

REINVENTING RETIREMENT

Your Retirement
Planning Newsletter
First Quarter 2023

TOP OF MIND

Practicing Mindfulness With Money Can Help Boost Your Financial Wellness

Many people practice mindfulness through yoga, tai chi or other forms of movement, often incorporating breathing exercises. Others rely on their smart watch or phone to ping them at the same time each day, urging them to practice it for a few minutes. While there are many definitions of mindfulness, this one from mindful.org seems to capture it well:

Mindfulness is the basic human ability to be fully present, aware of where we are and what we're doing, and not overly reactive or overwhelmed by what's going on around us.

Practicing mindfulness with your money can be a valuable exercise, too. Here are four ways it can help you boost your financial wellness.

Pay Yourself First

Practicing mindfulness here is about determining a savings amount and considering it a bill, the same as any other bill, like electricity or rent. Whether it's building up an emergency account or saving for some other financial goal, put away what you can, such as \$100 a month, \$50 or even just \$25. Small amounts add up, and can be incrementally increased over time. The good news here is that you're already practicing pay-yourself-first mindfulness with your 401(k). Which leads us to...

Increase Your Retirement Account Contribution

You should be looking at your retirement account at least once a year and seeing if you can improve how you're saving for the future (hint: the start of a new year is a great time to do this). For example, how much are you contributing? Are you contributing enough to get the full employer match? Can you increase the amount you are contributing? The longer you put off increasing your retirement savings, the more you miss out on the mindfulness of compound interest. So don't wait — even a \$50 per month increase in retirement savings has the potential to grow to nearly \$75,000 over 30 years, assuming an 8% annual rate of growth, compounded monthly.

Make a Game Out of Saving

A no-spend challenge is when you don't spend money for a certain period of time. It could be a weekend, a week or a month. You can set rules to spend only on essentials or other allowances. Doing this forces you to be creative with what you have and learn new skills and possibly open up ideas for more ways to save. Visit <https://tinyurl.com/yt6cj5rv> for more information on taking on a no-spend challenge.



Leverage Technology Apps

One popular savings app is called [Acorn](https://www.acornapp.com/) (a subscription-based app). You tie Acorn to your debit card, and it rounds the purchase up to the nearest dollar, effectively allowing you to invest your spare change. For example, if you buy something that costs \$5.44, when you use your debit card, \$6 will be taken out of your account, with \$5.44 going to the store and \$0.56 going into your investment account. What could be more money mindful than an app that allows you to save money as you make everyday purchases — without having to even think about it?

PAY IT FORWARD

Looking To Teach a Child Some Important Money Lessons? Consider a Roth Custodial IRA.

You started early and have saved hard in your 401(k). You've also paid close attention to your investing strategy over the years. And you definitely understand the benefits of tax-deferred compounding over the long term and the potential for growth. Heck, you've even remembered to change your account password every 90 days. Maybe now it's time to pay it forward and pass along some of your retirement savings wisdom!

How a Roth Custodial IRA Works

A Roth individual retirement account (IRA) may be a great way to instill the value of investing for a child or teenager with earned income (or grandchild, niece or nephew for that matter). This income could be from a dog-walking or babysitting job, regularly scheduled household chores or from a job that provides a W-2 form.¹

The account is managed by a parent or another adult, such as a grandparent or uncle, on behalf of the child. The contribution limit for a Roth IRA in 2023 is the lesser of \$6,500 or your child's total compensation for the year.

Benefits of a Roth Custodial IRA

Once your child has earned income, it doesn't matter where the IRA contributions come from. You may be able to entice your child to open an account by offering matching contributions from you or a grandparent or by funding the account up to the allowable amount. That way they will still have money left from their paycheck to go shopping or out with friends.

Once the Roth IRA is open for a minor, all assets are managed by the custodian until the child reaches age 18 (or 21 in some states). Given the tax bracket most teens are in, and the length of time they have to invest, a Roth IRA may provide the most potential long-term financial gain. Because of this, it's important to stress to your child that using the money to help fund their retirement will likely be

their most advantageous option. However, contributions are available anytime and withdrawals of earnings can be made penalty-free in some circumstances prior to age 59½. For example:

- Your child can withdraw money for college, to open a business or for other expenses.
- In addition, your child can withdraw up to \$10,000 worth of earnings from the IRA, without a penalty, for the purchase of their first home.

