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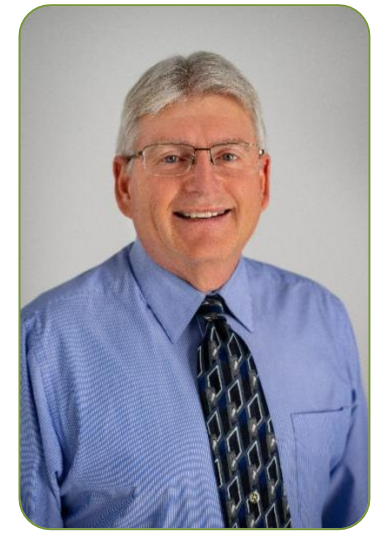


Jeffrey Bird-RICP®

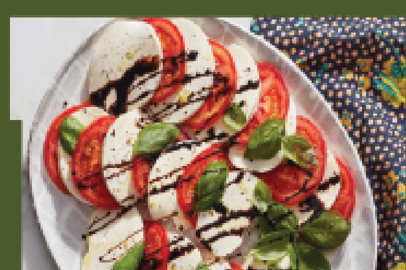
Financial Focus

A Monthly Insight Into Your Finances

June 2022

Tune in to Jeffrey's podcast, *Financial Focus*, by visiting http://financialconceptsmesquite.com/podcast/

Caprese Salad



INGREDIENTS

- 2 c. balsamic vinegar
- 3 ripe tomatoes
- 12 oz. fresh mozzarella, thickly sliced
- Large bunch fresh basil leaves
- Olive oil, for drizzling
- Large pinch kosher salt
- Large pinch freshly ground black pepper

DIRECTIONS

1. | Measure the balsamic vinegar and pour into a saucepan. Bring it to a gentle boil over a low heat. Cook it until the balsamic vinegar has reduced to a nice thick glaze (but still pourable), about 15 minutes. Allow the reduction to cool to room temperature before you serve it.

2. | When you are ready to assemble the salad, cut the tomatoes into thick slices. Arrange them on a platter, alternating them with the mozzarella slices. Tuck the whole basil leaves in between the tomato and cheese slices.

3. | Drizzle on the gorgeous, almost black balsamic reduction. Then drizzle olive oil in a thin stream over the top. Finally, sprinkle on salt and pepper.

https://www.foodnetwork.com/recipes/ree-drummond/caprese-salad-recipe-3381696

401(k) MISTAKES TO AVOID

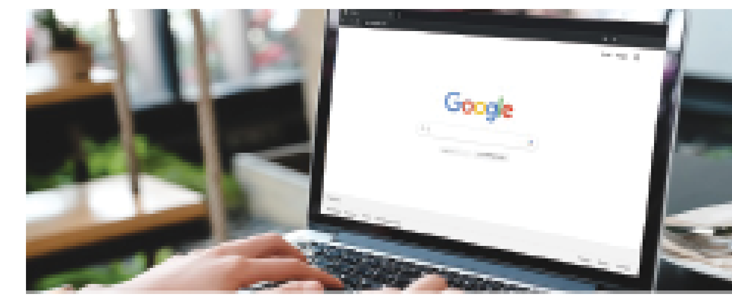
401(k)s can be an essential part of retirement planning for many Americans. Because of their importance, it's important to avoid making mistakes with a 401(k) strategy.

Make sure you know what you need

The first common 401(k) mistake is simply not thoroughly understanding your retirement needs. Figuring out how much money you'll need to maintain your preferred lifestyle during retirement isn't easy, but it's essential.

A surprising number of people head into retirement without an understanding of how much income they'll really need to enjoy — rather than simply survive — retirement.

Continued on next page…



The Original Name for Google

The original name for the search engine Google was Backrub. It was renamed Google after the googol, which is the number one followed by 100 zeros.

https://parade.com/966564/parade/fun-facts/

401(k) MISTAKES...

Crunch the numbers

In our opinion, annually you should examine the numbers. Even if you aren't entirely sure how you want your retirement to look, running budget estimates can still help you gain a sense of where your finances are right now and whether or not you'll likely have the money you need for your various retirement goals.

Ultimately, you should ask yourself what financial freedom means to you because there isn't a one-size-fits-all definition. Generally, financial professionals encourage most folks to plan on replacing roughly 70 to 90 percent of their pre-retirement income to maintain a good lifestyle in retirement.

Make sure you're saving enough

The next common 401(k) mistake that can come back to haunt you is saving too little. And don't be fooled by auto-enrollments! While many employers automatically enroll new employees in their company 401(k) plan, the amount may not be enough to help you reach your personal retirement goals in your preferred timeframe.

Commonly, the amount saved in a 401(k) is about six percent.[1] And even if you add the three percent match that many companies provide, you may still find yourself running behind on how much you need to be saving for retirement.

Clearly, not saving anything at all for retirement is a massive red flag, but not saving enough also imperils your dreams and visions for retirement.

