REACH for RETIREMENT

YOUR RETIREMENT PLANNING NEWSLETTER

Maximizing Your Retirement Income

Doing Some Tax Planning Now Can Pay Off Later in Retirement

For many people, retirement is not a time to slow down and stop. It's a time to explore the next great chapters of your life and build upon everything you've learned and experienced so far. Another thing that doesn't slow down or stop is taxes. Understanding how taxes could affect your future cash flow will help you create an effective retirement income strategy.

Know How Your Retirement Savings Accounts Are Taxed

Withdrawals from traditional 401(k) plan accounts and certain other employer-sponsored plans, as well as traditional individual retirement accounts (IRAs), will generally be subject to federal and state ordinary income taxes upon withdrawal. On the other hand, contributions to a designated Roth 401(k) account or Roth IRA are federally tax-free when you withdraw those funds, as are the earnings, assuming the withdrawal is a qualified distribution, which generally means it is made after a five-year waiting period and the account owner is 59½ years or older.

As for your nonretirement accounts, bond income and some of the dividends you receive from stocks and mutual funds may be taxed at your federal ordinary income rate, but qualified dividends and long-term investment gains are generally taxed at lower long-term capital gains rates. State and local tax treatment may vary.

1ST QUARTER 2024

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Develop a Thoughtful Distribution Strategy

For some people, it will make sense to consider tapping taxable accounts first, then tax-deferred. But, depending on the circumstances, this order may not be right for every person. If most of your investment gains are from long-term assets held outside of a traditional 401(k), IRA or other similar tax-deferred accounts, you'll likely pay long-term capital gains taxes, which are generally lower than what you pay on distributions taxed as ordinary income from your tax-deferred retirement accounts.

You'll also need to consider the impact of your retirement savings on your taxes once you reach age 73 (or age 75 after 2032). That's when you must begin taking required minimum distributions (RMDs) from some of your retirement accounts, which is likely to boost your taxable income.

It's prudent to consult with an advisor or tax professional regarding retirement income and tax planning strategies.

Avoid Moves That Could Put You in a Higher Tax Bracket

RMDs and other changes that bump up your income can result in what's called "bracket creep," which is unintentionally slipping into a higher tax bracket. For example, you might receive an inheritance or sell some real estate. You might also slip into a higher tax bracket by taking a large distribution from a taxable account to renovate your home or buy a new car. A higher income can also affect the taxability of your Social Security benefits and increase your Medicare premiums.

This is one reason you may want to consider funding different kinds of retirement accounts during your working years. For instance, you could diversify your retirement contributions and split them between a Roth and traditional (pretax) allocation. During retirement, you can manage the amount of taxable income you receive and make adjustments when necessary. You can also pay for qualified medical expenses during retirement with any health savings account savings you may have. Those qualified withdrawals are tax-free and won't affect your taxable income.

Winterize Your Retirement Portfolio

To Help Avoid Icy Conditions, Rebalance Your Investment Allocation on a Regular Basis

Over time, frosty market flurries and chilly economic winds (or simply just the passage of time) can cause your investment allocation to drift a bit. This can leave you in a more conservative target investment allocation than what you originally selected and are comfortable with. Because your portfolio is exposed to the elements, it's a good idea to rebalance your investments on a regular basis.

Taking the Temperature: An Example

Investment Option	Original Investment Allocation Chosen	Current Investment Allocation After Market Downsizing	Investment Allocation After Rebalancing
Stock Fund	60%	50%	60%
Bond Fund	30%	35%	30%
Money Market Fund	10%	15%	10%

Let's say that last quarter there was a stock market downswing and your original investment allocation of 60% in stock funds has now decreased to 50%. Meanwhile, your intended investment allocation to bond and money market funds has now increased. The current overall investment allocation no longer matches your original strategy.

What You Need To Do

If you're invested in a target date fund, the fund manager automatically rebalances your investment allocations for you. If not, you'll have to take an active role in rebalancing your investments. In the previous example, that means going into your account and selling off 5% each of your bond and money market fund investments and reallocating those funds back into your stock fund investments so they are aligned again with your chosen percentages. You can easily do this via your online account through your

recordkeeper, or ask a customer service representative to assist you. In addition, many 401(k) recordkeepers offer an automatic rebalancing service (with a selection of timing options available, such as quarterly, semiannually or annually).

And in the case of an extended increase in stock fund prices, you might find that your portfolio is riskier than you intended (such as a greater percentage of your portfolio is now weighted in stock funds). To get back to your target allocation, you would need to sell off part of your stock fund investments and reallocate appropriately to your bond and money market fund investments.

Raise Your Savings Temperature

One way you might save money to add to your retirement plan is to ask your local electric or gas utility for a free or low-cost home energy audit. The audit may reveal inexpensive ways to reduce home heating and cooling costs by hundreds of dollars a year. Keep in mind that a payback period of less than three years, or even five years, can save you lots of money in the long term.

Informational Sources: Sofi: "How to Rebalance Your 401(k)" (August 25, 2023); Americasaves.org: "54 Ways to Save Money"

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.

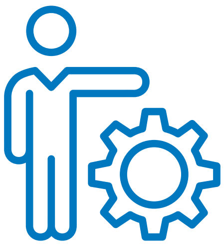
Sources: "The Comfort Crisis," by Michael Easter; GORUCK.COM; Healthline.com; "Foot Marches" (U.S. Department of the Army, published April 2022).

The Planning Zone

INFORMATION AND TOOLS TO HELP YOU BUILD YOUR FINANCIAL FUTURE

In the Know

According to a recent report from T. Rowe Price, "Unretiring": Why Recent Retirees Want to Go Back to Work, many retirees see part-time work as a good life stage transition strategy. Fifty-seven percent of retirees surveyed indicated that they want to continue working in some form, while only 43% would consider stopping work all at once. Continuing to work part-time can allow you to delay taking Social Security benefits, while staying engaged with something that provides social and emotional benefits. According to the Social Security Administration, your monthly Social Security benefit increases by 8% for each year you delay taking it. Consider working with a financial professional to help evaluate the potential benefits of continuing to work in some capacity as you make the transition to full 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 $23,000 in 2024. Savers age 50 and older can make an annual catch-up contribution up to $7,500 in 2024, for a total contribution of $30,500. These limits also apply to savers with a 403(b) plan and most 457 plans.

To-Do List

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.

Financial Fitness

According to the Education Data Initiative, the average cost of college has more than doubled in the 21st century. The average cost of college in the United States is $36,436 per student per year, including books, supplies, and daily living expenses[1]. When it comes to funding a college education, student loans can be complex. Doing your homework and making informed decisions are an important part of the financial planning process. Whether you're a graduate, a parent, or someone considering higher education, there are plenty of resources that can help you make smarter financial choices. The U.S. Department of Education's website, studentaid.gov, contains a wealth of comprehensive information, including the most current rules and programs available, as well as a loan simulator to help you evaluate options for your specific situation.

[1] https://educationdata.org/average-cost-of-college

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