FINANCIAL TID-BITTS

Information to chew on...

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Hi All,

It's hard to believe that the holiday season is here, but that means the elections are over, so that's a bonus! Time to focus on time with family, watching football (GO LIONS!), staying warm, and making memories. The hardest part for me is that it is dark before I leave the office.

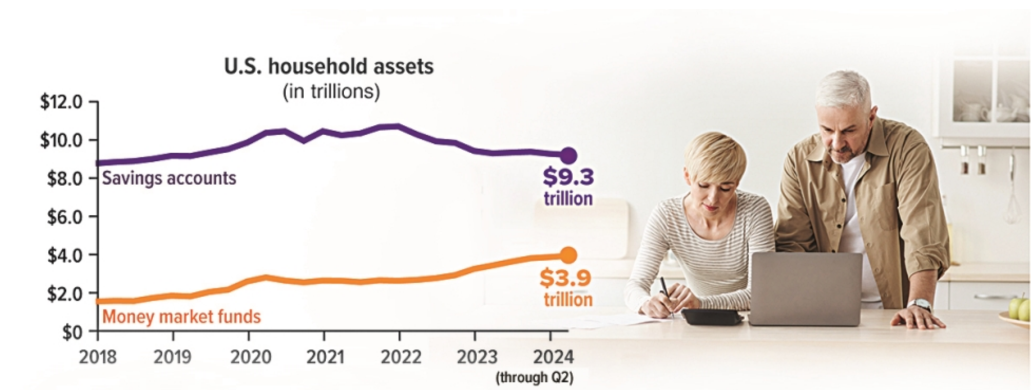
I hope these articles help answer a question you may have had, or bring up ones you want to ask. I hope your holidays are filled with relaxation and plenty of time to reflect on the year that is ending, and prepare for the new one just around the corner. If there is anything we can do to help you, please don't hesitate to let us know. Thank you.

Steve

P.S - If you would like to receive this newsletter electronically in the future, just give Theresa a call with your email address. Thank you.

Where Americans Are Stashing Their Cash

The level of the federal funds rate affects many short-term interest rates, including the yield on money market funds, which invest in high-quality, short-term debt instruments and cash equivalents. Investors often use money market funds as "sweep accounts" for clearing brokerage transactions. They can also be a good place to keep cash set aside for emergencies or large purchases such as a vacation, car, or home — especially now that they tend to offer higher yields than most savings accounts.



Source: Federal Reserve, 2024; *Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in such a fund. Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

Would You Be Prepared for an Unplanned Early Retirement?

Most of us would prefer not to think about an unexpected (and unwelcome) early retirement, but it does happen frequently. In fact, nearly half of current retirees retired earlier than planned, and of that group, more than 60% did so due to changes at their company or a hardship, such as disability.[1] For that reason, it's a good idea to take certain steps now to help prepare for the unexpected.

What you can do now

Save as much as possible in tax-advantaged accounts. If you're forced to retire earlier than planned, your work-sponsored retirement plans, IRAs, and health savings accounts (HSAs) could become critical resources. HSA assets can be used tax-free to pay for qualified medical expenses at any time, and you can generally tap your retirement plan and IRA assets after age 59½ without penalty. Although ordinary income taxes apply to distributions from pre-tax accounts, qualified withdrawals from Roth accounts are tax-free.[2]

In addition, the IRS has identified several situations in which retirement account holders may be able to take penalty-free early withdrawals. These include disability, terminal illness, leaving an employer after age 55 (work-based plans only),[3] to pay for unreimbursed medical expenses that exceed 7.5% of your adjusted gross income, and to pay for health insurance premiums after a job loss (IRAs only).

Pay down debt. Generally, it's wise to enter retirement (especially when unexpected) with as little debt as possible. Ensuring that your financial plan includes a strategy for paying down student loans, credit card debt, auto loans, and mortgages can help you minimize your income needs later in life.

Know your bare-bones budget. Another way to help cushion the shock of an unexpected early retirement is knowing exactly how much you spend each month on your basic necessities, including housing, food, utilities, transportation, and health care. Maintaining a written budget throughout life's ups and downs will help you quickly identify how much income you'd need over the short term while you work on a longer-term income-replacement strategy.

Maintain adequate levels of disability insurance. Your employer may offer group coverage at reduced rates; however, you lose those benefits if your employment is terminated. Private disability income insurance can help you secure coverage specific to your needs, and since the premiums are typically paid with after-tax dollars, any benefits would generally be tax-free (unlike work-sponsored coverage that is paid with pre-tax dollars).

