people are planning for the possible need for long-term care and the extraordinary expense involved," says Transamerica's Catherine Collinson.

Career Changer

Entrepreneur sees no reason to act her age

By Leslie Mann

Armed with a degree in journalism from the University of Bridgeport in Connecticut, B.L. Ochman hit the streets to emulate her hero, "Superman" reporter Lois Lane. "But, I couldn't get a job as a reporter, so took a job in PR," she says.

That ability to reinvent herself kept Ochman, now 60, in the black for the last 30 years. Working from home, she has coordinated digital marketing and video production strategies for clients, and written blog posts and created content that she posted on social media for a national non-profit.

But life changed in 2016, when Ochman was grounded by a "smashed-up shoulder" that required daily physical and occupational therapy and kept her from her favorite pastime, swing dancing. She turned that accident into opportunity and invented the Funwalker (funwalkers.com)—a 3-inch by 6-inch, weatherproof plaque that hangs from a walker or other mobility device. Each Funwalker features a catchy saying, such as "Yes, it was a skydiving accident," or "Born to be wild. Until about 8 PM."

At an age when some of her friends are retiring, Ochman is moving ahead at full speed. Here she recaps her whirlwind year.

Q: How did you come up with this product idea?

A: My inspiration was my friend, Remi, now 94, who broke her leg and had to use a walker for the first time. She hated the way it looked, so I offered to trick out her walker (which she named Larry). I went online to see what's out there. But other than bags you can attach to walkers, there's nothing. Now Remi has a Funwalker that says, "Act my age!? Why?"

Q: How did you find vendors to assemble the product?

A: I knew my brother's printing company in New Jersey could make them and print the sayings. But I didn't know how to attach them to walkers, until one day a package of poop bags for Benny (Ochman's dog) arrived in the mail. (The bags) were in a package that attaches to your belt with tiny Velcro straps. I knew that design would be perfect if I could just find bigger ones— so I searched and found a supplier. Then I accepted help from dear friends to make a website.

To get Funwalkers selling online, I used shopify.com. It's a service that offers everything you need to launch a new product and company, from

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accepting credit cards to integrating social media such as Facebook and Pinterest into your marketing plan. The template I used for my site was a free one, to which I added a couple of paid extra apps. It offered 24/7 help, so I called—a lot.

Q: What feedback are you getting?

A: All sorts of people talk to me about my sign. A lady named Ruby from New Jersey told me, "This gives me a reason to smile about this damn thing," meaning her walker.

Q: Where will you go from here?

A: As Funwalkers becomes more profitable, I can scale back my other business. I've spent 30 years making a lot of money for other people. This time, I have a tangible product instead of the product being my brain. That's a real first for me and a path I have long wanted to take.

Q: Will you retire?

A: No. I have to be productive. With Funwalkers, the rewards are more than making products and money. It's adding humor to a senior's day.

Career transition jitters

How to prepare for job interviews

By Marie G. McIntyre
Tribune News Service

Q: I am feeling somewhat uneasy about my upcoming career transition. In about six months, I plan to take early retirement and enter a completely new profession. After 30 years as a civilian engineer with the military, I recently became certified as a pharmacy technician and hope to find employment in that field.

During my career, I have managed million-dollar budgets, overseen award-winning programs and supervised up to 15 employees. But because none of this relates to being a pharmacy tech, I'm not sure how to demonstrate my worth to prospective employers.

To get my foot in the door, I have considered offering to fill in for absent employees during weekends, holidays and vacations. What are your thoughts about making this transition successful?

A: While your two career choices are indeed quite different, they require many of the same attributes, such as organizational ability, attention to detail and mastery of technical knowledge. So you should be ready with examples that illustrate your transferable skills. With many employers, your experience with the military will also be a plus.

On the other hand, interviewers will be understandably worried about your ability to adjust to a lower-level role. To ease their minds, be prepared to explain exactly what led you to choose this field and why you are excited about the change. Fortunately, your retirement income should alleviate any concerns about the inevitable pay cut.