Don't ignore fees

Ignoring fees is the next common 401(k) mistake that you should try to avoid. The bottom line is that fees and related 401(k) expenses should always be top of mind. While it's your 401(k) balance itself that will ultimately decide how much income you receive, it's also true that fees and expenses can work together to dilute your growth potential.

You should note that 401(k) fees typically fall into three different categories, as defined by the U.S. Department of Labor: plan administration fees, investment fees and individual service fees.

Thankfully, the financial services industry has improved how fees are disclosed, but it's fair to say that it can still be challenging for the average person to determine just how much they're really forking over in both fees and expenses within their 401(k) plans.

Regularly review your 401(k) documents to try and determine exactly how much you're paying. Larger plans can often have smaller expenses. You may also want to use the Fund Analyze tool that's provided by the Financial Industry Regulatory Authority, more commonly referred to simply as FINRA.

Don't miss out on matches

Another serious 401(k) mistake that many people fall victim to is wasting opportunities for matching funds. At its most basic, matching funds are simply additional income provided by your employer. If your employer offers a match on any percentage of your 401(k) contribution, you should strongly consider contributing at least enough to get the maximum company match. This year, the 401(k)-contribution limit is $20,500 or $27,000 if you're 50 or older.

SOURCE

[1]Vanguard. "How America Saves 2020," Page 36. Accessed Nov. 14, 2021.

Working While Receiving Social Security Benefits

The COVID-19 recession and the continuing pandemic pushed many older workers into retirement earlier than they had anticipated. A little more than 50% of Americans age 55 and older said they were retired in Q3 2021, up from about 48% two years earlier, before the pandemic.[1]

For people age 62 and older, retiring from the workforce often means claiming Social Security benefits. But what happens if you decide to go back to work? With the job market heating up, there are opportunities for people of all ages to return to the workforce. Or to look at it another way: What happens if you are working and want to claim Social Security benefits while staying on your job?

Retirement Earnings Test

Some people may think they can't work - or shouldn't work - while collecting Social Security benefits. But that's not the case. However, it's important to understand how the retirement earnings test (RET) could affect your benefits.

- The RET applies only if you are working and receiving Social Security benefits before reaching full retirement age (FRA). Any earnings after reaching full retirement age do not affect your Social Security benefit. Your FRA is based on your birth year: age 66 if born in 1943 to 1954; age 66 & 2 months to 66 & 10 months if born in 1955 to 1959; age 67 if born in 1960 or later.
- If you are under full retirement age for the entire year in which you work, $1 in benefits will be deducted for every $2 in gross wages or net self-employment income above the annual exempt amount ($19,560 in 2022). The RET does not apply to income from investments, pensions, or retirement accounts.
- A monthly limit applies during the year you file for benefits ($1,630 in 2022), unless you are self-employed and work more than 45 hours per month in your business (15 hours in a highly skilled business). For example, if you file for benefits starting in July, you could earn more than the annual limit from January to June and still receive full benefits if you do not earn more than the monthly limit from July through December.
- In the year you reach full retirement age, the reduction in benefits is $1 for every $3 earned above a higher annual exempt amount ($51,960 in 2022 or$4,330 per month if the monthly limit applies). Starting in the month you reach full retirement age, there is no limit on earnings or reduction in benefits.
- The Social Security Administration may withhold benefits as soon as it determines that your earnings are on track to surpass the exempt amount. The estimated amount will typically be deducted from your monthly benefit in full.
- The RET also applies to spousal, dependent, and survivor benefits if the spouse, dependent, or survivor works before full retirement age. Regardless of a spouse's or dependent's age, the RET may reduce a spousal or dependent benefit that is based on the benefit of a worker who is subject to the RET.

Back to Work

In this hypothetical example, Fred claimed Social Security in 2021 at age 62, and he was entitled to a $1,500 monthly benefit as of January 2022. Fred returned to work in April 2022 and is on track to earn $31,560 for the year — $12,000 above the $19,560 RET exempt amount. Thus, $6,000 ($1 for every $2 above the exempt amount) in benefits will be deducted. Assuming that the Social Security Administration (SSA) became aware of Fred's expected earnings before he returned to work.

In practice, benefits may be withheld earlier in the year or retroactively, depending on when the SSA becomes aware of earnings.

The RET might seem like a stiff penalty, but the deducted benefits are not really lost. Your Social Security benefit amount is recalculated after you reach full retirement age. For example, if you claimed benefits at age 62 and forfeited the equivalent of 12 months' worth of benefits by the time you reached full retirement age, your benefit would be recalculated as if you had claimed it at age 63 instead of 62. You would receive this higher benefit for the rest of your life, so you could end up receiving substantially more than the amount that was withheld. There is no adjustment for lost spousal benefits or for lost survivor benefits that are based on having a dependent child.

If you regret taking your Social Security benefit before reaching full retirement age, you can apply to withdraw benefits within 12 months of the original claim. You must repay all benefits received on your claim, including any spousal or dependent benefits. This option is available only once in your lifetime.

1) Pew Research Center, November 4, 2021