

PREPARING FOR A

SATISFYING RETIREMENT



Strategies to Help You Get the Most Out of Your 401(k) Retirement Plan



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WEALTH MANAGEMENT

Financial Planning and Investments

Many Americans may not understand how to fully take advantage of their employer-sponsored retirement plans. We've created this special report to help you make the most of your savings and investment opportunities and help improve your prospects for a comfortable retirement.

INTRODUCTION

Many Americans worry about their financial security during retirement. An employer-sponsored retirement plan is one of your most powerful tools for pursuing a comfortable retirement. The money you invest in your 401(k) has tax-deferred growth potential and generally becomes taxable only once withdrawals begin in retirement. By making pre-tax contributions to your retirement plan, you can also reduce your income each year, which may help you manage your annual tax bill.

Even if your retirement is years away, some strategizing now can help you evaluate your current savings, estimate how much you may need to save for a comfortable retirement lifestyle, and help you remedy any potential income shortcomings.

According to a recent report from the Employee Benefit Research Institute, 82 percent of workers say they are satisfied with their workplace retirement plans.¹

We have developed this guide to help you or a loved one understand the steps involved in preparing for retirement and making the most of your options if you contribute to a 401(k) retirement plan. Keep in mind: this whitepaper is for informational purposes only. It's not a replacement for real-life guidance, so make sure to consult your tax, legal, and accounting professionals before modifying your retirement strategy. Remember, tax rules are constantly changing, and there is no guarantee that the treatment of certain existing rules will remain the same.

Annual Contribution Limits for 401(k) Plans

In 2023, you can contribute up to \$22,500 to your 401(k) account. If you are age 50 or older, you can contribute up to \$7,500 more.

Source: IRS.gov, 2023



MAXIMIZE YOUR RETIREMENT PLAN CONTRIBUTIONS

If you save too little or start saving too late, you risk reaching retirement age without enough savings. The chart on the next page shows the hypothetical biweekly savings needed to build a \$1 million nest egg by age 65. Most workers contributing to their retirement plans are making selections with confidence. Eighty-three percent of workers described themselves as being

“very” or “somewhat” confident. When it comes to selecting your product and how much you are saving, it's important to strategize with your trusted financial professional, someone who can back that confidence with information.¹

Many employers provide matching contributions to your account. By taking advantage of your employer's extra contributions, you can increase your savings over time. A good rule of thumb is to contribute at least

enough to get your full employer match. For example, if your employer matches up to five percent of your salary, you'd be giving up free money by contributing any less.

One of the savviest moves you can make as an investor is to increase your contribution rate to your retirement plan as much as you can. If you haven't reviewed your contributions recently, a financial professional can help you understand how much you are allowed to contribute and

how to boost your savings rate while still maintaining a comfortable lifestyle.

It can be hard to suddenly increase your contribution rate, which is why we recommend taking a gradual approach and increasing your deferrals each year. You might consider saving 10 percent of your salary, at a minimum, and gradually increasing contributions to 15 or 20 percent as you approach retirement. We also recommend using wind-fall events—like bonuses, tax re-

Biweekly Contributions Needed to Save \$1 Million by Age 65²

Start Investing at Age 50

\$1,324

Start Investing at Age 40

\$481

Start Investing at Age 35

\$199

This is a hypothetical illustration that assumes 8% compound annual growth over 35, 25, and 15 years. It does not include the effects of fees, inflation, taxes, or the timing of investment returns. All rates of return are hypothetical and do not represent any particular investment. There is no guarantee that an 8% rate of return can be achieved. This illustration does not represent an investment or combination of investments.

funds, or other sudden infusions of cash—to help grow your nest egg. A traditional IRA (individual retirement account) can be an excellent complement to your 401(k) plan and give your savings the benefits of tax-deferred growth potential.

