

FINANCIAL BUILDING BLOCKS BY HUB

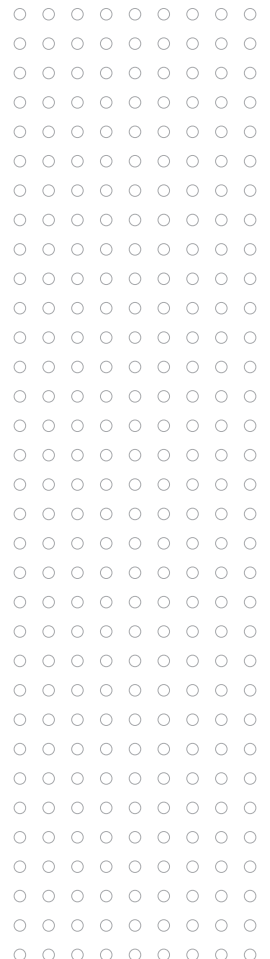
Enroll in Your Retirement Plan

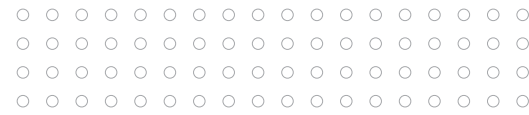


When it comes to saving for retirement, one of the best things you can do for yourself is to enroll in your 401(k) plan. In addition, a very similar type of plan, known as a 403(b) plan, is offered by employers who are in the non-profit sector.

With these types of plans, you contribute money to your account on a pre-tax basis, and your employer can choose to match a percentage of that contribution.

The money is deposited in various investments, typically a line-up of mutual funds (which are selected by your employer). You have the freedom to choose investments that meet your unique tolerance for risk, whether it's conservative, moderate or aggressive. Investment income accrues and compounds tax-free. Withdrawals are taxed at the normal tax rate, as long as they are made at age 59½ or older.





Ten Ways to Leverage the Power of Your Plan

Here are 10 ways to leverage the power of enrolling in your plan. These are the ways to fully engage in your retirement plan and understand how best to achieve your retirement income goals!

1. Pay Yourself First

Your 401(k) plan allows you to save each pay period up to annual limits set by the IRS. Your contribution is automatically deducted from your paycheck before you even see it. Out of sight, out of mind — what you don't have, you won't spend! You will also be following a great savings principle: Pay yourself first.

2. Put 100% of Your Money to Work

When you make a contribution to your 401(k), you are taking an important step to preparing for your financial future. One of the major reasons for this is that federal and any state income taxes are deferred until withdrawal. This means that 100% of your money goes to work for you right away!



Roth Or Regular?

Many employers also offer Roth 401(k)s. Unlike a traditional 401(k), contributions are funded with after-tax money, so they are not tax deductible; however, qualified withdrawals are tax-free. As of 2022, you can contribute up to \$20,500 per year to a traditional or Roth 401(k). If you think your tax bracket may be higher in retirement, then a Roth 401(k) account option may be something you want to consider. If you think your tax bracket might be lower, then the traditional account option may be more beneficial.



3. Take Advantage of Tax-Deferred Growth

As your retirement account grows, you pay no taxes on any earnings until you begin to withdraw your money. This powerful feature is known as tax-deferred compounding. Investments with earnings that are tax-deferred have the potential to grow faster when they are not being “hit” by taxes each year.

4: Start Early

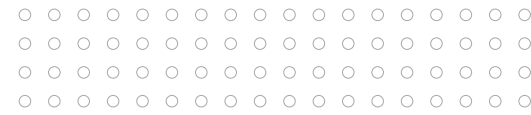
The earlier you start saving, the better chance your money has to grow enough to achieve your retirement goals. One way to illustrate this is the Rule of 72. It’s an easy way to calculate how long it’s going to take for your money to double. Just take the number 72 and divide it by the interest rate you hope to earn. That number gives you the approximate number of years it will take for your investment to double. The earlier you start saving, the more periods you will have for your money to “double.” Here are some examples:

The Rule of 72

Expected Rate of Return	Do the Math	Years for Investment to Double
4%	$72 \div 4$	18 years
6%	$72 \div 6$	12 years
8%	$72 \div 8$	9 years
10%	$72 \div 10$	7 years

This table serves as a demonstration of how the Rule of 72 concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike actual investments which will fluctuate in value. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 10% or greater on a consistent basis.