If finding a full-time position proves difficult, taking temporary

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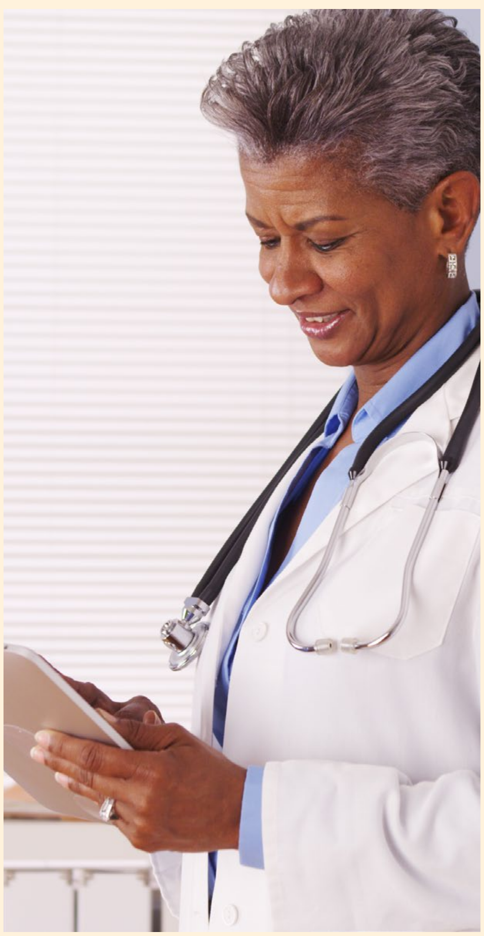
assignments is an excellent strategy. In addition to adding “real world” experience to your resume, you will also be able to develop valuable relationships. These professional contacts can provide helpful references, suggest networking opportunities and possibly even hire you.

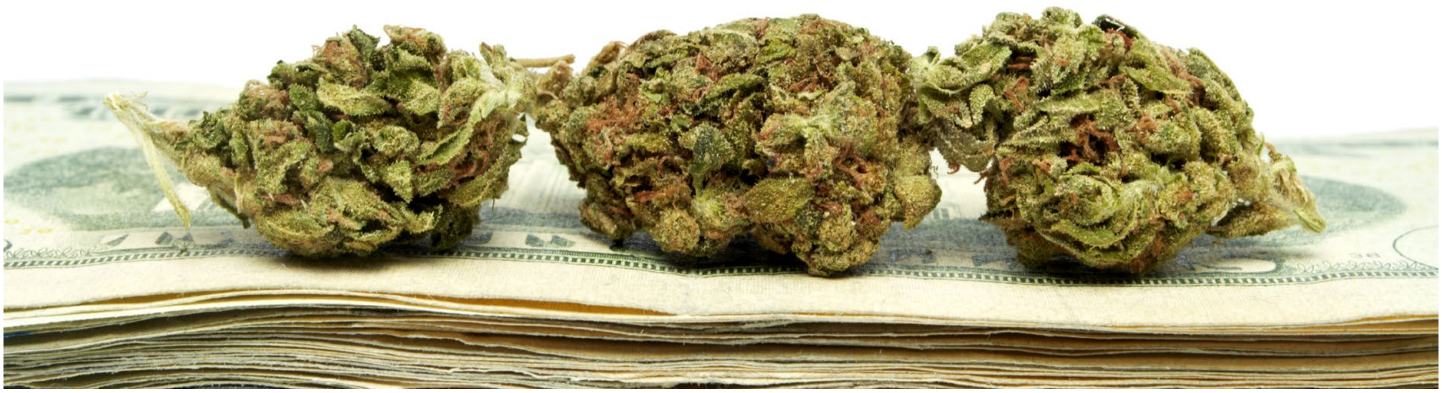
As you begin this journey, remember that starting over in mid-life can be a tough emotional transition. After years of being valued for your knowledge and experience, becoming a newbie may seem both unfamiliar and unpleasant. But once you get through the initial learning curve, you should begin to feel much more comfortable.

Marie G. McIntyre is a workplace coach and the author of “Secrets to Winning at Office Politics.”



Investing in marijuana

Cashing in on the booming weed market



By Kathleen Furore

"The legal cannabis industry accelerated at a remarkable pace in 2016. North American consumers spent $6.7 billion on legal cannabis products, up 34 percent from 2015."

That sentence, which opens "The State of Legal Marijuana Markets, 5th Edition" report from ArcView Market Research, sums up why so many people are considering investing in weed.

"There really is a ton of potential," says John R. Downs, director of business development for The Arcview Group. "We are witnessing a unique event in history — the migration of a multi-billion dollar market from illicit to legal, and new business opportunities abound as a result."

