REINVENTING RETIREMENT

Your Retirement Planning Newsletter
Third Quarter 2023

CHECKING UNDER THE HOOD

How to Perform a Six-Step Maintenance Checkup on Your Retirement Plan

Does your retirement plan make curious noises when it travels over a few market bumps? Are you getting enough mileage out of your savings rate? Is your diversification strategy as energy efficient as it should be? Performing annual maintenance on your 401(k) can help make the road to retirement as smooth as possible. Here's a six-step checkup that can be performed in just a couple hours over a weekend.

STEP 1: Review Your Goals and Plans. Each year you should ask yourself if you're on track to reach your retirement goals. Part of that process is imagining (in detail) what you would like to be doing during that stage of your life. Are your goals and plans realistic? Has your thinking changed at all — and why? The American Savings Education Council (www.asec.org) has a wealth of resources to help you review and adjust your goals and plans as needed, including their "Savings Goal Calculator" and other tools that can help you determine how much money you need to save for retirement.

STEP 2: Maximize Your Contributions. If you're not contributing the maximum possible to your plan, increase your contributions by at least 1% each year, with a general goal of eventually reaching around 15% of your salary. Try to contribute at least enough right now to get the full employer match (if offered). It's one thing to read this and say to yourself "yes, I can definitely increase by 1%." But it's only going to happen if you stop everything you're doing right now, log into your account on your recordkeeper's website and make the change!

STEP 3: Review Your Investment Strategy. Given all the market turmoil over the past few years, including inflation and economic events beyond our control, it's smart to ask yourself each year if your asset allocation is still appropriate. Or, if your tolerance for risk has fundamentally changed. Your plan recordkeeper likely has a risk tolerance assessment exercise you can access on their website. In addition, consider working with a financial advisor to help you determine if your investment strategy is in sync with your current personal situation.

STEP 4. Rebalance. Rebalancing is the process of adjusting your portfolio's investments so they match your original allocation. When your portfolio gets out of balance, you may stray from your original risk comfort zone. For example, due to ongoing market volatility, your portfolio may have drifted toward either a more aggressive or conservative allocation than you are comfortable with. Rebalancing keeps your portfolio risk within your tolerance limits.

STEP 5: Check Beneficiaries. Your spouse is automatically the primary beneficiary of your 401k plan. But, if you are divorced, widowed or remarried, you should review your beneficiary designations to make sure the correct person is named. Also, if you want to name someone else (such as a child) as your primary beneficiary, and you are married, your spouse needs to sign a waiver of rights to your 401(k) benefits.

STEP 6. Check on Retirement Plan Changes. Does your retirement plan offer any new plan features, tools or resources? What can you do to take advantage of these opportunities? Also, be sure you have a copy of the Summary Plan Description for your plan (available for free from Human Resources). The Summary Plan Description defines, in plain language, how your plan works and what its features are.

MCB® Investment Services

CLEARED FOR TAKEOFF

Planning To Retire Within Five Years or so? Include These Three Exercises in Your Flight Plan

Whether you have a specific date in mind or not, choosing when to retire requires careful planning and preparation — even if you plan to continue working part-time. Here's a preflight planning checklist that can help you navigate a few of the uncertainties and move ahead with confidence.

Buckle Up and Make Sure Your Budget Is in Its Upright Position

You're first step is to get the most comprehensive, clear and accurate picture of your annual expenses that you can. For reference, collect your credit card statements and checking/savings account statements from the past 12 months (most banks and credit card companies let you download a yearly review of all your transactions organized into charts and graphs so you can get a clear look at your total annual spending). You may already have a good handle on your biggest expenses each month, like housing, transportation, food, cable and cell phone. You'll want to make sure to include other fixed costs, such as insurance (all coverages), haircuts or salon visits, gym memberships, streaming services, wellness exams and dental cleanings.

Perhaps the most important part of this step is to review all of your one-off and variable purchases to better understand how they can impact your overall yearly spend. Reviewing these transactions can show you how much you really spent on coffee, home improvement projects, online purchases, manicures and pedicures, dining out, spur-of-the-moment weekend getaways and other items. Really digging into your entire year-in-review can also help you notice patterns in your spending, like when there are increases around vacations, holidays, birthdays and other annual events.

Inspect Your Retirement Income Sources

Now that you know what you'll need, it's time to inspect any sources of income you can count on each month in retirement. Some examples include:

- Social Security. This Social Security Quick Calculator (https://www.ssa.gov/OACT/quickcalc/) lets you estimate your monthly benefit checks. Try entering various retirement dates to see how waiting or claiming earlier will affect your checks.
- Income from rental properties
- An annuity
- A work pension
- Withdrawals from retirement savings (a very general rule of thumb is to budget a 4% annual withdrawal rate from retirement accounts)

Avoid Turbulence With Healthcare Costs

While Medicare is a valuable benefit for those age 65 and older, it isn't free and it doesn't cover everything.

