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SUMMER 2021

Pump Up Your Retirement Savings

Have you reached middle age without accumulating much in retirement savings? Don't stay stagnant. It's time to make a plan that you can live with now, so that you can live your idealized lifestyle in retirement. While it may be more challenging to reach your retirement goals than if you had started in your 20s or 30s, there are some strategies to consider:

✔ **Reanalyze your retirement goals.** First, it's important to thoroughly analyze your situation. One of our areas of greatest acumen is helping you to calculate how much you realistically will need for retirement, what income sources you may need to draw from, how much you have saved and invested, and how much you likely need to save monthly/annually to reach your goals. If you're unlikely to save that amount, it may be time to change your goals. If you have delayed beginning your retirement planning and saving, it is realistic to assume that you may need to consider postponing your retirement start-date so that you have more time to accumulate savings, as well as delay withdrawals from those savings. While leaving your job may be your primary motivator, you may find that you don't want to leave the workforce altogether. Many retirees work after retirement at least part-time, and many return to their company or field as consultants. Even a modest amount of income or workplace health benefits after your initial retirement can substantially reduce the amount you need to save and/or spend. Depending on how long you delayed saving for retirement, it's realistic to assume you will need to lower your lifestyle expectations for a while to bridge that gap — possibly traveling less, gifting less, or moving to a less expensive city or smaller home. One important caveat: If you have already started your Social Security benefit, or you are considering it, you're going to need to do some financial planning before you implement employment and your benefit together.

✔ **Contribute the maximum to your 401(k) plan.** Your contributions, up to a maximum of $19,500 in 2020 and 2021, are deducted from your current year's gross income. If you are age 50 or older, your plan may allow an additional $6,500 catch-up contribution, bringing your maximum contribution to $26,000. Find out if your employer offers a Roth 401(k) option and ask your accountant if you qualify. Even though you won't get a current year tax deduction

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Do You Have a Rainy Day Fund?

None of us know when a crisis is going to hit, and a job loss or sudden disability can be financially devastating. A common financial planning rule-of-thumb suggests you should have at least six months of living expenses readily available to meet urgent short-term needs.

If you haven't established a cash reserve, here are some steps you can take to build that rainy day fund: Budget a savings amount as part of your regular household expenses. Use payroll deductions so the money automatically goes into your savings account. If you get a raise or bonus, put some (or all) of it into your savings fund. Reduce your discretionary expenses and put it toward your fund. Consider banking earnings from investment dividends. Set-up a money jar where change and small bills are put in at the end of each day. Open a savings account at a different institution so you are less likely to spend the money.

You'll want to make sure that your cash reserve is readily available when you need it. Considering loans as part of your cash reserve strategy is disadvantageous. When absolutely necessary, look at other loan sources, such as a home equity or personal line of credit, as these often have lower interest rates than credit cards. ❍❍❍

Pump Up

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for your contributions, qualified withdrawals can be taken free of income taxes. If your employer matches contributions, you are essentially losing money when you don't contribute enough to receive the maximum matching contribution. Matching contributions can help significantly with your retirement savings. For example, assume your employer matches 50 cents on every dollar you contribute, up to a maximum of 6% of your pay. If you earn $75,000 and contribute 6% of your pay, you would contribute $4,500 and your employer would put in an additional $2,250.

✔ **Look into individual retirement accounts (IRAs).** In 2020 and 2021, you can contribute a maximum of $6,000 to an IRA, plus an additional $1,000 catch-up contribution if you are age 50 or older. Even if you participate in a company-sponsored retirement plan, you can make contributions to an IRA, provided your adjusted gross income does not exceed certain limits.

✔ **Reduce your preretirement expenses.** Typically, you'll want a retirement lifestyle similar to your lifestyle before retirement. Become a big saver now and you enjoy two advantages. First, you save significant sums for your retirement. Second, you're living on much less than you're earning, so you'll need less for retirement to maintain your lifestyle. For instance, if you live on 100% of your post-tax income, you'll have nothing left to save toward retirement. At retirement, you'll probably need close to 100% of your post-tax income to continue your current lifestyle. When saving 10% of your income, you're used to living on 90% of your income. Remember, at retirement, your taxable situation changes but your expenses are unlikely to go down significantly, if at all.

✔ **Move to a smaller home.** As part of your efforts to reduce your preretirement lifestyle, consider selling your home and moving to a lower-cost one, especially if you have significant equity in your home. If you've lived in your home for at least two of the previous five years, you can exclude $250,000 of gain if you are a single taxpayer and $500,000 of gain if you are married filing jointly. At a minimum, this strategy will reduce your living expenses so you can save more. If you have significant equity in your home, you may be able to use some of the proceeds for savings.

