

REINVENTING RETIREMENT

Your Retirement
Planning Newsletter
Fourth Quarter 2022

REKINDLE THE ROMANCE

Your 401(k) Offers You Valuable Benefits You Just Can't Find Anywhere Else

In the midst of economic adversity, market volatility, geopolitical uncertainty and a host of other things (including a still-active pandemic, now in its third year), it can be hard to find a silver lining. However, there is one thing that keeps showing you some love every day — your 401(k)! Here are some tips to remind you why you got together in the first place — and help keep the romance alive.

Your Savings Are Automatic

With your 401(k), you're following the core financial planning principle of "pay yourself first." Money is deposited from your paycheck to your account without you even having to think about it. It doesn't get much easier than that.

Tax Savings

You can defer paying income tax on up to \$20,500 that you save in a 401(k) plan in 2022. A worker in the 24% tax bracket who saves this amount could reduce their tax bill by \$4,920. Income tax won't be due on this money until it is withdrawn from the account. Workers who earn less than \$34,000 in 2022 (\$68,000 for couples) might additionally qualify for the saver's credit, which is worth between 10% and 50% of 401(k) contributions up to \$2,000 for individuals and \$4,000 for couples.



The biggest saver's credits go to workers with the lowest incomes.

Savings on Top of Savings

Employees who are age 50 and older are eligible to contribute an additional amount (called a catch-up contribution) to 401(k) plans. The 401(k) catch-up contribution limit is \$6,500 in 2022. That means older workers can defer paying income tax on up to \$27,000 in a 401(k) account. As a result, someone in the 24% tax bracket could potentially reduce their current tax bill by \$6,480.

Free Money Courtesy of the Employer Match

If you can't max out your 401(k), you can always save at least enough to get a full

401(k) employer match (subject to your plan's vesting rules). A 401(k) match of 50 cents for each dollar you save in the 401(k) plan up to 6% of pay is a 50% return on your investment. A dollar-for-dollar 401(k) match doubles your money. That's a pretty excellent return despite the market volatility occurring these days!

Your Money Goes Where You Go

If you leave your employer for any reason, you can take your vested balance (including the employer match) with you. It's fully portable, and you can roll it into an individual retirement account or a new employer's 401(k) plan (if allowed).

Account Management Made Easy

Your recordkeeper provides you with comprehensive account access where you can view your balance, perform transactions and talk to a call center representative for guidance. On top of that, you can view retirement planning education materials and calculators, and likely even model various saving scenarios and assumptions to help gauge your progress toward retirement readiness.

The stock market will always have its ups and downs...but in the end, your 401(k) is your partner for life!

TAKING A HIKE

Four Ways Interest Rate Hikes Can Affect Your Finances — and How to Manage It

Unless you live on another planet, you are fully aware of this thing called inflation — whether you're at the grocery store, a gas station, buying clothes online, hiring a contractor or doing almost any other thing that requires spending money for something. Earlier this year, the Federal Reserve started raising interest rates to rein in inflation, which reached another 40-year high in June. By raising rates, the Fed hopes to slow the economy and inflation. That's because as borrowing becomes more expensive, consumers tend to reduce spending. The drop in demand for goods eventually leads to lower prices.

The Fed doesn't set interest rates on credit cards, mortgages, auto loans, and savings accounts, but its actions influence those rates. Here are four ways interest-rate hikes can affect your finances and how to deal with the impact:

1. Credit Cards

Most cards charge a variable rate that's tied to the bank's prime rate — the rate banks charge their best customers (many consumers pay an additional rate on top of prime, based on their credit profile.) Banks typically raise their prime rate quickly after the Fed boosts its key rate. **HIKING TIP:** It may take a couple of statements before you notice the impact of a rate increase. Start paying down any balance before rates get much higher, focusing on the card with the highest rate first.

2. Mortgages

If you have a fixed-rate mortgage, your monthly payments will stay the same. If you refinanced over the last few years and locked in a rate in the 2% to 3% range, that was really good timing. However, if you have an adjustable-rate mortgage (ARM), you may be faced with having to make larger payments, depending on the terms of your loan. **HIKING TIP:** If you have an ARM, budget for higher payments. Or, if you anticipate buying a home within the next year or two, take steps to improve your credit score so you can secure a lower interest rate.

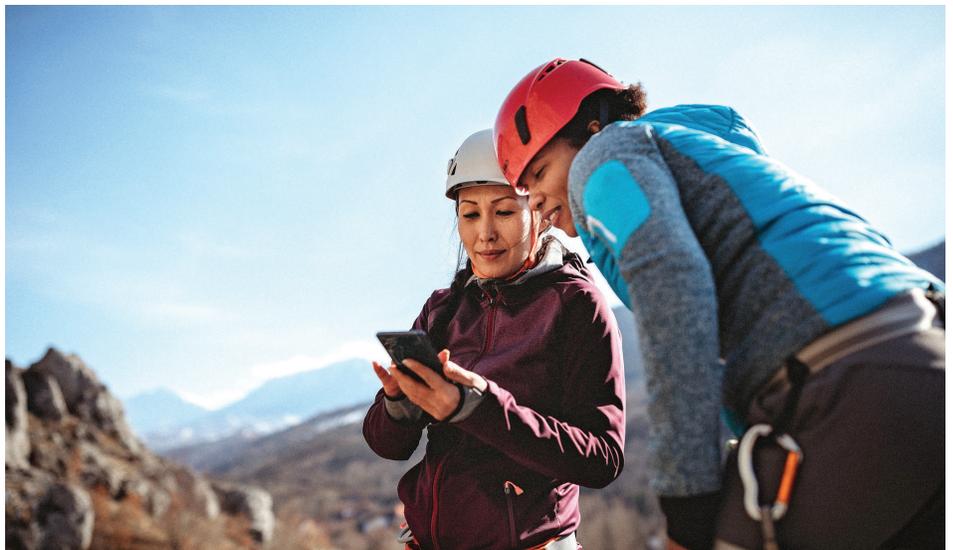
3. Home Equity Line of Credit

This allows you to borrow against the equity in your home as needed, usually at a variable interest rate. Borrowers typically pay only interest on the amount borrowed for the first 10 years, and thereafter must repay interest and the principal over the next, say, 15 or 20 years. Your Home Equity