Once you reach age 73, you must begin taking required minimum distributions from a traditional IRA in most circumstances. Withdrawals from traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty. Contributions to a traditional IRA may be fully or partially deductible, depending on your adjusted gross income.

Time and tax-deferred growth can be two critical ingredients to long-term financial success. Taxes can take a big bite out of investment returns, which is why it makes sense to use the tax advantages of your qualified retirement

accounts to save money for the future. The benefits of compound growth and tax deferral mean that small, consistent contributions have the potential to grow significantly over time.

Eventually, you will have to pay taxes on withdrawals from your retirement plan. However, many Americans find themselves in a lower tax bracket during retirement and may be able to manage their taxes. If you believe that you are currently in a lower tax bracket than you will be in retirement, you may want to speak to a financial professional about contributing to a retirement savings account.

As you approach retirement, the IRS will allow you to contribute more to your retirement plan. These “catch-up” contributions are a great way to boost your savings, especially at the point in your career when you’re likely to be making the most money.

UNDERSTAND YOUR PLAN’S FEATURES

Every 401(k) plan is a little different, and it’s important to learn about the plan options available to you. Your plan administrator will be able to provide you with details about vesting schedules, loans, investment options, and any limitations on withdrawals. A financial professional can help you review this document to be sure that you understand it fully.

KEEP YOUR SAVINGS INVESTED WHEN YOU SWITCH EMPLOYERS

When you leave an employer, you have a couple of options available to you. You can leave your plan with your old employer (if allowed), roll it into your new employer’s plan, roll it over into an IRA, or cash it out. It often seems easier to take a check than to wrestle with complex paperwork, especially if

the account balance is small, but this option will cost you a lot in taxes and penalties. Worse, it can potentially rob you of income during retirement.

If you no longer want to keep the plan you had with your old

Quick Tips for Boosting Contributions:

- Consider increasing your salary deferral every time you get a raise.
- Create a budget and minimize unnecessary expenses so that you can leave extra room for savings.
- Clarify your plan fees and maintenance charges so that you can be sure you’re not paying too much.

Should You Borrow From Your 401(k)?

Many employees have access to loans from their workplace plans. If you have significant amounts of high-interest debt, it may make sense to borrow to pay down your debt. However, there are several potential downsides to consider. The money you borrow will no longer be invested, robbing you of potential growth. You will also have to repay the loan at regular intervals using after-tax dollars, meaning you may be taxed twice on that money.

Source: FINRA.org, 2023





employer, the easiest way to avoid temptation is to transfer your money to your new employer or roll it over into an IRA. Talk to your employer and plan administrator to be certain that you understand the timelines for moving your money and the relevant regulations regarding transfers and rollovers. A financial professional can help you develop an investment strategy for your rollover assets.

DEVELOP A LONG-TERM FINANCIAL STRATEGY

One of the best ways to help you stay on track for retirement is to develop a financial strategy that takes into account your current financial circumstances and future goals. A long-term strategy can

help you map out important milestones—like a house purchase, a child’s college expenses, or your future retirement—and ensure that you are putting enough away for future goals. A disciplined investment strategy can also help you avoid the pitfalls of emotional investing, which often cause investors to make potential mistakes, like selling off their investments when markets decline. These errors can have a big effect on your long-term investment returns.

Strategizing early makes it easier to prepare for important future goals and identify any potential savings shortfalls that could create problems later. A financial professional can help you develop a strategy around your personal goals, which would include a sound investment strategy.

UNDERSTAND INVESTMENT RISK & TIME HORIZONS

Investors need different investment strategies at different points in their careers. Asset allocation is an investment strategy designed to help balance risk and return by adjusting the allocations, or percentages, of different investment types in your portfolio according to your age, goals, risk tolerance, and other factors. Though no investment strategy can guarantee profits or completely protect you from losses, a prudently designed allocation strategy can help you manage risk while pursuing investment returns.

