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Financial Briefs

MAY 2025

Retirement Planning: Decade by Decade

Retirement planning is a lifelong process. Below are some of the key retirement planning actions you need to be taking from your 20s through your 60s.

Your 20s

Start saving. The sooner you can start saving for retirement, the less you'll have to save overall. If you start saving \$5,000 per year at age 25, you'll have just under \$775,000 by age 65, assuming annual returns of 6%. Wait until age 35 to start saving and you'll only have about \$395,000 — more than \$300,000 less. Also, since you're still decades away from your retirement date, don't be afraid to take some risk with your investments. You'll have to stomach some ups and downs, but earning higher returns from equity (or stock) investments now means more money (and less to save) as you get older.

Other steps to take when you're young: start budgeting, avoid debt, and save for other goals, like buying a house. Even if you're not earning a lot right now, adopting healthy money habits today will pay big dividends later in life.

Your 30s

As you enter your 30s, your income is probably heading upward and your life is beginning to stabilize. You may find you can con-

tribute more to your retirement savings accounts than you could in your 20s. As your income increases, consider increasing your retirement contributions by the amount of your annual raise so you don't fall behind on saving. Reassess your savings rate and consider meeting with a financial advisor to make sure you're saving as much as you can — and investing it well.

Your 40s

You're at the halfway point to retirement. If you've been saving for

the past 10 or 20 years, you should have a nice nest egg by now. If you haven't gotten serious about saving, now is the time to do so. You'll have to be fairly aggressive, but you still have some time to build a respectable financial cushion. Whether you're an accomplished saver or just getting started, you may also want to consider meeting with a financial advisor to help you make sure you're saving enough to meet your goals and investing in the best
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Reassess Your Retirement Plans

Approximately five years before you plan to retire, thoroughly reassess your retirement plans and ensure that all significant financial pieces are in place. Once you retire, you probably won't have the option of going back to your former job. Before you retire, first consider these points:

- **Take a serious look at your retirement plans.** You're close enough to retirement that you should have a good feel for your retirement expenses and expected income. While you may be anxious to retire, remain flexible about your retirement date. Working an additional year or two can add substantially to your

savings and may boost your retirement benefits.

- **Get a fix on your Social Security and pension benefits.** Make sure you know exactly how much you can expect from Social Security and defined-benefit plans. How much will your benefits increase if you delay retirement by one year, five years, etc.? If you retire before full retirement age for Social Security purposes, do you plan on working? Be aware that for those under full retirement age for Social Security purposes, earnings over \$23,400 in 2025 will cause you to lose \$1 of benefits for every \$2 of earn-

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Retirement Planning

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way possible.

A special note: people in their late 40s and early 50s are often looking at steep college tuition bills for their children. Don't make the mistake of sacrificing your retirement goals to pay for your children's college educations. Stay focused and on track so your children don't have to jeopardize their financial future to support you as you get older.

Your 50s

Once you turn 50, you have the option to make catch-up contributions to retirement savings accounts like 401(k)s and IRAs. You can save an additional \$7,500 a year in your 401(k) plan and \$1,000 a year in your IRA in 2025. That's great news if you're already maxing out your savings in those accounts.

Your fifth decade is also the time to start thinking seriously about what's going to happen when you retire — when exactly you're going to stop working, where you want to live, whether you plan to work in retirement, and other lifestyle items. It's also the time to take stock of your overall financial situation. You'll still want to keep saving as much as you can, but you may also want to make an extra effort to be debt-free at retirement by paying special attention to paying off your mortgage, car loans, credit card debt, and any remaining student loans.

Your 60s

Retirement is just a few years away. If you haven't already, you'll want to dial down the risk in your portfolio, so you don't take a large loss on the eve of your retirement. You'll also want to start thinking about a firm retirement date and estimating your expected expenses and income in retirement. If your calculations show you're falling short, it's better to know before you stop working. You can make up a shortfall in a number of ways — reducing living expenses, working a bit longer, and even delaying So-

Should I Stay or Should I Go?

Does your retirement plan involve long days of golf in sunny Arizona? Perhaps you're dreaming of a beachside condo in Florida. Or maybe you want to explore life in a foreign country. Of course, there's always the possibility of just staying put, close to family, friends, and a familiar community. The options are endless and overwhelming.

Nonetheless, choosing a place to live is one of the most important decisions you can make when planning for retirement. And it's not always an easy choice to make. You'll have to weigh financial, emotional, and lifestyle factors before you can decide where you should live after you stop working. Below are some tips that may help you make your choice.

Questions to Ask Yourself

You can start your retirement housing search by asking yourself these questions:

- Where do I really want to live in retirement?
- Where can I afford to comfortably live?
- If I'd like to relocate, how much will that cost?
- Will relocating allow me to save money on housing and other expenses?
- Can I save on taxes by moving to another area?
- If I'd like to move, what price can I expect to get for my house?
- Where do my friends and family live?

