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Financial Focus

A Monthly Insight Into Your Finances
November 2022

Are you Maxing out your 401(k)

For many Americans, a 401(k) is a huge part of their financial strategy. That's because, for a lot of folks, a 401(k) and Social Security will be their primary sources of retirement income. But many people don't understand how to max their 401(k).

Let's look at some of the ways you may be able to do exactly that.

Focus on tax breaks

In 2022, you can defer paying income taxes on as much as \$20,500 that you dedicate to your 401(k). If you're in the 24% tax bracket, doing so may reduce your tax bill by \$4,920. Ultimately, income tax won't be due on that money until you begin taking withdrawals.

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Benjamin Franklin Preferred the Turkey Over the Bald Eagle

Famous Founding Father, Ben Franklin was not pleased with his peers' choice in our National Bird. In a letter to his daughter, he called the bald eagle "a bird of bad moral character"—because they steal from other birds—and praised the turkey for being a "much more respectable bird," "a bird of courage," and "a true original native of America." Imagine how different Thanksgiving and Fourth of July would be!

<https://www.worldanimalprotection.us/blogs/10-turkey-facts>

INGREDIENTS

- 4-5 cups brussels sprouts, halved
- 2 tbsp butter
- 3 cloves garlic, minced
- 1/4 c. flour
- 2 cups 2% milk
- 1 cup gruyere cheese, grated



DIRECTIONS

1. | Preheat oven to 375.
2. | Fill a large pot with water and bring it to a boil. Add the brussels sprouts and cook for 5-6 minutes until slightly tender. Drain the water from the pot and run the brussels sprouts under cool water to stop the cooking process. Pat the brussels sprouts as dry as possible.
3. | While the brussels sprouts are cooking, cook the minced garlic in the butter in a large saucepan until fragrant. Whisk in the flour and cook for 1 minute. Slowly add in the milk and cook for 5-6 minutes or until thickened, whisking to remove any flour clumps.
4. | Remove the saucepan from the heat and stir in 1/2 of the gruyere cheese. Stir until melted and season with salt and pepper.
5. | Pour the gruyere mixture over brussels sprouts and stir till they are evenly coated. Add the mixture to a large baking dish and sprinkle the remaining cheese on top. Bake for 20-25 minutes until nicely browned (You can broil the dish for the last 1-2 minutes too).

http://apple-of-my-eye.com/2017/01/10/unbelievable-cheesy-garlic-brussels-sprout-bake/#_a5y_p=6183640

Cheesy Garlic Brussels Sprout Bake

ARE YOU MAXING...

Furthermore, individuals who earn less than \$34,000 and couples that earn less than \$68,000 in 2022, may also qualify for the saver's credit, which is worth between 10% and 50% of 401(k) contributions up to \$2,000 for individuals and \$4,000 for couples.

Catch-up contributions

In 2022, the catch-up contribution is \$6,500. Older workers may be able to defer paying income taxes on as much as \$27,000 in a 401(k) account. Broken down, that means an employee who is 55 and in the 24% tax bracket who maxes out their 401(k) plan may be able to reduce their current tax bill by \$6,480.

Taking advantage of catch-up contributions may help you increase your retirement account balance in the critical final years before retirement. You can also defer paying income taxes on catch-up contributions until you begin taking withdrawals from your account.

Re-set your automatic contribution

As many of you probably know, many 401(k) contributions are automatically taken out of your paycheck and funneled directly into a retirement account. In 2022, the 401(k) contribution limit jumped \$1,000 from the 2021 limit, so make sure you've adjusted what's being withheld from your paycheck.

To fully max out your 401(k) this year, you'll need to save about \$1,708 a month, or about \$854 out of your two monthly paychecks. And don't forget that folks who are 50 and older can defer paying income tax on as much as \$2,250 a month.

