Reinventing RETIREMENT

Your Retirement Planning Newsletter

First Quarter 2021

A Date with Destiny

Seven age milestones that will impact your retirement planning

As you travel the savings road toward retirement and beyond, certain key dates will pop up. Some of these dates are critically important to your retirement planning efforts. Taking the right retirement planning steps as you reach each of the following age milestones could help you maximize your income, minimize your taxes and avoid penalties.

AGE 50: Time to fly

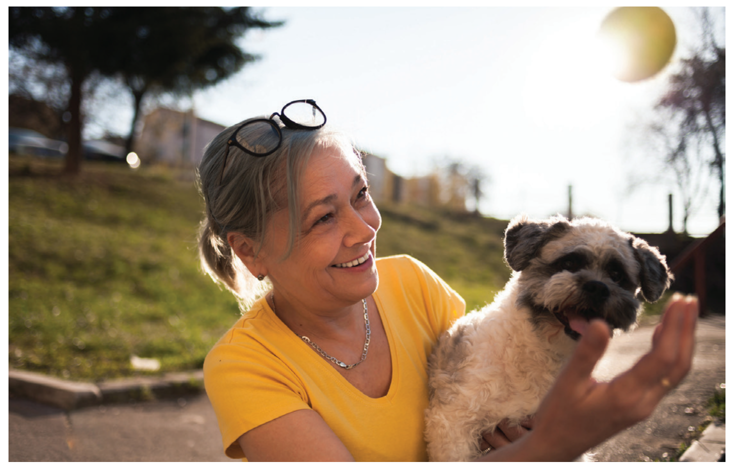
If you've not been able to save as much as you wanted due to other financial priorities, this is a great opportunity to catch up on your retirement saving. At age 50, you're eligible to make "catch-up" contributions to 401(k)s and other employer-sponsored retirement plans. The Internal Revenue Service (IRS) "catch-up" contribution limits are adjusted annually. For 2021, the IRS allows you to contribute an additional $6,500 to your workplace retirement plan over the annual contribution limit of $19,500.

AGE 59½: Out of the penalty box

Once you reach age 59½, withdrawals from employer-sponsored retirement plans are no longer subject to the additional 10% federal penalty tax on early withdrawals — though you still may owe regular income tax on the distributions. But it's generally better to leave your tax-advantaged retirement savings alone until you plan to begin taking distributions during retirement.

AGE 62: Stake your claim?

Age 62 is the minimum age at which you can choose to begin receiving Social Security benefits. Many people choose to take benefits early, for a variety of reasons. However, the math is pretty clear: claiming earlier gives you a reduced benefit and claiming later gives you an increased benefit. For each year you postpone taking this benefit (until age 70), your monthly check will be larger. Check out the Social Security Benefits Planner (www.ssa.gov/planners) for more comprehensive information, including calculators and other resources.



AGE 65: Say hello to Medicare

If you're already receiving Social Security, you're automatically enrolled in both Parts A and B of Medicare. But if you aren't yet receiving Social Security, you will need to apply for Medicare during one of the designated annual enrollment periods. Keep in mind that you may be eligible for Medicare coverage at 65, but your full retirement age for Social Security may be later. Your initial Medicare enrollment period lasts for seven months, beginning three months before the month in which you turn 65. Missing your enrollment date may mean penalties or even higher premiums for the rest of your life. Check out medicare.gov for comprehensive information (you can also sign up to get regular email alerts and updates).

AGE 67: Paid in full

Your "full retirement age" for Social Security benefits is the age at which you may first become entitled to full or unreduced retirement benefits. If you were born between 1943 and 1954, age 66 is your full retirement age. For those born after 1954, the full retirement age will increase by two months a year until the current maximum of age 67 for those born in 1960 and later.

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AGE 70: Max out on social security

If you've waited until your 70th birthday to begin taking Social Security, you'll now get the biggest possible monthly benefit, which may be significantly larger than if you had started receiving payments at age 62. Any further delay in claiming won't increase the size of your check.