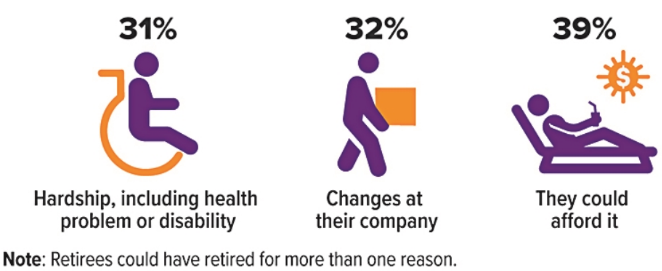
Understand Social Security benefits. If you stop working due to disability, you may qualify for Social Security Disability Insurance benefits if you meet certain requirements. You must have earned a certain number of work credits in a job covered by Social Security and have a physical or mental impairment that has lasted or is expected to last at least 12 months or result in death. If you remain eligible, benefits may continue up to age 65 and then convert to Social Security retirement benefits.

If you need to retire earlier than planned for reasons unrelated to disability and are eligible for Social Security retirement benefits, you can apply as early as age 62. However, starting payments prior to your full retirement age (66 or 67, depending on year of birth) will result in a permanently reduced monthly benefit.

For more information on Social Security disability and retirement benefits, visit the Social Security Administration's website at ssa.gov.

Consider your health insurance options. Terminating employment prior to age 65 could leave you without health insurance. You may opt to continue your employer-sponsored health coverage for a limited period (permitted through COBRA, the Consolidated Omnibus Reconciliation Act), although this can be quite expensive. If you're married and your spouse works, you may get coverage under their plan. You may also seek coverage through the federal or a state-based health insurance marketplace. If you receive Social Security disability benefits, you'd automatically qualify for Medicare after 24 months.

Why 49% of Retirees Retired Earlier Than Planned



Source: Employee Benefit Research Institute, 2024

Don't be caught off guard

Don't wait for an unwelcome surprise. Take steps now to help ensure your overall financial plan considers the "what-if" of an unexpected early retirement.

1) Employee Benefit Research Institute, 2024

2) Qualified Roth withdrawals are those made after a five-year holding period and after the account owner dies, becomes disabled, or reaches age 59½. The penalty for early retirement account distributions and nonqualified withdrawals from Roth accounts is 10%. Nonqualified withdrawals from HSAs will be subject to ordinary income tax and a 20% penalty. After age 65, individuals can take money out of HSAs penalty-free, but regular income taxes will apply to funds not used for qualified medical purposes.

3) Age 50 or after 25 years of service for public safety officers

If You Don't Have a Will Yet, Why Not?

A will is a fundamental estate planning document. It outlines how you wish your property to be distributed, who should handle matters related to settling your estate, and who you want to care for your children after you pass, among other things.

If you don't yet have a will, you're not alone. According to a recent survey by Caring.com, 64% of Americans think having a will is important, but only 32% have one.[1] There are many reasons people put off drafting a will — here are four that you might relate to.

1. Just haven't gotten around to it

It's easy to procrastinate when it comes to drafting a will. Even if it's something you think you should do, it's probably not high on the list of things you want to do. Perhaps you're uncomfortable thinking about your own mortality, or maybe you're worried about how complicated or costly the process will be.

Focusing on some of the benefits of having a will might give you the motivation you need to get started. A will is a way to make sure your loved ones are cared for and that your last wishes are honored. A legally binding will gives you more control over what happens to your property and helps ensure that your treasured possessions end up in the right hands. You can name an executor or personal representative who you believe will responsibly handle the details of settling your estate. And having a will is especially important if you have minor children and want to protect them by naming a guardian who will best be able to handle the responsibility of raising them.

If making these decisions sounds daunting, there's help available. An estate planning attorney can help address your concerns and guide you through the process.

2. It's not the right time

Too young? Not married? Childless? In good health? Not wealthy enough? People often think it's not the right time to draft a will, but there's no better time than now. Most adults have money or possessions that they would like to leave to someone, and waiting until the circumstances seem perfect is risky. Health problems may come on suddenly, and trying to draft a will at that time can be stressful. Even worse, if you suddenly become incapacitated, it may be too late.