The most powerful benefit of a Roth custodial IRA may be the potential for personal growth for a child or teenager. Getting an early taste of working life, in addition to learning about money and the power of saving, can be invaluable.



¹ Please note that the child's income may need to be declared as taxable self-employment income in the year it is earned. Be sure to consult with a tax professional.

SMART SHOPPER

Keep Your Money Safe With These Online Shopping Security Tips

The 2022 holiday gift season is now in the rear-view mirror. If you're like many other people, chances are you did a good amount of shopping online. After all, online shopping can be easy and fun. But unfortunately, there are many scammers who want to steal your identity and money.

According to a [January 2022 Federal Trade Commission report](#), more than 95,000 people reported about \$770 million in losses to fraud initiated on social media platforms in 2021 (the most recent data available). Reports were up for every age group, but people 18 to 39 were more than twice as likely as older adults to report losing money to these scams.

It's a new year and full of opportunities to learn and grow. Review the following information for tips on ways you can protect your personal information and finances when shopping online this year.

Verify the Website

Only shop on secure websites with good reputations. Check for the small, locked padlock icon in the address bar. The address should start with <https://>. In addition, check the spelling of the URL. Scammers use similar spellings to fool you into thinking that you are on the true retail company's website. You'll also want to perform an online search of the seller. Use the seller's name and the word "scam" to vet them before sending any money.



Trust Your Instincts

Beware of deals that seem too good to be true. In addition, be vigilant when websites or social media ads link to an unfamiliar website. Look for typos and missing contact information. Other red flags are poorly written or missing sections such as About Us, Privacy Policy and Terms and Conditions. If something just doesn't feel right, click off the site.

Manage Risk

Don't shop online using a public Wi-Fi. Public Wi-Fi is not secure and increases your chance of being hacked. In addition, use a credit card. That way, if you get scammed, you can dispute the charges.

You should also consider checking out as a guest if possible. That way, your data won't be retained by the company.

Always report scams right away to your bank and the Federal Trade Commission. For information on how to report fraud, go to: <https://reportfraud.ftc.gov/#/>



RETIREMENT IN MOTION

Tips and resources that everyone can use

Knowledge Is Retirement Power

Looking to see more of the world during retirement? Some countries have created visa policies designed specifically for retirees. These retirement visa programs may also provide special benefits and incentives to retirees who relocate to the area. Retirement visas are offered by several countries in Latin America and a few Asian countries, all of which are experiencing a growing expatriate population. The countries include Belize, Panama, Indonesia, Colombia, Ecuador, Nicaragua, the Philippines and Thailand. For more information on each country's visa and how to qualify, check out this article from U.S. News and World Report at: <https://tinyurl.com/2p8mfm4x>.

Q&A

What is the most I can save this year in my 401(k) plan?

401(k) savers can contribute up to \$22,500 in 2023. Savers age 50 and older can make an annual catch-up contribution up to \$7,500 in 2023, for a total contribution of \$30,000. These limits also apply to savers with a 403(b) plan and most 457 plans.

Quarterly Reminder

When was the last time you reviewed your beneficiary designations for your major assets — including your retirement plan? The start of each new year is a good time for some financial housekeeping. Make sure your current designations still match your wishes, especially if you have had any major life changes such as marriage, divorce or the birth or adoption of any children.

Tools & Techniques

Looking to incorporate some budgeting best practices in 2023? Having a good understanding of your expenses can help you prioritize how to spend your money. One way to chart your spending is to use a Pareto chart. A Pareto chart makes it easy to see which expense categories really matter. For example, if your dog groomer seems expensive, but the cost accounts for less than 1% of your budget, it's probably not worth looking for a new groomer. Instead, you can use that time to hunt for a small percentage savings in one of your larger spending categories. Check out this YouTube video on how to create and use the Pareto chart to track your expenses: <https://tinyurl.com/yssp4ewc>.



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