LET'S TALK MONEY®

July/August 2023

Secure Act 2.0: Boosting Retirement Readiness

The Secure 2.0 Act of 2022 expands some provisions contained in previous versions of the Act and adds some new ones. The goal is to make saving for the future easier.

New Age for RMDs

The Act raises the age for taking required minimum distributions (RMDs) from qualified retirement plan accounts. As of January 2023, the age for beginning withdrawals from 401(k) and similar plans is 73, increasing to age 75 in 2033. Delaying RMDs allows more time for money to remain in retirement accounts tax deferred.

Disadvantages of Later Withdrawals

RMD amounts are based on the account balance at the end of the prior year and the account owner's life expectancy. Delaying RMDs may mean a retiree will have to take larger distributions based on a larger account balance, potentially moving the retiree into a higher tax bracket. The additional income could also increase Medicare Parts B and D premiums and subject more of a person's Social Security benefits to taxation.

Lower Penalties

Penalties for failing to take an RMD are reduced from 50% to 25% of the amount not taken. The penalty is further reduced to 10% if the failure to take the required amount is corrected in a timely manner.

Catch-up Changes

After December 2023, catch-up contributions for plan participants ages 50 and older will be indexed to IRS cost-of-living adjustments (COLA). In 2025, catch-up limits for 401(k) participants ages 60 to 63 will increase to the greater of $10,000 or 150% of the regular catch-up amount. After 2025, the catch-up amount will be indexed for inflation.

Emergency Withdrawals

Beginning in 2025, participants can access up to $1,000 annually from their retirement savings without penalty for emergency expenses. The participant may repay the distribution within three years, but cannot take additional distributions during that time, unless the distribution has been fully repaid. Victims of a federally declared natural disaster can withdraw up to $22,000 from retirement accounts penalty free for disasters that occurred after January 25, 2021.

Automatic Enrollment

In 2025, employers with new 401(k) and 403(b) plans will be required to automatically enroll eligible new employees in the plan. Employees can then choose to opt out of the plan.

FR2023-0310-0155/E RETIR

Karen Petrucco
Account Manager

LTM Client Marketing
45 Prospect Ave
Albany, NY 12206

Tel: 800-243-5334
Fax: 800-720-0780
sales@ltmclientmarketing.com
www.ltmclientmarketing.com

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

LTM Client Marketing
helping financial professionals stay connected

Inflation and Your Tax Bill

Inflation is measured by changes over time in the price of a fixed basket of goods and services that represent the everyday purchases of U.S. households. Each year, the IRS makes adjustments for inflation to certain items used to prepare your income tax return.

These items include income-tax brackets, standard deductions, capital gains income thresholds, the earned income tax credit, and retirement plan and IRA contribution limits, among others. All are adjusted to reflect inflation during the previous year, based on the Chained Consumer Price Index for All Urban Consumers (Chained CPI-U).

But some items that can have an impact on your tax bill are not adjusted for inflation.

Social Security Benefits

Although Social Security benefits generally receive a cost-of-living adjustment each year, the income thresholds at which benefits are taxed have remained the same: $25,000 for single filers and $32,000 for married taxpayers filing jointly. Depending on your income, up to 85% of your benefits could be taxed.

Home Sale Tax Exclusion

The amount of gain on a home sale that can be excluded from tax remains at $250,000 for single filers and $500,000 for married joint filers, despite increases in housing prices.

You must have lived in your home for at least two of the last five years before the sale to claim the exclusion and haven't claimed an exclusion in the previous two years.

Surtax on Investment Income for High Income Individuals

A surcharge of 3.8% on net investment income, such as dividends, interest, and capital gain, applies to single filers with modified AGI over $200,000, and married joint filers with modified AGI over $250,000. In addition, the 0.9% surtax on earned income, including wages and self-employment income, is not inflation adjusted.

Your tax professional can help you make the most of any deductions and credits you may qualify for that can lower your tax bill.

A Financial Wellness Checkup

How are your finances doing? If you're not sure, it may be time to take steps to assess your financial health.

Find your net worth. Net worth is what you own — savings, investments, cars, property, valuables — minus what you owe — loans, credit card balances, car payments, mortgage, etc. The result is your net worth.

Review your budget. See where your money is going and make adjustments.

Start an emergency fund. Set aside money from each paycheck for unexpected expenses.

Contribute to a retirement plan. Join an employer's plan or open an IRA.

Don’t Put Off “The Talk”

How much have your parents shared with you about their finances and estate plan? It’s a difficult subject for most families. Parents often don’t want to discuss their personal finances, and adult children may be reluctant to initiate the conversation. Even when parents are active and in good health, it’s important for children to have information about their financial situation and the plans they have in place.