Get your 401(k) match

Even if you aren't able to max out your 401(k), make it a goal to save at least enough to trigger your employer's 401(k) match. For example, an employer match of 50 cents for every dollar you save in your

401(K) up to 6% of your pay, is a 50% return on your investment.

And a dollar-for-dollar match doubles your money! You don't need to be a financial expert to know that there aren't many opportunities out there to double your money.

Select low-cost funds

Selecting low-costs funds is another way you may be able to max out your 401(k). Each fund within your 401(k) plan may charge you numerous fees. No matter how your investments perform, 401(k) fees are taken out of your returns.

Your plan sponsor must send you 401(k) fee disclosure statements that spell out how much each fund within your 401(k) costs you to own it. Do a little homework to see if your 401(k) plan offers a less expensive fund that will still meet your needs and goals.

Avoid penalties

Make sure you're paying close attention to your age when you start taking 401(k) withdrawals because there are penalties if you take money out of your 401(k) account either too soon or too late.

In many cases, you'll be slapped with a 10% early withdrawal penalty if you take a 401(k) distribution before you're 55. Additionally, there's a 50% penalty if you neglect to take a required minimum distribution from your 401(k), as well as the subsequent income tax bill, every year after turning 72.

SOURCE

<https://money.usnews.com/money/retirement/slideshows/how-to-max-out-your-401-k>

RETIREMENT SAVINGS IN A VOLATILE MARKET

If you worry about your retirement investments during market downturns, you're not alone. Unfortunately, emotions are often the enemy of sound investing. Here are some points to help you stay clear-headed during periods of market volatility.

Markets Rebound

Historically, even the worst bear market has bounced back and eventually gone on to reach new highs. In fact, since 1970, bear markets have lasted an average of 14 months.

A Chance to Buy Low

If you're investing a set amount of money on a regular basis, such as in a retirement plan account, you're buying fewer shares when prices are high and more shares when prices are low — one of the basic tenets of investing wisely.

Systematic investing involves making continuous investments on a regular basis, regardless of fluctuating share prices. Although this strategy does not ensure a profit or prevent a loss, you must be financially able to continue making purchases through extended periods of high and low price levels.

Retiree Strategies

The risk of experiencing poor investment returns just before or in the early years of retirement is a significant factor that can affect a nest egg's long-term sustainability. Fortunately, some strategies can help mitigate this risk.

For example, consider a tiered investment strategy, in which you divide your portfolio into tiers representing your short-, medium-, and long-term needs for income and growth.

The short-term tier(s) could contain the amount you need for about two to five years, invested in assets designed to preserve value. The medium-term tier(s) could hold investments that strive to provide income for perhaps three to 10 years, balanced with some growth potential. The longer-term tier(s) could hold higher-risk, higher-growth potential assets that you wouldn't need for at least 10 years. Generally, this tier is intended to feed the shorter-term tiers and fuel the strategy over the course of your retirement.

Another possible strategy is using a portion of your retirement savings to purchase an immediate annuity, which offers a predictable retirement income stream you could pair with Social Security and any other steady income sources to cover your fixed expenses.

An immediate annuity is an insurance-based contract in which you pay the issuer a single lump sum in exchange for the issuer's guarantee of regular income payments for a fixed period or the rest of your life. With some exceptions, you typically receive fixed payments with little or no variation in the amount or timing. When purchasing an immediate annuity, you relinquish control over the amount you invest.

A Financial Professional Can Help

If volatile markets prompt you to question your retirement investing strategy, your financial professional can be an objective third party to help ease your worries and evaluate possible portfolio shifts.

Bear Markets Eventually End

A bear market is generally defined as a loss of at least 20% from a recent high. From 1970 to 2021, there were seven bear markets, the longest lasting less than three years. A new bear market began in January 2022. Despite these down periods, a hypothetical \$10,000 investment in the S&P 500 in 1970 would have grown to more than \$2 million by 2022.¹

1) Source: S&P Dow Jones Indices and Refinitiv, 2022, for the period 1/1/1970 to 7/31/2022.

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