

Make the Most of Your Retirement Plan in 2013

The clock is quickly winding down on what has been an interesting year. As we prepare to move into 2013 we find ourselves still facing many uncertainties – but hopefully with a renewed sense of optimism that better days are ahead.

By the time you read this I hope that Washington will have come to agreement on a deal to avoid the fiscal cliff. Judging by recent history I suspect that we will be waiting anxiously until the final moments wondering among other things what our income tax rates will be come January 1st.

Regardless of what happens with income tax rates, it almost always makes sense to utilize tax advantaged retirement savings vehicles. While we most often think of employer sponsored 401k plans, there are many different retirement plan options available to both businesses and individuals.

If you work for an employer that offers the ability for you to contribute money to a retirement plan I would strongly suggest that you consider doing so. Even a small amount can go a long way over time and one of the best features of an employer plan is that the money is withheld directly from your check – saving you from finding some other way to use the money.

If your employer offers a matching contribution, meaning that they contribute a set percentage towards your retirement if you first contribute for yourself, then try to at a minimum contribute enough to receive the full match. That money is yours for the taking and not taking advantage of it is in essence like forgoing a portion of your compensation package.

If you are in the position to do so, the limits on what can be contributed to employer plans is increasing in 2013. The limit is increasing to \$17,500 for 401k, 403b and 457 plans. If you age 50 or older, you can also contribute a catch up amount of up to \$5500 for a total of \$23,000.

If your employer offers a Simple IRA, the contribution limit for 2013 is increasing to \$12,000 with an additional \$2,500 catch up contribution available for those age 50 or older.

Individuals may also have the ability to contribute to either Traditional or Roth IRAs which do not offer employer matching contributions but are still a tax advantaged way to save for retirement. The contribution limits on IRAs are also increasing in 2013 to \$5500 per person. Those age 50 or older can contribute an additional \$1000 as a catch up contribution for a total of \$6500.

Keep in mind that there several factors which affect your ability to contribute to either a Traditional or Roth IRA. Only earned income (i.e. income from employment, either self-employment or otherwise) can qualify for contributions and there are also income

limitations that can reduce your ability to contribute or affect the deductibility of some contributions. As with anything of this nature, it is important that you thoroughly understand how the rules affect you – I strongly recommend consulting with a qualified tax advisor to review your situation prior to proceeding.

If, like our leaders in Washington, you started 2012 full of good intentions but now find yourself facing the end of the year without having started a retirement savings plan, do not despair, there may still be time.

Both Traditional and Roth IRAs can be established and funded up until April 15th of the following year. That means that you may still be able to do a contribution for 2012, even up to tax time next year.

For businesses, some plans, such as SEP IRAs, can be established and funded up until the tax filing deadline, including extensions. SEP IRAs can offer generous contribution limits and can work especially well, in my opinion, for self-employed individuals.

Regardless of how much you are able to contribute or which tax year the contributions apply towards, make 2013 be the year where you start putting your own long term financial well being first by setting money aside for retirement.

And, as the ball drops on the end of this year and heralds the start of next, take a moment to be thankful for the blessings in your life and hug your children a little closer. I know I will.

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