Making the Choice

What if your answers to the above questions suggest that relocation is a good idea? It's hardly an unusual situation. Getting a fresh start in retirement is a dream for many. But depending on your cur-

rent financial situation, it may not be realistic. Many still have hefty mortgage payments heading into retirement. Some people who want to relocate simply may not have the financial ability to do so.

If you are interested in moving, it pays to do your homework. Looking into housing in your ideal location is just the start. You'll also want to think about how much you can get from the sale of your current home (be realistic). Taxes are another element. Some retirees can save money by moving from a high-tax state to one that offers tax breaks to retirees. Another thing to consider? The cost of travel back to your original home if you still have family and friends living there.

If you're sure that relocating in retirement is the right choice for you, don't rush into a decision. Try a trial run of a month or two in your ideal destination to see how you really like living there. A place that's great to visit for a week might lose its luster after a month. In addition to obvious considerations like weather, make sure you think about amenities, both fun and not so fun. Are there hospitals nearby? What about public transit in case you're eventually unable to drive? Will you be part of a ready-made retirement community or will you be on your own when it comes to making new social connections? Are the amenities you'd like to use affordable? Knowing the answers to these questions in advance can help you avoid making a costly financial mistake.

Thinking about relocating in retirement? Please call if you'd like to discuss this in more detail. ■■■

cial Security payments so you get a larger check.

Whatever your age, the key to retirement is having a plan and con-

sistently executing that plan. Not sure how to get started? Please call so we can discuss this in more detail. ■■■

Reassess

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ings over this threshold. Make sure you understand your distribution options for any defined-benefit plans. In most cases, those decisions are irrevocable, so you'll want to take some time to assess those options.

- **Determine how much income your retirement investments will generate.** As a general rule of thumb, you can multiply your retirement investments by 4% to get an idea of how much you can withdraw annually. You can go through a more detailed analysis, reviewing a wide range of variables, for a more precise answer. However, the younger you retire, the more conservative your withdrawals should be, since your funds will have to last for a longer time period.
- **Investigate work options.** If you plan to work at least part-time during retirement, have you decided what you'll do and how much it'll pay? Make sure you investigate your options, including asking your current employer about part-time opportunities after retirement.
- **Finalize living arrangements.** Determine whether you want to stay in your current home or move to another one, either in the same city or a different location. At this point, you should be able to determine whether you'll have a mortgage and how much equity you'll have in your home. While most retirees continue to live in their current home, explore whether it makes sense to downsize, freeing up home equity for investments or retirement income.
- **Deal with health insurance and long-term-care costs.** Two of the most significant costs in retirement are medical care and long-term care. Make sure you have plans to deal with both. If you are retiring at age 65 or later, you'll be eligible for Medicare, al-

Part-Time Retirees

People are starting to redefine retirement from a time of total leisure to a time for more leisure, when work still occupies part of their time. Some continue working out of financial necessity — either they didn't save enough before retirement or market declines have caused them to return to work. Others work to keep busy or because they enjoy working.

If you're retired and are considering going back to work, answer these questions first:

- **Will you earn enough to make working financially worthwhile?** Calculate how much you'll earn after paying taxes and work-related expenses like lunch, clothing, and transportation costs. Consider whether the additional income will increase your marginal tax bracket or disqualify you from certain tax deductions or credits.
- **Will your earnings affect your Social Security benefits?** If you are full retirement age or older (currently age 67), you can earn any amount of income without reducing your Social Security benefits. However, individuals between the ages of 62 and full retirement age lose \$1 of benefits for every \$2 of earnings over \$23,400 in 2025. Additional income could make a portion of your Social Security benefits taxable. Up to 50% of benefits

are subject to federal income taxes if adjusted gross income plus non-taxable interest plus one-half of Social Security benefits exceed \$25,000 for single taxpayers and \$32,000 for married taxpayers filing jointly. 85% of Social Security benefits is subject to federal income taxes if that income exceeds \$34,000 for single taxpayers and \$44,000 for married taxpayers filing jointly.

- **Are you approaching age 73?** If so, going back to work may prevent you from having to take minimum distributions from your 401(k) plan or other employer plan. That way, the balance can continue to grow on a tax-deferred basis. You will, however, have to start taking distributions from traditional individual retirement accounts.
- **Are you thinking about starting a business?** Many retirees choose to turn a hobby or work experience into a business venture. If you do, be careful not to deplete your retirement savings to fund the business. Look for other sources for funding.
- **Do you know why you are going back to work?** Be realistic about what you can expect from your new job. If it's just a part-time job to keep you busy, you probably won't have as much responsibility as you did at prior jobs. ■■■

though a spouse under age 65 will not be eligible. You will probably need supplemental coverage with Medicare. If you are retiring before age 65, make sure you know exactly how much coverage will cost you, especially if it is not provided by your employer. Now is also a good time to take a look at long-term-care insurance, since premiums get significantly more expensive as you age.