But is now the best time to add a cannabis-related company to your portfolio? Can someone in their pre-retirement or early retirement years realize positive returns, especially considering today's political climate, with its conflicting signals about how even legal marijuana businesses will fare?

The answer, experts say, is a qualified "Yes."

> *"We are witnessing a unique event in history – the migration of a multi-billion dollar market from illicit to legal, and new business opportunities abound as a result."*

"There is money to be made, although it involves a substantial risk of capital over a period of years prior to becoming cash flow positive as well as profitable," says Brett Roper, chief operating officer and co-founder of Medicine Man Technologies, a cannabis business consultancy based in Denver.

Any investment, of course, can be risky.

"Just like any 'hot' market, there are fraudsters and schemers and dreamers standing ready to talk investors into overhyped investment opportunities, such as penny stocks of companies that trade at high valuations and have no revenues," Downs says. "But, if an investor looks past the hype and focuses on the fundamentals of the business — and in the case of earlier stage investments, the strength of the management team— there are many opportunities to find profitable investments."

But what about the current administration's stance on cannabis?

"We believe … that the risk of federal interference in state-legal cannabis programs is overblown," Downs says. "But it's a risk that should be acknowledged by any investor in the space. I think a more likely way that cannabis businesses are affected by the political climate is that they face harsh restrictions on simple things such as where they can be located, how they can advertise to reach patients, stringent packaging rules. … These types of regulations can strangle the life of a business before it gets started."

While the risks of investing in

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the marijuana industry are, Roper admits, greater than involvement in other established businesses, some areas likely are safer than others.

"Business that 'touch' the plant so to speak — cultivators, processors, dispensaries — are considered far more vulnerable to any potential federal crackdown and, hence, have more inherent risk," Roper explains. "Ancillary businesses — contractors, suppliers, professionals — tend to have much less risk."

But Downs says "safe" is a relative term.

"From a legal regulatory perspective, it is 'safer' to invest in an ancillary business than one that touches the plant, (but) a federal government crackdown, or even an overzealous bureaucrat in the zoning department of a city government, can wreak havoc on a plant-touching business," he notes. "However, there are a lot of companies competing in the ancillary space for that reason, increasing the competition risk of the investment," Downs says.

There are, of course, myriad investment options potential investors can consider, according to Andrew Ittleman, founder and partner of the law firm Fuerst Ittleman David & Joseph in Miami, who has done work in the cannabis space.

"Cannabis is a plant that an entire ecosystem has been built around, so there are thousands of different (investment]) angles … real estate, agriculture and financial services, for example," says Ittleman, who advises potential investors to consider their own expertise before exploring specific investment opportunities.

"What (kind of business) do you know?" he asks. "If you were in real estate, for example, you might invest in the retail side of the business; if you were in agriculture, it would be best to invest in individual grows. Stick with what you know and try to avoid the hype—if you invest in what you know, you'll make smarter investments."

Once you've decided to grow your portfolio with weed-related investment, doing your homework is a must.

"The industry exists within a gray area and an enforcement vacuum, and there is no (long-term) history to rely on," Ittleman cautions. "So it is incumbent on potential investors to ask hard questions."

These tips can help get you started on the road to investing in marijuana:

Delve into the company's history:

Make sure you can trust that the operator has a firm grasp of the cannabis program regulations in their state and city, as well as experience running a cannabis business.

"We see a lot of 'green rushers' jumping into the cannabis industry as entrepreneurs, and I'd encourage any investor to be wary of an outsider jumping into a new industry and earning their stripes with the investor's hard earned money," Downs says.

"If someone presents you with a pitch deck, find out about that person's pedigree," Ittleman says. "What are their qualifications to forecast down the road?"

Request financial information: "Speak to the accountant or firm handling the accounting as well as tax planning for the business," Roper suggests. "And seek second opinions relative to any business plan elements or assumptions to ensure they are relevant in terms of today's levels of performance."

Ask for a background check: This should include a criminal background check on the primary management team, Roper stresses.

Speak to other investors: This is especially key if you are not part of the first round of capital raised, Roper notes.

Get a second opinion:

Seek out a professional who can help you evaluate the risks related to the venture, particularly when the investment is substantial, Roper advises.

Look to outside industry groups for guidance: ArcView and the National Cannabis Industry Association, plus trade publications such as MJ Business and Cannabis Business Executive are good sources for industry information, Roper says.