A Beginning

Although not a comprehensive list, parents should share the following information with their adult children:

- Estate planning documents, including wills, powers of attorney for finances and health care, and any trusts they’ve created
- Names, contact information and account numbers for financial institutions, brokerage firms and insurance companies
- Information on retirement and investment accounts, pensions and annuities
- Contact information for their attorney, financial advisor and accountant/tax preparer
- Loans or other outstanding debts
- A list of credit cards with account numbers
- Location of safe deposit box and keys
- Logins and passwords for all accounts (including social media)
- Vehicle titles/registration/insurance
- Location of deeds to property and cemetery plots
- Funeral arrangements and/or final wishes

It’s Time to Ask

When parents aren’t forthcoming about their situation, adult children may have to take the first step. Framing the discussion around something you’re doing, such as making your own will or designating a power of attorney, can get the conversation started. Asking their advice on some aspect of finances or investing may encourage parents to share their financial information.

Assess Their Abilities

Keeping in touch with parents is the best way for adult children to pick up on any decline in their ability to handle their finances. If you’re concerned, offer to help with financial tasks, such as banking, investing and paying bills. Monitoring their accounts online can help protect them from fraud and scammers.

Understanding APR

If you apply for a loan or open a savings or investment account that pays interest, the documents you sign will include the annual percentage rate, or APR. APR is the yearly interest rate charged for borrowing money or the annual interest rate earned on an investment.

The APR offered to a borrower will depend on several factors, including competing rates offered in the market, the prime rate set by the central bank, and the borrower’s credit score. Typically, borrowers with the highest credit scores are offered the best rates.

APR may be fixed or variable. A fixed APR loan has an interest rate that’s guaranteed not to change over the term of the loan. A variable APR may change at any time. Lenders may charge different rates for purchases, balance transfers and cash advances.

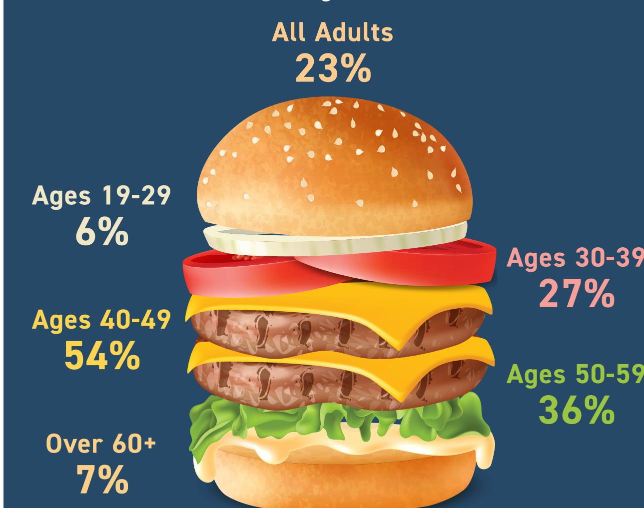
Consumers can use APR to compare lenders, credit cards or investment products. Do your research to find the best rates.

Welcome to the Sandwich Generation

Approximately one quarter of U.S. adults are members of the “sandwich generation” — individuals who have parents older than 65 and who either are raising at least one child younger than 18 or have provided financial support to an adult child.* Adults in their 40s are the most likely to be part of the sandwich generation.

THE SANDWICH GENERATION

(Percentage of adults)



**Source: Pew Research Center, Survey of U.S. adults conducted October 18-24, 2021*

Financial Security Begins When You're Young

When you tossed your mortarboard in the air at graduation, you probably weren't thinking about the day you would retire. But planning for retirement starts decades before you ever leave the workforce. Ideally, it begins with your first adult job and continues throughout your career. Taking steps to ensure your success should be a priority.

Defining Goals

You can't get where you want to be if you don't know where you're going. Setting goals should be your first step once you start working, even though some of those goals may change over time. Set short-term goals for wants that are a few months or years away, such as saving for a car or starting an emergency fund. Mid-term goals have a longer time frame. They might include paying off student loans or saving for the down payment on a house.

Long-term goals are far in the future. Saving for retirement is the goal that will take the longest and require the most money. Starting to save early in your career is your best route to success.

Choosing a Career

Earning potential is important when you're choosing a career, but it isn't the only thing to consider. Job satisfaction is just as important if you hope to thrive. Start by researching jobs in a field that interests you and look at the long-term career prospects. Consider whether there are opportunities for travel if that is important to you — or the ability to stay local if it's not.

Saving Smart

Take advantage of any tax-advantaged savings opportunities for which you're eligible. Your employer's 401(k) plan, traditional and Roth individual retirement accounts, and health savings accounts (HSAs) offer tax benefits that can help you accumulate savings.

Networking

Joining professional organizations will help you meet people in your field. Interacting with others who have similar interests could lead to new career opportunities.

Managing Finances

Your success at saving enough for a secure retirement will ultimately depend on your ability to prudently manage your finances. By living within your means and keeping your spending in line with your financial obligations, you will have the best chance for achieving your retirement goals.

We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 21, 2023

Reference: **FR2023-0310-0155/E**
Link Reference : FR2022-1228-0080

Org Id: 23568

1. Let's Talk Money Newsletter - July/Aug 2023 Retirement
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.

NOTE: *We assume that your filed communication doesn't omit or misstate any fact, nor does it offer an opinion without reasonable basis. While you may say that the communication was "reviewed by FINRA" or "FINRA reviewed," you may not say that we approved it.*

Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850
t 240 386 4500
f 240 386 4568