5. Make the Most of Your Employer Match

If your employer offers a 401(k) match, there is even more incentive to contribute — at least enough to get the full employer match. A match is about as close as it comes to free money and is considered part of your employee benefits package. Your company may have a vesting schedule, meaning you don't obtain full ownership of its contributions until you've been working at the company for a certain amount of time. You always maintain full ownership over any money you contribute to your account.

6. Increase Your Savings Rate as Much as Possible

Once you get going in your 401(k), it's easy to go on autopilot. You've officially made the move to save for retirement. You made sure to start early. You're good, right? Wrong! It's time to take the next step: increasing your savings.

Cutting or reducing spending on things you don't really need could allow you to bump up the money you're putting into your 401(k). And how about increasing your savings rate when you get a merit increase or a bonus? While you're at it, couldn't you cut back just a little on dining out – or shop for a better cell phone plan or find a lower car insurance premium? Not to mention buying a certified pre-owned car instead of a brand new one. The savings can add up quickly.



Catching Up

If you are age 50 or older, the IRS allows you to contribute an additional amount of money to your 401(k) over the annual contribution limit. It's called — appropriately, for many people — the “Catch-up Contribution.” If you've not been able to save as much as you wanted due to other financial priorities (such as funding a child's education, caring for an aging parent or something else), this is a great opportunity to get back on track with your retirement savings. As of 2022, people who are age 50 or older can contribute up to \$20,500 to their account, plus another \$6,500 catch-up contribution, for a total of \$27,000.



7. Pay Attention to Your Asset Allocation

Stocks

A stock (also known as “shares” or “equity”) is a type of security that signifies proportionate ownership in the issuing corporation. This entitles the stockholder to that proportion of the corporation’s assets and earnings. Stocks are bought and sold predominantly on stock exchanges and are the foundation of nearly every portfolio.

Stocks (and stock mutual funds) have a high return potential, but the potential risk with stocks is also high. They are typically considered as part of a long term investment, such as a 401(k) or IRA, where you have much more time on your side and can afford to be more aggressive and take on more risk. They may not make sense for a short term investment where safety and stability are more of a priority.

Bonds

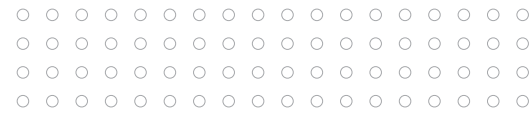
Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer. Bond details include the end date when the principal of the loan is due to be paid to the bond owner and usually includes the terms for interest payments made by the borrower.



Bonds (and bond mutual funds) are known for consistent, moderate returns, which may work best in a medium term investment (such as a college fund) where you can take on some risk, but not a lot. In addition, as you get closer to retirement (within 10 years in general), bonds and bond funds may also become a bigger part of your retirement account portfolio if you are looking to go less heavy on stocks but still want some growth potential.

Cash Equivalents

Cash equivalents include money market funds, U.S Treasury Bills and short term government bonds as well. They’re known for consistent, lower returns (but with much lower risk), which may make more sense for a shorter term investment (such as saving for a down payment on a house). As you get closer to retirement (within 5-10 years in general), cash equivalents may also become a bigger part of your retirement account portfolio if you are seeking much more safety at this life stage.



8. Diversify Your Investments

Putting your money into a number of different types of investment options that include different types of asset classes can help reduce risk. Generally speaking, if your dollars are invested in materially different types of investments, and market conditions cause one of your investments to not do well, all of your money shouldn't be affected. There is perhaps no better way to illustrate this than to look to the story of Life Savers candy.