- **Live with your retirement bud-**

get for a couple of years. Want to really make sure your retirement budget is reasonable? Try living with your retirement budget for a couple of years before retirement. If you can do so without increasing your debt, you can be reasonably confident your budget will work during retirement.

Please call if you'd like help assessing your retirement plans before you actually retire. ■■■

Business Data

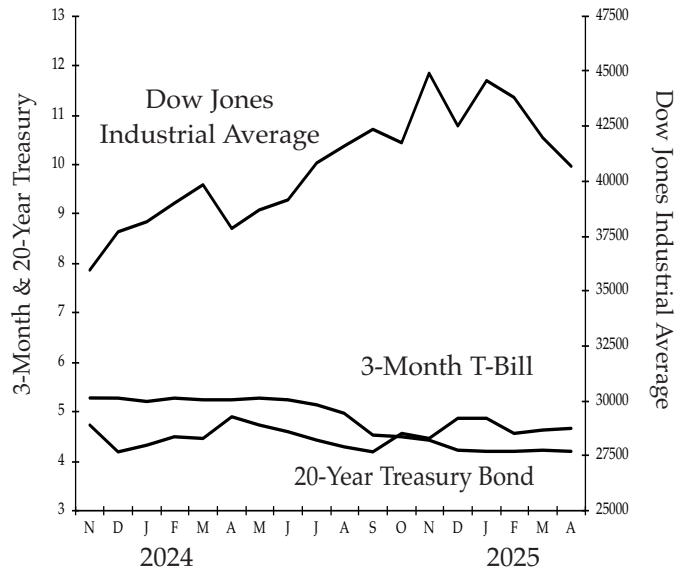


Indicator	Month-end				
	Feb-25	Mar-25	Apr-25	Dec-24	Apr-24
Prime rate	7.50	7.50	7.50	7.50	8.50
3-month T-bill yield	4.20	4.21	4.20	4.23	5.25
10-year T-note yield	4.24	4.23	4.17	4.58	4.69
20-year T-bond yield	4.55	4.62	4.68	4.86	4.90
Dow Jones Corp.	5.24	5.37	5.38	5.45	5.84
GDP (adj. annual rate)#	+3.10	+2.40	-0.30	+2.40	+2.60

Indicator	Month-end			% Change	
	Feb-25	Mar-25	Apr-25	YTD	12-Mon.
Dow Jones Industrials	43840.91	42001.76	40669.36	-4.4%	7.5%
S&P 500	5954.50	5611.85	5569.06	-5.3%	10.6%
Nasdaq Composite	18847.28	17299.29	17446.34	-9.7%	11.4%
Gold	2834.55	3115.10	3302.05	26.2%	43.1%
Unemployment rate@	4.00	4.10	4.20	0.0%	10.5%
Consumer price index@	317.67	319.08	319.80	1.4%	2.4%

— 3rd, 4th, 1st quarter @ — Jan, Feb, Mar Sources: Barron's, Wall Street Journal
Past performance is not a guarantee of future results.

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield November 2023 to April 2025



News and Announcements

Avoid This Mistake

Finding a way to live decades in retirement without worrying about running out of money can seem like an overwhelming task. That goal depends on many variables and assumptions, including your life expectancy, retirement age, lifetime earnings, retirement expenses, retirement income sources, investment rate of return, and future inflation. If you're wrong on even one of those variables, funding your retirement could be in danger.

With all the potential for missteps, what is the one mistake you want to avoid at all costs? Dipping into your retirement savings. Unfortunately, these funds seem like a tempting place to get money for other needs.

Tax laws don't help, since they often provide tax-advantaged ways for you to access those funds. Loans from 401(k) plans are not taxable events. When leaving an employer, you can withdraw money from your 401(k) plan (you will have to pay income taxes and possibly a

10% early withdrawal penalty). Contributions to Roth IRAs can be withdrawn at any time with no tax consequences. Withdrawals from traditional IRAs before the age of 59½ can be made under certain circumstances without paying the 10% tax penalty.

Even if the amount seems small, don't withdraw funds from your retirement account. While it probably won't add significantly to your lifestyle now, it can grow to significant sums over the long term. For instance, assume you have \$10,000 in your 401(k) plan. If you withdraw the funds and are in the 22% tax bracket, you'll have \$6,800 left after paying income taxes and the 10% federal tax penalty. Keep the funds invested earning 8% annually on a tax-deferred basis and your funds could grow to \$68,426 after 30 years, before paying any income taxes. (This example is provided for illustrative purposes only and is not intended to project the performance of a specific investment.) ■■■ FR2024-1206-0003

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