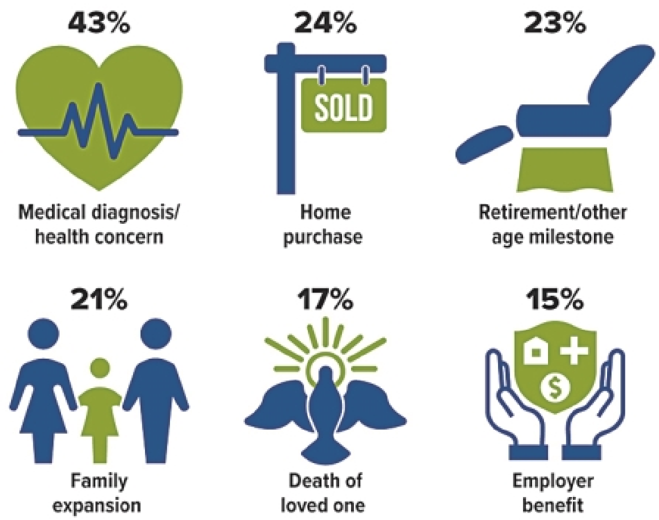
Your life will inevitably change as the years pass, and any will drafted now can (and should) be reviewed and revised occasionally to account for family and financial changes.

3. Don't think it's important

Unless you have personal experience with settling an estate, you may underestimate the consequences of dying without a will (called dying intestate). Decisions will be made by the court on your behalf, and your property will be distributed according to the laws of your state. Who is entitled to your assets will depend on those laws, and handling that when there is no will can be especially complicated, time-consuming, stressful, and expensive for your family.

Motivating Situations

Almost one out of four Americans without a will say that nothing would motivate them to get one. Here are the percentages of those without a will who say these situations would motivate them.



Source: 2024 Wills and Estate Planning Study, Caring.com (multiple responses allowed)

4. Family dynamics are complex

Putting off drafting a will might seem logical when you are facing deep-rooted family issues or complicated situations. Why not just leave it to others to sort out after you're gone? Unfortunately, not having a legal document that outlines your specific intentions can make an already difficult situation worse. Leaving the disposition of your assets up to the court to decide may have unintended consequences for family members and lead to irreparable rifts or even litigation.

A will is only part of an estate plan

Finally, as important as a will is, it's just one component of your estate plan. You may need other legal documents such as trusts, powers of attorney, and advance medical directives to fully address your needs. Ask an estate planning attorney to evaluate your individual situation and help you put a plan in place.

1) 2024 Wills and Estate Planning Study, Caring.com

Three Ways to Invest in Yourself

The end of the year is a good time to reflect on everything you've accomplished and given to others. As you set resolutions for the new year, why not think about how investing in yourself might give you a fresh start?

Investing in yourself means focusing on your personal growth and well-being. By fostering a stronger "you," you might be in a better position to give your time and energy to other people and things, including your financial goals, which require discipline, perseverance, and often sacrifice to maintain a robust savings effort month after month.

Here are three areas you might target.

Your health and well-being

Staying active is critical to maintaining good physical and mental health, and it might make it easier for you to tackle all the tasks, financial and otherwise, on your plate each day. Feeling sluggish, stressed, or sore? Having trouble sleeping? To get on a better health track, consider joining a gym, working with a personal trainer or nutritionist, taking a fitness class, experimenting with a wearable fitness tracker, or buying home exercise equipment. Or you might invest in an ergonomic office chair, a stand-up work desk, or a new bed and pillows.

What about your diet? To take your eating habits to the next level, consider investing in some new kitchen equipment and/or appliances; signing up for a food delivery service that sends ingredients for healthy meals right to your door; or trying new cookbooks and recipes to discover dishes you enjoy.

Could you use more peace and quiet in a 24/7 world? To enhance your inner solitude, you might invest in a cozy chair, small desk, greenery, soft lighting, and assorted furnishings to create a quiet spot for reading, reflection, or meditation.

Your lifelong learning

The world is a big place, and there is so much to see and do. Trying something new outside your normal routine or comfort zone can provide inspiration and a fresh perspective. Possibilities include traveling to a new destination, investing in new equipment for outdoor recreation, enrolling in an adult education class, or getting involved in a new project or hobby.

Your everyday life

Still wearing clothes, eyeglasses, or a hairstyle from your younger days? Trying to get by using an older laptop, phone, or printer? It might be time to update your wardrobe, look, or tech gadgets.

By investing in yourself today, not only might you feel better now, but you might reap future benefits, too, in the form of potentially lower health-care costs, a wider social circle, expanded hobbies and experiences, and a new perspective on life.