AGE 72: Show me the money

Even if you don't feel ready to start withdrawing funds from your workplace retirement plan and other Individual Retirement Accounts, the government requires you to do so once you reach age 72. The amounts of these required minimum distributions will vary from year to year, depending on the value of your retirement accounts and your age. Failing to take a required minimum distribution, or taking an insufficient amount, can result in costly penalties. Choosing an appropriate distribution strategy can help you avoid issues and make the most of your retirement assets. Be sure to consult with a tax or retirement plan professional.[1]

[1] In certain instances RMDs can be delayed for retirement plans sponsored by the employer for whom you currently are working. For past employer plans and IRAs RMDs must be satisfied.

Fiber Optics

Celebrate American Heart Month by embracing more fiber in your diet

According to the National Institutes of Health, most people consume less than half of the recommended amounts of fiber, despite the health benefits that come with it. Those who have diets rich in fiber are more likely to manage their weight, and have better control of their cholesterol, blood pressure and blood sugar levels. Over a lifetime, this may result in significant benefits to your heart, along with a decreased risk of diabetes and some cancers.

The heart of the matter

It couldn't be easier to tell which foods provide fiber. It comes from plants. You won't find any fiber in animal products such as meat, eggs or dairy (not that those foods don't have any benefits). If you're seeking out minimally processed plant foods like fruits, veggies, whole grains, nuts, seeds and beans, you can be confident that you are getting a good amount of fiber. But not all fibers are created equal. There are actually two main types of fiber: soluble and insoluble. Most whole plant foods contain a mix of both, but some foods contain more of one than the other. Both have their benefits:

- **Soluble fiber** is the type most beneficial to your heart. This type of fiber dissolves, becomes a gel and absorbs water and cholesterol in the stomach, slowing down digestion and decreasing fat absorption. This action supports your heart health by lowering cholesterol levels, increasing feelings of fullness and regulating blood sugar.
- **Insoluble fiber** is the type of fiber that does not dissolve in water, but acts more like a cleaner, sweeping waste out of your body. This action helps to keep you regular, preventing constipation, and long term, may reduce the risk of colorectal cancer.

Get your fill of fiber

The Institute of Medicine recommends men and women, aged 50 or younger, consume at least 38 grams and 25 grams of fiber a day, respectively. If you're over the age of 50, recommendations for men change to 30 grams and for women to 21 grams a day. Foods that are most rich in soluble fiber include acorn squash, navy beans, bran cereal, avocados and chia seeds (among many others). Foods that are most rich in insoluble fiber include cauliflower, split peas, wheat bran, raspberries and pine nuts. For more information on high fiber foods and diet plans, check out webmd.com and mayoclinic.org
(search word: fiber).

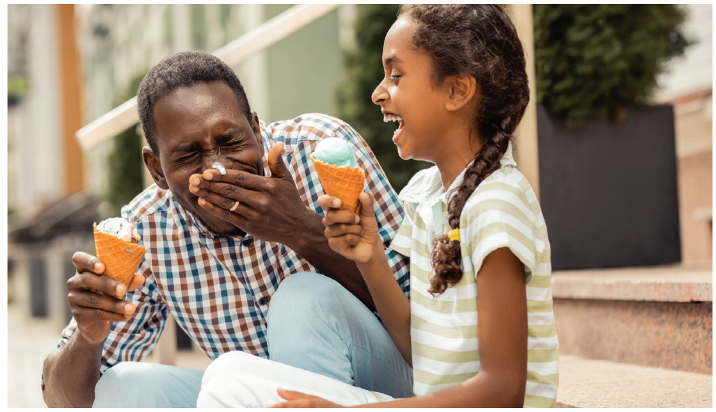
Sources: American Heart Association (www.heart.org); Kmotion research.