✔ **Substantially increase your savings as you approach retirement.** Oftentimes, your last years of employment are your peak earning years. Instead of increasing your lifestyle as your pay increases, consider saving pay raises. Anytime you pay off a major bill, such as an auto loan or your (grand)child's college tuition, take the money that was going toward that bill and put it in your retirement savings.

✔ **Restructure your debt.** Check whether refinancing will reduce your monthly mortgage payment. Find less costly options for consumer debts, including credit cards with high interest rates. Systematically pay down your debts. And most important — avoid incurring any new debt, when possible. If you can't pay cash for something, don't buy it. Large purchase often loom on the horizon. Opening a savings account for those types of purchases, and making monthly deposits to address those needs when they arise helps to mitigate paying for those on credit.

✔ **Stay committed to your goals.** It's imperative to initiate and maintain your commitment to saving. If you are planning to eliminate, or at least reduce your debt, or are wondering if you can afford to retire, we are happy to help you set a strategic plan in place.

6 Signs You Need a Financial Plan

A clear financial plan helps you prepare for the future, brace yourself for the unexpected, and positions you to pursue your goals. Below are six signs it may be time for you to get a financial plan or amend one you have in place.

✔ **You're planning (or just had) a big life change.** New job. New baby. New house. All of those milestones and more are signs you should take a big picture look at your finances. When your life changes in big ways, it often brings with it changes in how you approach money.

✔ **You're worried about your finances — and your future.** If money worries keep you up at night, a financial plan can help ease your mind. Whether you have immediate worries or are just feeling uneasy about what tomorrow may hold, you can regain control over your life by having a clear direction.

✔ **You're making good money, but you're not sure where it goes.** If you want to turn today's income into tomorrow's wealth, you need a financial plan. That way, you'll be able to take the money you're bringing in today and use it to create a secure future for yourself and your family.

✔ **You have financial goals, but you're not sure how to make them a reality.** Does retirement seem like a distant dream? Do you wish you could upgrade to a bigger home, send your kids to college without taking on debt, or start a business? With a financial plan, you'll know what you need to do financially to make those dreams a reality.

✔ **You and your partner are fighting about money.** If you and your partner can't see eye-to-eye on money issues, a financial plan might be part of the solution. Meeting with an objective third party can help you both recognize where you stand when it comes to your finances, and then negotiate a path forward that works for both of you.

✔ **Your investments and finances are getting so complicated, it's difficult for you to keep track of everything.** Many people start out managing their investments and finances on their own. That often works for a time, but as your money and life get more complex, it can be difficult to manage all the details, or realize your plan's shortcomings, without help.

Overcoming 5 Retirement Fears

We've all heard stories about people losing their retirement money in a stock market crash, outliving their money, or incurring unexpected medical expenses that forces 80-year-olds back into the workforce. At times, these stories can seem overwhelming — even to the point of deterring people from planning for retirement. Are these fears likely to become realities? The truth is that they can happen. Are any of these your concerns?

1. Outliving your money.

There's a financial rule of thumb designed to decrease the odds of outliving your money over a 25-year retirement. By the time you're ready to retire, the theory suggests that you should have saved 8 times your annual salary. This is where starting early can be a lifesaver. To get there, gradually work up to it. For example, at age 35, it helps to budget for having 1 times your current salary saved, then 3 times by 45, 5 times by 55, and so on. For many, this plan wasn't realistic at age 34 or 45, and their saving may be far less than this rule of thumb at each of the age thresholds. This is where we can provide tremendous value for you.

The amount of money you need to have saved by the time you're ready to retire depends on a huge range of individual factors: What are your plans for retirement? How old are you? Will you still have a mortgage? Do you have long-term-care insurance? To truly decrease the odds that you'll outlive your money, work with a qualified financial advisor to develop a robust retirement plan. Stick to the plan and revisit it often to help ensure the plan — and your spending — remains in alignment with your goals and your circumstances.

2. High inflation.

What if inflation went up to 12–14% like in the 1970s? What would you do? The Federal Reserve is saying that present-day high inflation is transitory. However, because it has happened before, you'll want to be prepared. This is where an annual review of your financial strategy can be wise. In periods of very high inflation, you may need to adjust your investment strategy. It may be wise for your portfolio to include investments that move opposite each other — so when one asset class or subclass is down, another is up.

3. Unexpected medical expenses before retirement.

Unexpected medical expenses you may incur while you are still working could totally derail your retirement. To prepare for them, it's important to have insurance in place. Disability insurance can help to ensure that if you lose your income due to a disability, you will still be able to take care of your basic necessities. Life insurance will protect your family in the event of your death. This is especially important if your income was the key to your spouse's retirement.