If you have many years of employment ahead of you, you may want to consider a more aggressive

investment strategy that offers higher potential returns. As you get closer to retirement, your needs and ability to absorb risk will change, and it’s important to review your investment strategy and make changes if necessary. Over time, market performance will create alterations in the respective values of your different asset classes, potentially creating the need for adjustments and re-balancing to bring your portfolio back in line with your target allocation. It’s a good idea to review your investment strategy at least once annually or whenever your needs change.

A financial professional can help you review your choices and ensure that your investment allocations fit your overall financial strategy.

IRS Rollover Limits

The IRS only allows one 60-day IRA rollover per taxpayer every 365 days. This rule does not affect direct transfers between qualified accounts.

Source: IRS.gov, 2023

TRANSITIONING TO RETIREMENT

If you're thinking about retiring soon, you may have many questions. Many Americans aren't sure about when they can afford to retire or how large their retirement nest eggs may need to be. When you're evaluating the decision to retire, consider the following:

- **Retirement finances.** In order to retire, you should be prepared to cover your retirement living expenses through your retirement savings, Social Security benefits, and other sources of income.
- **Health and longevity expectations.** Your current health, family medical history, and lifestyle can help you estimate how long you might expect to live in retirement and how much you should budget for health care expenses.
- **Spousal age and status.** If you're married, work together with your spouse to determine a retirement timeline that suits both your needs.
- **Eligibility for benefits.** Work with your employer to understand your full benefits, including any health insurance coverage needed until you and your spouse become eligible for Medicare.

The decision of when to retire depends entirely on your personal circumstances. A financial professional can help you understand how your age, finances, health, and sources of income may factor into retirement strategizing calculations.



Running the Numbers on Retirement

If you're worried about having enough put away to retire, you're not alone. Many Americans worry about outliving their assets and want to know how much they need to have saved before they can safely retire. You can get a head start on strategizing for your retirement income by asking the following questions:

- What will my monthly retirement living expenses be?
- How much monthly income can I count on from Social Security and other sources?
- Is there a shortfall between my expenses and my guaranteed income that I'll need to cover from my retirement savings?
- What is my plan to pay for health care, assisted living, and nursing home care?
- What kind of financial legacy do I want to leave?

HOW CAN A FINANCIAL PROFESSIONAL HELP ME?

Regardless of what stage of life you are currently in, sound financial strategizing can help you set financial goals and build a game plan. For most Americans, a comfortable retirement is one of their primary objectives, and we can help you ensure that your savings and strategies are on track. However, financial guidance is also very useful for other important milestones, like the purchase of a house, a college education, or the elimination of debt.

Many Americans have complex finances, and professional guidance can help you be better prepared to meet the future. We offer a range of services that can help you manage debt, save for the future, and protect your family from the unknown.

NEXT STEPS

We hope you've found this guide informative, educational, and most of all, reassuring. While benefits and retirement plans can be complex, taking action on a few of the steps we've outlined may make a big difference for the future. We want to present ourselves as a resource to you and your family as you prepare for retirement. It's common to have questions and concerns, and we are happy to answer any questions you may have about your personal financial situation or future goals. If you have any questions about the information presented in this report, please contact us. We would be happy to be of service to you and your family.

Sincerely,

Justin Rees, CFP®
Senior Wealth Advisor



Footnotes, disclosures and sources:

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Before deciding whether to retain assets in a 401(k) or roll over to an IRA, an investor should consider various factors including, but not limited to, investment options, fees and expenses, services, withdrawal penalties, protection from creditors and legal judgments, required minimum distributions and possession of employer stock. Please view the Investor Alerts section of the FINRA website for additional information.

Distributions from traditional IRA's and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.

This material is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

*Diversification cannot guarantee a profit or protect against loss in a declining market.

Fixed income investments are subject to various risks, including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications, and other factors.

Past performance does not guarantee future results.

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1 - EBRI.org, 2022

2 - SavingsCalculator.org, 2023