LET'S TALK MONEY®

November/December 2022

Easing into Retirement

If you're looking forward to more free time but aren't quite ready to completely retire, semi-retirement might be the answer. While not every company offers this option, you may be able to create a plan for yourself that your employer will approve.

Benefits of Semi-retirement

Semi-retirement is becoming increasingly common as employers take advantage of the knowledge and expertise offered by seasoned workers. Meanwhile, employees may be able to delay withdrawing savings from retirement accounts, maintain relationships with coworkers, and benefit from the mental stimulation of the workplace.

Start with a Plan

Before you decide to pursue semi-retirement, come up with a realistic strategy for living on less money. Review your spending compared with your projected income to determine if you'll have sufficient funds for living expenses. Cutting back on discretionary spending may improve your financial outlook.

Let it Grow

For every year beyond your full retirement age (FRA), up to age 70, that you wait to take Social Security benefits, your benefit amount will increase. Working part-time may allow you to delay applying for Social Security benefits, thus increasing the amount of your monthly payments over your lifetime. When you take benefits before your FRA and you're still working, your benefit will be reduced if you earn more than the exemption amount ($19,560 in 2022).

Down with Debt

Before you consider working part-time, eliminate as much debt as you can. High-interest credit card debt is detrimental to your financial well-being, so make paying it off a priority. Also consider paying off your mortgage, if possible.

Plan for Health Care Costs

If you're still employed and covered under an employer's health insurance plan, you may be able to wait to start Medicare Part B benefits. If you're self-employed, Medicare will typically become your primary health insurance, although you'll probably want to purchase a supplemental policy to cover costs that Medicare doesn't. Some supplemental plans offer dental, vision, and prescription drug coverage for an additional charge. Be certain you factor in health care costs when determining whether part-time employment is feasible.

Before you make any decision about semi-retirement, discuss your situation with your financial professional.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Retirement Version

End-of-Year Tax Moves

During the holiday bustle, income taxes may be the last thing on your mind. But, if you want to lower your tax bill, you have until December 31st to employ certain strategies that can help. Your tax and financial professionals can provide helpful suggestions.

Check Your Withholding

If your 2021 tax bill was higher than expected, you might need to increase your tax withholding. The IRS's Tax Withholding Estimator can tell you if you should file a new Form W-4 to have additional money withheld from your pay.

Bunch Medical Expenses

If you've already met the deductible for your health and dental insurance plans and you plan to itemize this year, consider scheduling elective surgery and medical and dental procedures that you planned for early next year before December 31.

If you've also had major medical expenses during 2022, you may be able to deduct unreimbursed expenses that exceed the 7.5% of the adjusted gross income threshold.

Donate to Charity

You can take a tax deduction for charitable donations of cash or goods. For items such as clothing, furniture, etc., estimate the fair market value (what the item might sell for at a thrift or consignment shop) to come up with a donation amount. Donated items worth more than $5,000 (art, antiques, etc.) require a written appraisal.

Give to Charity with a Donor-advised Fund

If you want to donate to charitable organizations before the December 31st deadline but haven't decided where you want your donations to go, consider a donor-advised fund (DAF). With a DAF, you contribute cash, securities, life insurance, money in retirement accounts, or other assets and take an immediate tax deduction in the year you make your donation.

What Happens to the Donated Funds?

Funds can be invested for tax-free growth until you're ready to select charities to receive the funds. Generally, you can recommend the investment strategies that will be employed. Once you're ready to select the charities to receive your donation, you'll be able to decide whether the organization(s) will be given the entire donation at once or spread out over time.

What Are the Choices?

Your donation can support any IRS-qualified public charity that you choose. The DAF will ensure that your funds are used for charitable purposes. Keep in mind, though, that while the DAF typically will give the funds to the charities you've selected, the final decision rests with the sponsoring fund. There are many donor-advised fund providers, so take time to consult your financial and tax professionals.

Keep a Lid on Your Holiday Spending

It's easy to get carried away and spend too much during the holidays. Before your holiday spirit leads you into debt, look for ways to control your expenses.

Start with a List

Make a list of all the people on your gift list. It might include family, friends, coworkers, and people who perform services for you. Decide on a budget and either assign an amount to spend on each person or determine the total amount you can afford to spend.

Streamline Giving

Everyone's budget is tight around the holidays. Cut down on purchasing individual gifts by having a "Secret Santa" at work. Perhaps adults in the family also would appreciate not having to exchange gifts anymore.

Leave Credit Cards at Home

Limit yourself to using cash only, which will help prevent overspending. Decide what you want to buy for the people on your list before you shop. Don't be tempted by sales that lure you to stores you didn't intend to visit.

Be Cautious with Shopping Online

Avoid blowing your budget by sticking to your gift list and budget. Ignore suggestions for other items that might appear on a website.