Line of Credit (HELOC) rate can adjust monthly or quarterly. So, if you have an outstanding balance, your payments will likely go up when the Fed implements a rate hike. **HIKING TIP:** If you have a HELOC, budget for higher payments. You can also pay down your HELOC balance to reduce the interest you pay, or talk to your lender about options, such as refinancing.

4. Auto Loans

It's already more expensive to buy a new or used car, as their prices have increased dramatically over the last two years. This is due to a number of reasons that have resulted in supply not keeping up with demand. Unfortunately, if you're planning on financing the purchase of a vehicle in the near future, you'll need to add in the higher cost of borrowing. **HIKING TIP:** Make a down payment of at least 20% of the purchase of a new car, and no less than 10% for a used car. A sizable down payment will lower your monthly payments and could help secure a lower interest rate.



GET INTO YOUR RHYTHM

Your Body's Clock Can Help You Maintain a Healthy Lifestyle

Ever wonder why you feel out of whack some days? Maybe you lack an appetite for some reason, or feel like you're just too tired to get out of bed in the morning. Or perhaps you feel slightly overheated or chilled during part of the day. And what about jet lag? It may be that your circadian rhythm is off.

Circadian rhythm is the natural cycle of physical, mental, and behavior changes that the body goes through in a 24-hour cycle. It is mostly affected by light and darkness and controlled by a small area in the middle of the brain known as the "master clock." Circadian rhythm can affect sleep, body temperature, hormones, appetite, and other body functions. An abnormal circadian rhythm may be linked to obesity, diabetes, depression, bipolar disorder, seasonal affective disorder, and sleep disorders such as insomnia.



Circadian Rhythm and Sleep

The sleep-to-wake cycle is one of the clearest examples of the importance of circadian rhythm. During the day, light exposure causes this clock in our brain to send signals that generate alertness and help keep us awake and active. As night falls, the master clock initiates the production of melatonin, a hormone that promotes sleep, and then keeps transmitting signals that help us stay asleep through the night. Our circadian rhythm aligns our sleep and wakefulness

with day and night to create a stable cycle of rest that revitalizes us and supports increased daytime activity.

Influences on Other Body Systems

Scientific evidence has also connected circadian rhythm to metabolism and weight through the regulation of blood sugar and cholesterol. It can also influence mental health, including increasing the risk of illnesses like depression and bipolar disorder as well as the potential for diseases like dementia. There are indications that circadian rhythm has an important influence on the immune system as well as processes of DNA repair that are involved in preventing cancer.

Jet Lag Explained

Have you ever flown through multiple time zones and experienced jet lag? That's your circadian rhythm telling you something is off. While you can adjust your watch, your body clock will try to function on the time it is at your home. The more time zones you pass through, the more off you may feel. Your body clock will reset to the new time you're in, but it can take a few days.



Maintaining a Healthy Circadian Rhythm

While things like diet, exercise and managing stress are important, your sleep habits are probably the biggest way you can maintain a healthy circadian rhythm including:

- Avoiding stimulants such as coffee in the hours before bed
- Going to sleep and waking up at the same time every day
- Turning off lights and screens in the half-hour before bedtime
- Keeping your bedroom at a comfortable temperature
- Having a bedtime routine that relaxes you and prepares you for sleeping
- Avoiding exercise and food in the hours just before bed.

RETIREMENT IN MOTION

Tips and resources that everyone can use

Knowledge Is Retirement Power

Interested in finding ways to give back to your community during retirement? Joining AmeriCorps Seniors may be an option to consider. This extensive volunteer program has opportunities available for older adults throughout the United States. In fact, AmeriCorps Seniors engaged more than 170,000 volunteers in national service in all 50 states in 2021. Individuals who sign up to be a volunteer can use their expertise and strengths to help others or learn new skills and participate in other available service opportunities. Each program provides any needed training and support at no cost. For more information, check out their website at <https://americorps.gov/serve/americorps-seniors>.

Q&A

What happens if I inherit a traditional 401(k) from a parent?

If you are a named beneficiary of a deceased 401(k) account owner, typically you have the option to leave the inherited 401(k) account in the plan. However, most nonspouse beneficiaries must take the full payout from the inherited 401(k) within 10 years from the account owner's death. And, if the deceased was taking required minimum distributions each year, the beneficiary must continue taking them. In addition, distributions from an inherited 401(k) are typically included in a beneficiary's regular taxable income. To understand all your options for inheriting a traditional 401(k) and the potential tax consequences, it's important to consult with a tax advisor or financial planner.

Tools & Techniques

Along with the prices of almost everything else, car insurance rates are up nearly 5% in 2022, according to approved rate filing data from S&P Global Market Intelligence. Staying aware of your coverage needs and understanding your policy can help you make sure you have the right financial protection for your lifestyle and budget. Talk to your agent about developing a strategy to lower your premium to a more acceptable level. For example, you may be able to trim your bill substantially if you sign up for a safe driver program through your insurer. Typically, this requires monitoring your driving habits through your smartphone or an in-car device.

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