Health-care costs include deductibles, premiums and things Medicare doesn't cover, such as prescription drugs, vision and dental care, hearing aids, home care and nursing homes. Therefore, before you retire:

- Start saving money toward covering these potential costs
- Enroll in a health savings account to help reduce taxes (if available)
- Look into long-term-care insurance; it may be worthwhile if you are eligible and young enough to qualify for a reasonable rate
- Do your research before signing up for Medicare. Will you choose Original Medicare and supplemental ("Medigap") insurance? Or will you choose Medicare Advantage, a popular type of private insurance coverage? Sign up now for Medicare's newsletter to get updates and stay informed regarding all your options (https://tinyurl.com/3h3mdby4).

RUCK ON!

Rucking Can Add Some Variety and a Fresh Challenge to Your Fitness Routine

If you've ever carried a bag of groceries to your car or a child through a park, helped a friend move, or hauled sacks of mulch from your car to your backyard, you've taken part (perhaps unwittingly) in a physical activity known as rucking. While you may not have heard of it, it's growing in popularity as a way to boost any type of walk or hike with more endurance, strength and cardio benefits.

What Is Rucking?

Rucking is considered a low-intensity interval training workout that involves walking with a weighted rucksack (or backpack) for a set distance. All you really need to get started is a backpack, some good running or hiking footwear and something to increase resistance. You can use almost anything for weight, from gym plates (also known as "ruck plates") to water bottles, books, light-to-medium-weight dumbbells, bricks or any other heavy items lying around the house.

Rucking has numerous physical benefits such as building muscle strength, improving your cardio and increasing your endurance (and it's much easier on your knees than running). Numerous studies show that being active outdoors and connecting with the environment is great for mental health, emotional well-being and mindset.

A Little Background

Rucking evolved out of military training and dates back to the first iron-clad army, in the seventh century B.C. The ability to march a certain distance carrying a load of equipment is fundamental to almost all military units and is still a part of military training today. In the armed forces, Army Rangers are required to carry a 35-pound rucksack over 12 miles and maintain a minimum pace of 15 minutes per mile.

What Is the Difference Between Rucking and Hiking?

Many people go rucking as a component of their overall fitness program, whereas hiking is typically driven by more aesthetic motivations, such as a desire to visit a certain place or check out a scenic view. Rucking is done with added resistance in the form of a weighted pack or weighted vest, but you don't need to add extra load to go on a hike or long-distance walk. However, if you're carrying a backpack containing a couple of water bottles, snacks, your phone and other personal items — well, you're technically rucking!

TIPS FOR BEGINNERS

- Check with your healthcare professional before beginning any new form of fitness or exercise.
- Experts recommend an initial resistance weight equal to about 10% of your body weight. Gradually increase it by five pounds as you become comfortable with each weight level.
- Try rucking for 20–30 minutes to start, at a beginning-level weight appropriate for you. Gradually go for longer distances, trying to maintain at least a pace of 20 minutes per mile as you get more comfortable.
- Experts recommend limiting your rucking exercise to just one or two times per week, allowing enough days in between to recover.

Sources: "The Comfort Crisis," by Michael Easter; GORUCK.COM; Healthline.com; "Foot Marches" (U.S. Department of the Army, published April 2022).

RETIREMENT IN MOTION

Tips and resources that everyone can use

Knowledge Is Retirement Power

Many people choose to continue working in some capacity while receiving Social Security benefits. However, if you're younger than full retirement age and make more than the yearly earnings limit, your benefit will be reduced. Here's how it works: if you are under full retirement age for the entire year, the Social Security Administration deducts $1 from your benefit payments for every $2 you earn above the annual limit (for 2023 that limit is $21,240). In the year you reach full retirement age, they deduct $1 in benefits for every $3 you earn above a different limit ($56,520 in 2023), but they only count earnings before the month you reach your full retirement age. Starting with the month you reach full retirement age, you can get your benefits with no limit on your earnings. Check out the Social Security Administration's Retirement Earnings Test Calculator for more information.

Q&A

Will a 401(k) loan appear on my credit report?

Loans from your 401(k) are not reported to the credit-reporting agencies. However, if you are applying for a mortgage, lenders will ask you if you have such loans and they will count the loan as debt. While taking out a loan from your 401(k) may seem to have a few advantages, you'll lose out on the tax-deferred growth opportunity on the loan amount. Try to focus instead on building up an emergency savings account instead.

Quarterly Reminder

Midyear is a good time for an insurance checkup—and not just to make sure you're getting the most competitive rates. For example, it's a good idea to pull copies of your policy documents to ensure you have adequate coverage or conduct a review with your insurance agent, especially for property-casualty policies. In addition, review your retirement plan contribution rate this year (did you increase it like you promised yourself back on January 1st?) Make sure to contribute at least enough to receive the full employer match (if offered).

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