Clarence Crane invented Life Savers in 1912. He manufactured only one flavor of Life Savers: Pep-O-Mint. In 1913, Crane was approached by Edward J. Noble. Noble suggested that offering different flavors of Life Savers would attract more customers. Crane wasn't interested in the concept but agreed to sell the Life Savers business to Noble for \$2,900. In his lifetime, Noble went on to develop a billion dollar business manufacturing different flavored Life Savers. By diversifying his product, he appealed to more people and protected his business from the risk of one flavor losing popularity.



Diversification works with investments, too. Spread the risk to help protect your potential rewards!

Big Picture Perspective

January 1, 2002 – Dec. 31, 2021

- S&P 500 delivered an average annual return of 11.09%.
- Bonds (Bloomberg Barclays US Aggregate Bond Index) delivered an average annual return of 4.38%.
- Stable assets (90 day T-bills) delivered an average annual return of 1.30%.
- Inflation (comprised from the U.S. Labor Department) has averaged 2.15% a year.



Source: Kmotion Research, Callan Institute, <https://www.callan.com/periodic-table/>.

Past performance does not guarantee future results. This information is for illustrative purposes only and not indicative of the performance of any investment. It does not reflect the impact of taxes, management fees, or sales charges. The Standard and Poor's 500 Index (S&P 500) is a weighted, unmanaged index composed of 500 stocks believed to be a broad indicator of stock price movements. Investors cannot buy or invest directly in market indexes or averages.

9. Don't Forget About Health Care Expenses in Retirement

Here's a big reason to start saving as early and as much as you can: according to the 2022 Fidelity Retiree Health Care Cost Estimate, an average retired couple age 65 may need approximately \$315,000 saved (after tax) to cover health care expenses in retirement. 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.

Does your employer offer an HSA, or Health Savings Account as part of a High Deductible Health Plan offering? An HSA isn't a retirement account in its own right, but it can help you boost your retirement savings if you treat it like one. Like your 401(k), contributions are made on a pre-tax basis (lowering your taxable income) and earnings grow tax-deferred. Distributions taken for qualified medical expenses are tax-free, but non-medical distributions are taxable and may be subject to an additional 20% penalty.

10. Seek Professional Help If You Need It

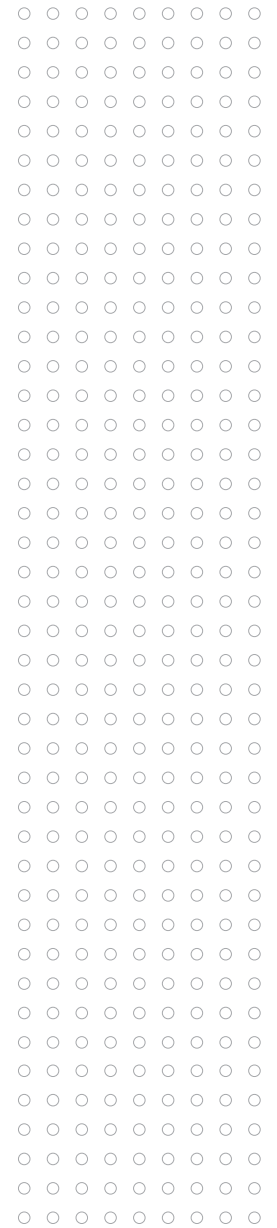
When it comes to retirement planning, you should know that professional help is available if and when you need it. HUB International advisors can give you hands-on personal guidance and advice to help you determine your retirement goals and how you can achieve them. Here's how we can help:

- Help you determine an appropriate retirement saving goal based on anticipated future living expenses
- Help you factor in variables such as inflation, future health care expenses, life expectancy and projected investment returns
- Develop an investment strategy to help meet your long-term needs
- Discuss professionally managed investment solutions that may be of interest to you
- Help you balance your retirement savings goal with other financial goals
- Meet with you on a regular basis to track progress and make adjustments as necessary

Taking It With You

Should you leave your company for any reason, you can take your vested account balance with you. Your money can be rolled over into an IRA or your new employer's 401(k) plan (if offered). However, there are strict rules when taking money out of your retirement plan. For instance, if you decide to take a cash distribution before age 59½, you may be subject to a 10% IRS penalty tax (in addition to current income taxes). Check with both your plan administrator and a financial advisor to make sure you understand all your options.





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