Higher Learning

During these uncertain times, 529 plans may make more sense than ever

For many people, a 529 savings plan offers an opportunity to achieve an important life goal and improve overall financial health. As college and university administrators determine how higher education will look in the future (classes on campus, remote learning or a mix of both), the benefits of a 529 plan have never been more meaningful. Here are three benefits that are particularly important during these times — especially as the cost of higher learning continues to rise.

1. Not only can 529 plan assets be used to pay for tuition and books, they can also pay for computers, internet access and other equipment. This will be especially important if remote learning continues indefinitely.
2. The recently passed Setting Every Community Up for Retirement Enhancement (SECURE) Act expanded qualified expenses to include registered apprenticeship programs[2] and repayment of college debt.
3. Account owners have full control over 529 plan assets and can even be the beneficiary of their own account. This is a huge benefit for anyone looking to go back to school right now to advance their skills for the evolving work environment and new opportunities that may come with it.



Study guide

A 529 plan is a tax-advantaged savings plan designed to help pay for education. Originally limited to postsecondary education costs, it was expanded to cover K-12 education in 2017. The two major types of 529 plans are savings plans and prepaid tuition plans. Savings plans grow tax-deferred and withdrawals are federally tax-free if they're used for qualified education expenses. Prepaid tuition plans allow the account owner to pay in advance for tuition at designated colleges and universities, locking in the cost at today's rates.

Follow the money

Distributions from a 529 plan can be used to cover a long list of qualified education expenses at qualified institutions. Here's a summary:

Qualified expenses

K-12

- Tuition up to $10,000 per year per student

Postsecondary

- Tuition and fees
- Books, supplies and equipment required for enrollment or attendance
- Room and board (on- or off-campus for students who are at least half time)
- Computer peripheral equipment, software and internet access if used primarily by the beneficiary
- Special needs services as required by beneficiaries in connection with enrollment or attendance
- Fees, books, supplies and equipment required for participation in a registered apprenticeship program[2]

Types of eligible institutions

- In-state or out-of-state colleges
- Public and private schools
- Vocational schools
- Technical and trade schools
- International higher education institutions
- Any public, private or religious elementary or secondary school
- Registered apprenticeship programs[2]
- Repayment of principal/interest on any qualified education loan up to a $10,000 lifetime limit for the designated beneficiary

[2] Registered and certified with the U.S. Department of Labor.

Retirement in Motion

Tips and resources that everyone can use

Knowledge is retirement power

For 2021, the Social Security Administration (SSA) is paying out a Cost-of-Living Adjustment (COLA) of 1.3%. This amounts to about $20 more a month in benefits for the average retired worker and $33 more a month for a typical retired couple, according to SSA estimates. In planning for your retirement income, it's important to note that any COLA adjustment from the SSA can vary each year and is not guaranteed. For reference, here are the SSA's Cost-of-Living Adjustments in effect for benefits paid during the last five years:

Year	COLA
2020	1.3%
2019	1.6%
2018	2.8%
2017	2.0%
2016	0.3%

Q&A

I'm in my mid-20s and I'm not sure how to prioritize my savings goals. Should I put most of it in my 401(k), my emergency fund or toward paying off credit card debt and student loans?

If your 401(k) offers an employer match, you may want to consider contributing enough to get all of those matching funds. It's basically "free money." You should then review the interest rates on your credit card debt and student loans. Consider prioritizing the payments on your high-interest debt. Finally, even as you address these priorities, it's wise to build up a cash reserve for any planned or unplanned expenses. Even if you save a small amount each week or month, it will add up and provide a safety cushion if there's an emergency — so you don't need to borrow money or increase any credit card debt you may already have.

Quarterly reminder

This quarter is a good time to start getting organized and preparing to file your tax return in April. Employers usually provide W-2 forms in late January. 1099 forms from banks, credit unions, brokerage firms and mutual funds usually arrive by early February. Create a file as you start to gather the information you'll need, such as charitable contribution receipts, tax receipts and other documents. If you prepare your own tax returns with software, the current version is probably available now. Be sure to check for updates once you buy the program and before you prepare your return.

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