REACH for RETIREMENT

YOUR RETIREMENT PLANNING NEWSLETTER

Grow Your Financial Garden

Cultivating a realistic budget can help you harvest a better financial future

Spring is here and it's time to think about growth potential — for both your garden and your journey toward financial wellness! The following steps can help you cultivate a budget that works for your life, so you don't have to worry about falling short of your financial goals.

Step 1: Sow Your Seeds

Take the time to think about your financial goals and write them down. Examples include building up an emergency fund, saving for a new car or home, starting a college education fund for a child, or increasing your retirement savings by 1% a year. Make sure the goals are measurable, so include the actual dollar amounts and time frames for reaching the goals. Here are some examples of measurable financial goals:

- Have a $1,000 emergency fund built up in 10 months.
- Pay off $5,000 credit card debt in 18 months.
- Increase retirement plan contribution rate by 1% by June 30, 2022.
- Open a 529 college savings account with automatic monthly contribution of $50 by December 31, 2022.

Divide the dollar amount by the number of months in your time frame to figure out your monthly goal. If your goal is to build up a $1,000 emergency fund in 10 months, your monthly goals is $1,000 divided by 10, which equals a $100 monthly contribution to the fund.

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Grow Your Financial Garden

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Step 2: Water Regularly

Before you can establish a budget, you have to know exactly how much money you have coming in every month from your employer and other sources. Make sure to include only the money you actually receive (the exact amount of your net paycheck, not your gross pay before taxes and other deductions).

Step 3: Establish Weed Control

You can't budget until you know how much money you're spending each month. When figuring out your monthly expense number, be sure to include the following major spending categories:

- Groceries
- Rent or Mortgage
- Car loan payment
- Student loan payment
- Credit card payment(s)
- Cell phone service
- Cable/streaming/wifi provider payment
- Entertainment and dining out/take-out
- Utilities (water/sewer/electric/garbage/etc.)

Also remember to include occasional expenses such as doctor and dentist visits, veterinary/pet expenditures (if applicable) as well as car and other insurance payments. It's also important to look through past bank and credit card statements to get a realistic picture of your spending.

Step 4: Check Your Soil Quality

To take your first stab at a budget, add your monthly expenses from Step 3 to the monthly goals you calculated in Step 1. Then, subtract that total from your monthly income calculated in Step 2. If the balance is positive, you've created a budget that works for your current lifestyle. Here's an example:

Monthly income (from Step 2)	$3,000
Monthly living expenses (from Step 3)	($2,100)
Monthly financial goals (from Step 1)	($750)
Total left over	**$150**

If the balance is negative, you have some more work to do. That leads us to Step 5.

Step 5: Add Compost if Necessary

If the first swipe at your budget came out negative, rework the numbers and try again. For example, you can revisit expenses and decide which ones are top priority and need to stay in your budget and which you can do without. You can also consider changing the amount of time needed to meet your financial goals. Or you can figure out a way to increase your income.

Step 6: Grow Your Green Thumb

To keep yourself moving forward toward achieving financial wellness, check out www.americasaves.org . The site features lots of money-saving ideas, as well as other tips on setting financial goals and making a plan to achieve them.

Rx for Success

Preventive care strategies to help you deal with healthcare expenses in retirement

According to the 2021 Fidelity Retiree Health Care Cost Estimate, an average retired couple age 65 may need approximately $300,000 saved (after tax) to cover health care expenses in retirement. There are a number of factors behind this escalating cost challenge. In general, people are living longer and health care inflation continues to outpace the rate of general inflation. In addition, according to Gallup's 2021 Economy and Personal Finance Survey, the average retirement age is 62, which is 3 years before the Medicare eligibility age of 65.

Of course, the amount you'll personally need will depend on when you retire, how healthy you are, and how long you live. Whether retirement is a long way off for you, or it's starting to get closer, it's a smart move to start planning for healthcare costs.

Understand the Timing Trade-offs

As retirement nears, you will have several big decisions to make, including when to stop working, when to take Social Security, how to pay for health care, and how to generate cash flow from your retirement assets. These decisions are interconnected and could make a difference in your living costs and lifestyle in retirement — and when you can retire.

According to the Social Security Administration, approximately one-third of early retirees who claim Social Security at age 62 do so to help pay for health care expenses until they are eligible for Medicare coverage at age 65. But if you can postpone retirement or save enough to cover health care costs until 65, then you may be able to defer your Social Security benefits. Generally speaking, the longer you can wait until age 70 to take Social Security benefits, the more you can collect (assuming you live a long life).