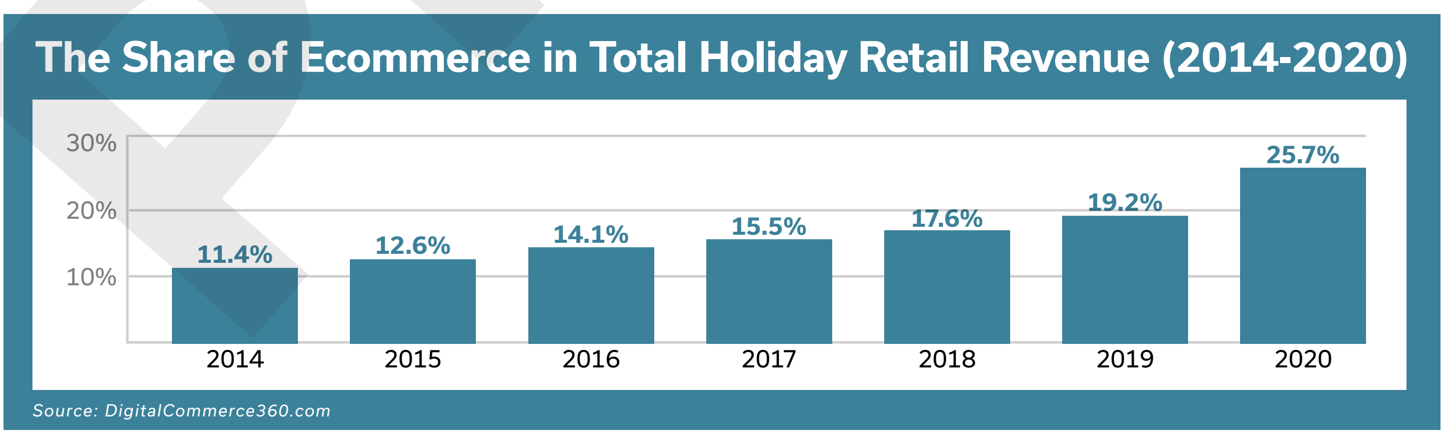
Inheriting a House

The decision of what to do with a house that passes to you as a part of an inheritance may be an emotional one, especially if it was your childhood home. While you have options, having the house appraised by a qualified appraiser and consulting your legal and insurance professionals should be your first steps.

1. **Sell the House.** You'll receive a step-up in basis to the home's value at the date of the owner's death. If you sell the house for its assessed value, you won't owe capital gains tax on the sale. However, if you sell the house later at a higher price, you'll owe capital gains tax on the difference between the selling price and your stepped-up basis.
2. **Become a Landlord.** Renting out the house can provide extra income, but you'll be responsible for maintenance and property taxes. Be aware of IRS rules regarding rental property and deductible expenses.
3. **Make It Your Home.** You could choose to live in the house yourself. Make sure you have an emergency fund in place to cover unexpected expenses.

More People are Shopping Online

Holiday retail trends over the past seven years have constantly been growing. Online shopping's share in the total holiday revenue wasn't projected to reach the 25.7% share until 2024 — indicating the effect the pandemic had on ecommerce growth.



New IRS Rules for Early Withdrawals

Withdrawing money from a retirement account before age 59½ typically comes with a 10% early withdrawal penalty. One way to avoid the penalty is by taking "substantially equal periodic payments" (SEPP). Once payments begin, they must continue for five years or until you reach age 59½, whichever is longer.

The Old Rules

In the past, withdrawals were based on your life expectancy plus a rate of interest that could fluctuate each month. The changing interest rate made budgeting difficult.

The New Rules

In January 2022, the IRS set the base interest rate as any rate that is not more than five percent. The ruling means that individuals who choose to make withdrawals under a SEPP arrangement can make larger withdrawals with more predictable payments.

Other Ways to Avoid the Penalty

A SEPP arrangement isn't the only way to withdraw funds from retirement accounts without incurring the 10% early withdrawal penalty. Depending on your personal circumstances, you can:

- Withdraw up to $10,000 from a traditional IRA for a first-time home purchase. If you're married, your spouse can also withdraw $10,000 from his/her own IRA.
- Take Qualified Education Expense withdrawals from a Roth IRA to pay qualified education expenses for yourself or your dependents.
- Withdraw money from an IRA to pay unreimbursed medical expenses that exceed 10% of your adjusted gross income.
- Withdraw funds from an IRA to pay health insurance premiums if you lose your job and collect unemployment benefits for at least 12 weeks.
- Take an IRA distribution to supplement SSDI benefits for a disability whose severity is confirmed by a physician.
- Take a 401(k) loan for the lesser of 1) $10,000 or 50% of your vested account balance, whichever is larger, or 2) $50,000 .
- Withdraw money from an inherited IRA before age 59½, but you'll owe income taxes on the withdrawal.
- Withdraw contributions — but not earnings — from a Roth IRA.

Ideally, money should remain invested in your retirement accounts until you're ready to use it in retirement. However, as a last resort, you do have options for making penalty-free early withdrawals if you absolutely need the funds.

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FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

August 04, 2022

Reference: **FR2022-0726-0127/E**
Link Reference: FR2022-0519-0131

Org Id: 23568

1. LTM 2022 NovDec - Retirement

   Rule: FIN 2210
   6 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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