4. Unexpected medical expenses during retirement.

For most people, healthcare is one of the largest (often the largest) expense incurred during retirement. There are a few ways to prepare for medical emergencies: private health insurance to fill the gaps in Medicare, long-term-care insurance, and rainy-day savings. For today's retirees, Medicare takes care of most medical expenses. However, you'll need savings to cover what insurance won't — like copays and expenses exceeding your insurance limit. And just as you save before retirement for unexpected expenses, ideally you should continue your rainy day fund in retirement. Even if you are adequately insured, copays can be significant if you have a medical emergency.

5. Market crash.

As with high inflation, the key to surviving a market crash often is diversification. (To be clear: there is no way to insulate yourself completely from the effects of economic turmoil. But you can take steps to help ensure that turmoil doesn't completely ruin your retirement plans.) This is an area where we can make valuable, personalized recommendations for you. ❍❍❍

Chicken Taco Avocados

(Adapted from Delish.com)

Yields 6.   Prep Time: 20 Minutes   Total Time: 20 Minutes

For the Filling:

1 cup black beans, cooked (if canned, drain and rinse)

1 cup canned corn (drain)

1 4 oz can green chiles, drained

1 cup shredded rotisserie chicken

1 cup shredded cheddar, plus more for topping

½-1 package taco seasoning (Low sodium works great! We tend to use closer to ½ rather than a whole packet.)

2 T fresh cilantro, plus more for topping

3 ripe avocados

For the Dressing:

1 cup ranch dressing or sour cream

¼ cup lime juice

1 T fresh cilantro (optional)

1 t kosher salt

1 t fresh ground black pepper

Optional garnish: 1 small, fresh jalapeno pepper, chopped and seeded

Directions:

1. Heat the broiler.
2. Make the filling: In a large bowl, combine black beans, corn, ½ can green chiles, shredded chicken, cheddar, taco seasoning, and fresh cilantro. Stir until combined.
3. Halve and separate three avocados (keep the shells). Hollow out the avocado into a small bowl. Mash the avocado and set aside. (To keep the avocado mash as bright green as possible, you can keep a pit in the bowl with the avocado mash and cover it with plastic wrap while you complete the rest of the prep. It's best for the plastic wrap to completely touch the avocado, letting in as little air as possible).
4. Place the halved avocado shells (face up) and fill each with 1/3 cup of the filling. Sprinkle with more cheddar and cilantro (to your liking), and then broil for 2 minutes, or until the cheese is melted (not browned). Keep an eye on them.
5. Make the dressing: In a medium bowl, combine ranch dressing or sour cream, lime juice, remaining green chiles, cilantro, salt and pepper and combine. Fold in the mashed avocado and mix until smooth. Mix by hand, in a blender or food processor.
6. Remove the broiled avocado shells from the oven and transfer to a serving dish. Drizzle with the ranch/avocado dressing and garnish with more cilantro, to taste. If you choose, sprinkle them with freshly chopped and seeded jalapeno for a bit of crunchy texture. Serve immediately. ❍❍❍

Investment Answers News

It has been a wonderful Summer, so far, connecting with so many of you in appointments and at our events. We have been updating all of our presentations with new information and post-Covid data and writing new ones, as well!

We are curious to learn if you are interested in having virtual webinars of our events. We know many of you have challenges attending events in-person. If we receive interest from multiple households, we are happy to create those and to send links to view the events virtually. Please let us know if this is of interest for you!

If you are not receiving our weekly Market Update email but would like to, or if you need to update your email address with us, please let us know. As always, we do not share or sell your information. We often have limited capacity for venues so the email is a great way to get in a quick RSVP. In addition to events, our email includes office updates, motivational quotes, and pertinent financial topics of which you should be aware. Hit "reply" as an easy way to email us and, as always, we encourage you to forward them to friends, co-workers and loved ones, as well, so they can also stay informed. ❍❍❍

Beneficiary Designations Override Wills

When was the last time you looked at your beneficiaries on your retirement accounts, insurance policies, annuities, and bank accounts? If you marry, divorce, or have other changes to your family situation, you need to update your beneficiaries. Some people think their will or trust is all they need to ensure their assets go to the desired recipients. A beneficiary designation is a legally binding document that supersedes a will or trust. That means that regardless of your current family status or what your will or trust says, the assets will go to the beneficiary you named when you last updated it. And if you don't have anyone named as your beneficiary on these types of accounts, state laws will determine who receives the benefit.

It's a good idea to get into the habit of reviewing them on an annual basis to help ensure your assets will be distributed based on your wishes. ❍❍❍