Save as Much as You Can

Now is the time to save as much as you can, especially if you are within ten years of retirement. In 2022, you can contribute up to $20,500; if you're age 50 or older, you can make an additional catch-up contribution up to $6,500, for a total contribution of $27,000. If you can't save that much, just make sure you are saving enough to get your full employer match, if offered.

Take Advantage of a Health Savings Account (HSA)

If you have access to a health savings account (HSA) through your employee benefits, they are a financially smart way to set aside money for expenses related to your health. Contributions reduce your taxable income, and earnings growth and qualified withdrawals are also tax free. Many programs allow you to invest your HSA money once you hit a certain threshold. This makes it a great way to save for future health expenses during retirement. For 2022, you can contribute a maximum of $3,650 (individual coverage) and $7,300 (family). For those age 55 or older, the IRS allows an additional catch-up contribution of $1,000.

Rx Retrospective

Rx is commonly known as the symbol for a medical prescription. However, the symbol is derived from the Latin word recipe or "recipere,"which means "to take." The word was later abbreviated and became Rx as we know it today.

You Are What You Eat

Three popular diet lifestyles offer different ways to approach how you eat

If you're striving to eat healthier, chances are you've considered a number of ways to approach it. Before you fix up some avocado toast or order a plant-based burger at your favorite brewpub, here's a look at three of the most popular ways people are approaching the way they eat these days.

Paleo was first introduced in the 1970s and became widely popular beginning in 2014. It's modeled on the diet of early (paleolithic) humans. In other words, cave people. The theory behind it is that the human body hasn't evolved to handle the processed foods so prevalent today. Paleo people eat fruits, nuts, seeds, vegetables, meats (especially grass-fed) and fish. They avoid grains, potatoes, legumes or highly processed foods.

The **keto** diet is similar in some ways to the Atkins diet. Keto meals are high in fat and extremely low in carbohydrates. Typically, carbs are limited to around 50 grams a day. The theory behind keto is that the body is forced to get its energy from fat rather than carbs, thus going into a state of fat-burning "ketosis." Results can come fairly quickly for a lot of people, but some nutritional experts say it might be hard to keep up long term.

Intermittent fasting offers a couple of different approaches. One approach to this dietary lifestyle is to eat very few calories on certain days and normal amounts on others. The second approach is to only eat during certain hours of the day. Example: no eating between 7 pm and 9 am. For most people, this means fewer overall calories consumed, resulting in weight loss. It also shows promise in improving insulin sensitivity and boosting brain function.

Sources: Kmotion Research; Mayo Clinic News Network. You should always consult with your doctor or other medical professional before starting a new diet.

The Planning Zone

INFORMATION AND TOOLS TO HELP YOU BUILD YOUR FINANCIAL FUTURE

In the Know

More than 50% of U.S. small businesses are owned by people 55 and older, according to a Spring 2021 survey by SCORE, a nonprofit that provides resources to small-business owners. If your retirement dream is to turn your hobby into a profitable business and finally be your own boss, check out score.org. You'll find free access to volunteer mentors, workshops, virtual conferences, a start-up roadmap and many other tools for developing and launching a small business during retirement.

Inquiring Minds

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

A: 401(k) savers can contribute up to $20,500 in 2022. Savers age 50 and older can make an annual catch-up contribution up to $6,500 in 2022, for a total contribution of $27,000. These limits also apply to savers with a 403(b) plan and most 457 plans.

Q: ***What does it mean to be "vested" in my retirement account?***

A: "Vesting" means that you own all of the money in your workplace retirement account. You are always 100% vested in your own contributions to your plan, but your ownership of your employer's contributions may be governed by certain vesting rules. For example, you may become 100% vested only after a certain number of years of employment. You can check with your benefits administrator to confirm your vesting schedule.

To-Do List

Are you expecting a tax refund this year? If so, consider creating an emergency fund with some or all of it. It's important to have this money available for when something unexpected comes up, such as a car, refrigerator or dishwasher breaking down. Here are the key features of an emergency fund:

- Aim to have 3-6 months of living expenses saved
- Keep separate from your checking account
- Ensure no (or low) transaction fees; no penalties for withdrawals
- Vrify interest earnings on the balance (a little something is better than nothing).

Financial Fitness

If you have access to a health savings account (HSA) through your employee benefits, they are a financially smart way to set aside money for expenses related to your health. Contributions reduce your taxable income, and earnings growth and qualified withdrawals are also tax free. Many programs allow you to invest your HSA money once you hit a certain threshold. This makes it a great way to save for future health expenses during retirement. For 2022, you can contribute a maximum of $3,650 (individual coverage) and $7,300 (family). For those age 55 or older, the IRS allows an additional catch-up contribution of $1,000.

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