



REACH for RETIREMENT

YOUR RETIREMENT PLANNING NEWSLETTER

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.

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? 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, and 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 log into your account on your recordkeeper's website right now and make the change!

4TH QUARTER 2023

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Checking Under the Hood

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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. 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. If you are married and want to name someone else (such as a child) as your primary beneficiary, 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.



The Two Faces of Debt

Understanding Good Versus Bad Debt Can Help You Make Smart Financial Moves

Credit card debt is a huge challenge for many people. According to Debt.org, Americans owe \$986 billion on credit cards, surpassing the prepandemic high of \$927 billion. While credit card debt is considered “bad debt,” it’s important to understand other types of debt and the important role it can play in your financial plan.

Good Debt: A Building Block for Growing Your Wealth

Good debt refers to borrowing money for investments that have the potential to grow in value or provide future benefits. It focuses on investments that enhance your financial position in the long run. For example:

- Taking out a loan to finance your education can increase your earning potential and open up career opportunities.
- Using a mortgage for a reasonably priced home can help build equity and provide shelter.
- Taking a loan to buy a used car in great shape that enables you to get to and from work. However, going into debt on a luxury vehicle is going to be mostly bad debt.
- Getting a home equity loan to do repairs or upgrades on your residence.

Bad Debt: A Stumbling Block To Achieving Your Financial Goals

Bad debt involves borrowing money for purchases that quickly lose value or do not generate income. Credit card debt that piles up from impulsive shopping sprees or luxury vacations falls into this category.

Whether you are considering good debt or bad debt, you want to be wise about your borrowing practices.

Here are some key rules to follow when borrowing responsibly:

Necessity. Evaluate whether the debt is for an essential need or an investment that will improve your financial situation in the long run.

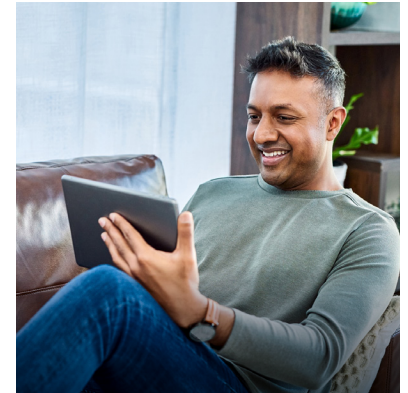
Affordability. Avoid taking on debt that stretches your finances to the breaking point. You may want to evaluate your debt-to-income ratio:

- The debt-to-income ratio compares an individual’s monthly debt payment to their monthly gross income.
- According to Investopedia, 43% is the highest debt-to-income ratio a borrower can have and still get qualified for a mortgage.
- Lenders prefer a debt-to-income ratio lower than 36%.

Research and Compare. It’s a good idea to shop around for the best loan terms. Compare interest rates, fees, and repayment terms from different lenders or financial institutions to secure the most favorable terms and save money in the long run.

Repayment. Stay on top of your repayment obligations and make payments on time. Late payments can lead to additional fees, higher interest rates and a negative impact on your credit score.

Communication. If you’re facing financial difficulties or anticipate challenges in making payments, reach out to your lenders proactively. They may offer assistance, such as revised repayment plans or hardship programs.



Day Drinking

Start Your Day Off With Water (and Keep the Drinks Coming)

When was the last time you reached for a glass of water first thing in the morning — instead of getting your caffeine fix? You probably already know that staying properly hydrated throughout the day is a basic rule of a healthy lifestyle. It balances chemical processes in the brain, keeps your organs functioning properly and aids in recovery after a tough workout. In addition, there may be something extra beneficial to drinking a glass of water right after you wake up.

Top of the Morning

Your body cannot produce enough water through metabolism to meet its daily needs. This is why we need to drink enough to function properly. If you spend 6-8 hours sleeping, that's a long time to go without one sip of water. However, when you wake up, your brain may be wired to think of coffee first. Instead, consider re-training yourself to drink water first.

According to the Mayo Clinic, there's no one-size-fits-all recommendation for how much water is needed every day, but starting off with a full glass of water can have real benefits.

Boost Your Morning Workout

If you work out in the morning, drinking water first thing can help you ward off breakfast hunger. It can also help you burn fat. This is partly due to what is known as water's "thermogenic effect." This has to do with the energy required to warm up cold water in the digestive tract after consumption. Multiple studies have shown that water-induced thermogenesis has the potential to increase the body's metabolic rate by 24%-30% in adults, and the effect lasts about an hour.

Improve Your Mental Performance

If you are even just a little dehydrated when you wake up, it can result in brain fog. Unfortunately, a double shot of espresso probably won't clear things up much (or at least, only temporarily). Water, however,



has been shown to increase alertness and short-term memory performance. Drinking it before you start your day is a great way to combat fatigue and improve your concentration.

Achieve Better Gut Health

Consistently drinking water throughout the day will help your body naturally filter out toxins via the kidneys. This doesn't mean you have to drag a 2-liter jug along with you everywhere you go. Just take a good, long, satisfying drink once every couple of hours or so (to help, set a reminder on your smart watch or phone). By hydrating more, you're getting rid of bad bacteria in your system, which allows the good bacteria in your gut to grow and thrive.

Fun fact: the human brain is composed of 95% water, lungs are 90%, blood is 83%, muscles are 76% and bones are 22%.



The Planning Zone

INFORMATION AND TOOLS TO HELP YOU BUILD YOUR FINANCIAL FUTURE

In the Know

Thanks to the passage of SECURE Act 2.0 at the end of last year, the age for starting required minimum distributions from your 401(k) has been increased from age 72 to age 73 for individuals who attained age 72 after December 31, 2022. It will increase again, to age 75, for individuals who attain age 74 after December 31, 2032. In addition, the act reduced the excise tax for failure to take required minimum distributions from 50% to 25%; for RMD failures corrected in a “timely manner,” the excise tax is further reduced to 10%.

Inquiring Minds

Q: *Are there any tricks to paying down credit card debt? I'd love to put the money in my 401(k) instead!*

A: Try the avalanche or snowball method. In each you'll focus on making extra payments to one debt — while continuing to make the minimum payment on all your other debts.

- With the avalanche method, you tackle the loan with the highest interest rate first, which could save you more on interest.
- With the snowball method, you start with your lowest-balance loan, which could be emotionally satisfying as you clear away smaller, lingering debts first.

To-Do List

When it comes to your retirement account, your recordkeeper likely already prompts you to change

your password every quarter. But is it as strong and unique as it should be? To make creating and managing passwords easier, many people subscribe to password manager services. Check out Consumer Reports for ratings on various service providers, as well as more password tips: <https://tinyurl.com/36m7vukw>. In addition, you should use different passwords for different accounts, never write them down, and never type passwords on devices or networks that you do not control.

Financial Fitness

Raising a child is expensive. From the day a baby is born until the day they turn 18, a typical family will spend about \$310,605 — or about \$17,000 a year, according to a recent Brookings Institution analysis of data from the U.S. Agriculture Department.¹ If you're planning to start a family (or already have), there are a number of smart financial moves to consider. If you haven't already created a will and thought about contingency plans for your child or children, consider doing it now. Other steps to take could include setting up power of attorney and health care directives. In addition, after any big change in your life, it's a good idea to check the beneficiaries named on your financial accounts and insurance. That can help ensure that they are up-to-date and reflect your current wishes. And finally, it's never too early to explore 529 college savings plans — which offer flexibility, tax advantages and long-term growth potential.

¹ “What Does it Cost to Raise a Child?” (The Washington Post, October 13, 2022)

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