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From the Desk of the Lev Rourk Group

U P D A T E

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How to Catch Up on Retirement Savings

Are you on the other side of 40 without substantial savings for retirement? It's time to stop worrying and get down to the business of doing something about it. It's not too late, but it will take a lot of concentrated effort to get on the right track to a comfortable retirement.

Here are some strategies you can put in place to boost your retirement savings:

Estimate How Much Money You'll Need in Retirement

The first step is knowing how much you will need to live on in retirement. Most experts agree that you will need at least 70% of your preretirement income to fund your retirement. Make sure to do a detailed analysis of your likely retirement expenses.

Determine Your Income Sources

Once you have a good idea of how much money you will need for retirement, you then need to determine the income sources you'll have. Look at what your Social Security benefit will be at various ages. Do you have a pension from a previous or current employer? If you have a 401(k) plan, you need to understand what its expected value will be at retirement age.

Set Goals and Develop a Plan

If you have a gap between your income sources and the amount of money you'll need to retire, you have to put strategies in place to close the gap. Set a goal of how much you'll need to save and in what time frame. Because you're playing catch-up, you can't afford to be too conservative with your investment selections, but you can develop a well-balanced plan that will help

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Avoid This Mistake

Finding a way to live decades in retirement without worrying about running out of money can seem like an overwhelming task. With all the potential for missteps, what is the one mistake you want to avoid at all costs? Dipping into your retirement savings. Unfortunately, since the money in your 401(k) plan or individual retirement account (IRA) belongs to you, they often seem like a tempting place to get funds.

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 Contributions to Roth IRAs can be withdrawn at any time with no tax consequences.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.)* ✔✔✔

How to Catch Up

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you met your goals with a risk tolerance that is comfortable for you.

Max Out Employer-Sponsored Plans

Hopefully, you have access to a 401(k) plan or some other type of retirement account. It may be difficult, but you should try to make the annual maximum contribution, which is $20,500 in 2022. This is one of the best ways to save for retirement, because it automatically comes out of your paycheck. A traditional 401(k) plan will reduce your taxable income, which will help alleviate the pressure on your income. For example, if you are in a 35% tax bracket, your contributions will only cost you 65 cents for every dollar you contribute to the account.

If you are aged 50 or older, you can also make catch-up contributions of $6,500 in 2022 for a total contribution of $27,000. And you should always contribute enough to get the employer match if your employer has a matching program.

If you don't have an employer plan (or even if you do), you should start investing in a traditional or Roth IRA. You should set up an automatic transfer from your checking account to your retirement account. You can make contributions up to $6,000 in 2022 and $7,000 if you are aged 50 or over.

Downsize Your Life

By the time you retire, you will want a stream of predictable income to cover your expenses with a mixture of Social Security, a pension, and withdrawals from your retirement savings plan. If you won't be able to cover your expenses with these income sources, it may mean you need to downsize your life,

which may require some sacrifices.

If you're an empty nester and still living in a big house, it has probably appreciated in value, and you may want to consider selling it and moving to a smaller home. In addition to saving on your mortgage payment, you'll save more on utilities, insurance, maintenance, and property taxes.

You may also need to think of other ways to cut expenses, such as driving a used car versus a new car or only going on one vacation a year versus two or more.

You don't want to wait until retirement to make these changes, since downsizing while you are still working will allow you to put these savings into your retirement plan.

Take a Second Job or Work Longer

If you have a serious gap in your retirement savings, you may need to consider taking a second job so you can invest the earnings. Get creative about ways to make more money. Do you have the writing skills to be a freelance writer? Maybe you're a great seamstress? A graphic designer or perhaps a programmer? Even a job as a pet sitter or dog walker may give you the extra income you need for savings.

You may also need to consider extending the time frame you are planning to work and retire later. For example, if you're 55 and want to retire at 62, contributing 20% of your income until retirement still won't be as impactful as working three more years until you are age 65.

If you wait to retire at age 70, you'll have even more time to rack up your retirement savings, and you will have fewer retirement years to cover. Additionally, if you wait until age 70 to take Social Security benefits, you could significantly increase your monthly benefit.

Pay Off Your Debt

It's not only about saving; it's about eliminating debt. Make a concerted effort to pay off your credit card balances and continue to pay them in full every month.

With every dollar you find to put toward your retirement savings, set up an automatic transfer from your checking account or a direct contribution from your paycheck.

Please call to discuss your retirement savings plans in more detail. ✔✔✔

An Investment Plan for College

To meet your goal for funding a child's college education, you typically need to develop an investment plan. One of the more important factors is your child's age:

✔ **Children aged 10 or younger** — With eight or more years until college, you should be able to fund your child's education by setting aside reasonable sums. Since inflation can have a major impact, consider investments with higher return potential. Your long time frame should give you time to overcome any short-term setbacks while keeping ahead of inflation.

✔ **Children aged 11 to 14** — With four to seven years until college, you may want to select more conservative investments. If you are just starting to save now, you may find the needed amounts quite large. However, start saving so you'll have some funds accumulated by the time your child enters college.

✔ **Children aged 15 to 18** — At this point, continue switching to more conservative investments as college quickly approaches. If you are just starting to plan for college now, it may be very difficult to save the large sums needed in such a short time. Investigate the financial aid process to see if you'll qualify for aid and research your borrowing options.

Other items to keep in mind when developing an investment strategy include:

✔ **Start investing as soon as possible.** This can have a huge impact on the amount you need to save on an annual basis. For instance, assume you intend to send your newborn to a public college that currently costs $27,000 per year, the average cost of a public university (Source: *Trends in College Pricing*, 2020), with expected increases of 3% per year. After 18 years, you would need $184,000 to pay for four years at a public university. If you start saving now, you'll need to save $4,913 per year to reach that goal in 18 years. Waiting until your child is age five increases your annual savings amount to $8,560 for 13 years. Start saving when your child is 10 and you'll need to save $17,299 a year for eight years, while the amount grows to $56,678 a year for three years if you wait until your child is age 15. *(These figures assume an after-tax rate of return of 8%. This example is for illustrative purposes only and is not intended to project the performance of any specific investment.)*

✔ **Look for tax-advantaged ways to invest.** If your earnings are tax deferred or tax free, you could end up with a much larger balance than if you had to pay taxes on earnings over the years. Take a look at section 529 plans and Coverdell education savings accounts, both of which allow tax-free distributions as long as the proceeds are used for qualified education expenses. Investigate these options thoroughly, however, since various qualifications and restrictions apply.

✔ **Select investments that allow periodic contributions.** You may want to make contributions on a weekly or monthly basis, so select investments that allow small contributions. You may also want the ability to automatically transfer funds from a checking or savings account to your college investments.

✔ **Adjust your investment mix over time.** As your child gets closer to college age, start moving investments from more aggressive ones with higher return potential to more conservative ones that will help protect your principal. This can help protect your investments from a major downturn that may occur right before your child enters college.

✔ **Review your progress annually.** Review your investments at least annually so you can make any necessary adjustments. You may decide to change investments or increase the amount you are saving on an annual basis.

Please call if you'd like help with your investment plan for your child's college education. ✔✔✔

U P D A T E

Staggered Retirements

Often, spouses don't retire at the same time. Frequently, one spouse may retire before the other due to health problems or a layoff, not necessarily because the spouse chooses to retire early. Keep these points in mind if you are in that situation:

✔ **Try to minimize withdrawals from retirement accounts.** Although you will only have one salary instead of two, it's best to minimize withdrawals while one spouse is working.

✔ **Utilize all available benefits from the working spouse's employer.** Find out if the retiring spouse is eligible for health insurance benefits through the working spouse's employer. If that spouse is not currently on that plan, find out how he/she can enroll.

✔ **Delay Social Security benefits.** Often, the man is older, has higher earnings, and will not live as long as the woman. Because the surviving spouse can elect to receive 100% of the other spouse's benefit, it typically makes sense for the man to wait until age 70 to claim Social Security benefits. On the other hand, there is usually no reason for the woman to wait beyond ages 62 to 66 to start Social Security benefits, provided she can claim benefits on her own earnings record.

✔ **Consider all defined-benefit plan payment options.** Make sure to consider all the payment options carefully before selecting one. Typically, you will have numerous options, but your choice will be irrevocable. ✔✔✔ FR2021-1122-0006

Market Data

	Month End			% Change	
Stocks:	**Feb 22**	**Jan 22**	**Dec 21**	**YTD**	**12 Mon.**
Dow Jones Ind.	33892.60	35131.86	36338.30	-6.7%	9.6%
S&P 500	4373.94	4515.55	4766.18	-8.2	14.8
Nasdaq Comp.	13751.40	14239.88	15644.97	-12.1	4.2
Total Stock Market	44467.72	45677.13	48634.31	-8.6	10.5
Precious Metals:					
Gold	1909.85	1795.25	1805.20	5.8	9.6
Silver	24.24	22.48	22.91	5.8	-7.6
Interest Rates:	**Feb 22**	**Jan 22**	**Dec 21**	**Dec 20**	**Feb 21**
Prime rate	3.25	3.25	3.25	3.25	3.25
Money market rate	0.07	0.07	0.07	0.20	0.08
3-month T-bill rate	0.36	0.24	0.08	0.10	0.03
20-year T-bond rate	2.25	2.17	1.94	1.45	2.08
Dow Jones Corp.	3.31	2.85	2.48	1.93	2.32
Bond Buyer Muni	3.66	3.57	3.45	3.46	3.55

Sources: *Barron's, Wall Street Journal. An investor may not invest directly in an index.*

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