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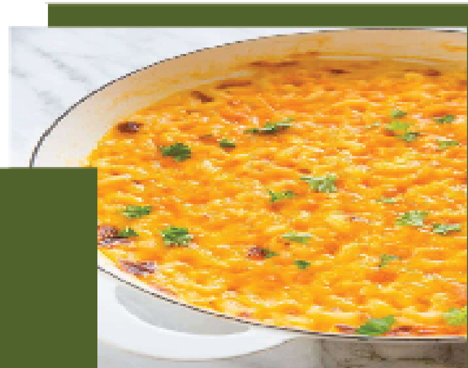
Financial Focus

A Monthly Insight Into Your Finances

January 2023

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

Creamy Three Cheese Skillet Mac n' Cheese



INGREDIENTS

- 2 1/2 cups of elbow macaroni uncooked
- 3 1/3 cups of water
- 1 cup of heavy cream
- 3 cups of sharp old cheddar cheese, divided
- 2 tbsp Parmesan Reggiano cheese grated
- 1/2 cup Velveeta cheese cubed

DIRECTIONS

1. In a large oven-safe skillet, bring the water to a boil. Add in the macaroni and cook over medium heat on a low simmer until al dente, around 8-9 minutes, making sure to stir it often so the macaroni doesn't stick to the pan.
2. When the macaroni is done (the water should be gone as well except for perhaps a couple tablespoons) turn the heat down to low and stir in the cream. Mix through the macaroni.
3. Add in 2 cups of the sharp cheese, the Velveeta and the Parm/Reg cheese. Stir in gently then remove from the heat and let sit for 1-2 minutes to melt so you don't overwork the noodles. Stir again gently, mixing it throughout the pasta.
4. Turn your oven on broil. Top the skillet with the remaining sharp cheese. Broil in the oven until you desire.
5. Remove and let cool for 5 minutes, then serve.

https://www.thekitchenmagpie.com/creamy-three-cheese-skillet-mac-and-cheese/

How to Make Your Money Last – Screen Segment

It's perhaps one of the most common questions that retirees ask financial service professionals: How do I make my money last a lifetime?

An AARP article, 5 Tips to Make Your Money Last a Lifetime has some recommendations that many of you may find useful.

Save enough for the long haul

The first recommendation is to focus on saving enough to see you through your ideal retirement. Remember, retirement is your reward for decades of hard work, so you want to thrive in retirement, not merely survive it.

Look at how much you currently have saved, your likely longevity, your expected Social Security benefit and other potential sources of retirement income. Next, determine how much you'll need to spend each month to maintain your preferred retirement lifestyle.

Continued on next page…

January Was Known as Wolf Month

The ancient Anglo-Saxons called January Wulf monath (literally "wolf month"). And it was given that name because wolves often came into the villages searching for food in the heart of winter. Not surprisingly, the first full moon of the year was then named after howling wolves and today is known as Wulf Moon.

https://milliethom.com/tag/wulf-monath/

HOW TO MAKE…

Cut back on spending
The article's next recommendation is to find some ways to cut back on your spending. For example, the article references a CreditCards.com poll that determined nearly 80% of parents have helped their adult children financially.

Interestingly, these parents added they would have otherwise used that money to improve their own financial standing by paying off debt or beefing up their emergency fund.

It's certainly human nature to want to help those you love the most, but the reality is being too generous may imperil your own retirement. It can be very hard but learning to say no is a simple step that may help solidify your retirement.

Plan for future healthcare costs
The next recommendation, begin planning early for future healthcare costs, is a biggie. If your current employer offers a health savings account, often referred to simply as an HSA, in conjunction with a high-deductible health insurance plan, you may want to strongly consider enrolling in it.

As the article notes, you can save pretax dollars that continue to grow tax free. Perhaps even more importantly, when you withdraw money to cover qualified medical costs, you may owe no taxes.

Additionally, look into whether you may be entitled to wellness benefits like partial coverage of a gym membership. Just a handful of hours a week working up a sweat doing something you enjoy may end up saving you a nice pile of money in the future. Getting in better shape before retirement may also help make your post-work life a little easier and more enjoyable.

Keep a resume handy
Maintaining an updated and polished resume is the article's next recommendation. Preparing for a longer life may mean working longer or working part-time after you've retired from your previous career. In either case, having a ready-to-go resume may be important.

If you're in your 50s and you and your financial services professional determine you need to increase how much you're saving, leveraging your skills and experience into a pay raise or a new job entirely, may be a solution.

Even if your satisfied with your current job and salary, keeping an updated resume on your laptop may help you land a side gig doing something that fits with your current skills or doing something you'll enjoy.

END SEGMENT

https://www.aarp.org/retirement/planning-for-retirement/info-2021/tips-to-make-your-money-last.html

THREE STRETCH ALTERNATIVES

The passage of the SECURE Act in 2019 effectively eliminated the stretch IRA, an estate planning strategy that allowed an inherited IRA to continue growing tax deferred, potentially for decades. Most nonspouse beneficiaries, including children and grandchildren, can no longer stretch distributions over their lifetimes. Moreover, proposed IRS regulations require most designated beneficiaries to take annual required minimum distributions (RMDs) within the 10-year distribution period if the original account owner died on or after his or her required beginning date. This shorter distribution period could result in unanticipated and potentially large tax bills for nonspouse beneficiaries who inherit high-value IRAs.

You may be looking for alternative ways to preserve your wealth and pass it on to your beneficiaries. Here are three options you might consider.

Roth Conversion
If you are willing to pay income taxes now instead of your beneficiaries paying them later, you could convert your IRA to a Roth IRA. Anyone can convert a traditional IRA to a Roth IRA. However, you generally have to include the amount you convert in your gross income for the year converted. Not only would you have to pay taxes on the amount converted, but the beneficiaries of your Roth IRA will generally have to liquidate the account within 10 years of inheriting it, although they won't pay federal income taxes on the distribution(s).

Life Insurance
You could take distributions from your IRA and use them to buy life insurance on your life. The beneficiaries you name in the life insurance policy will receive those proceeds tax-free at your death. The policy beneficiaries could use the tax-free proceeds of the life insurance to pay any income taxes they would owe on the balance of the IRA they inherit from you. Or, if you've been able to liquidate or spend down your IRA during your lifetime, the tax-free life insurance death benefit would replace some or all of the taxable IRA that otherwise would have been inherited by the beneficiaries.

Irrevocable Trust
You could create an irrevocable trust and fund it with non-IRA assets. An irrevocable trust can't be changed or dissolved once it has been created. You generally can't remove assets, change beneficiaries, or rewrite any of the terms of the trust. Often, life insurance is used to fund the irrevocable trust. You can direct how and when the trust beneficiaries are to receive the life insurance proceeds from the trust after your death. In addition, if you have given up control of the property, all of the property in the trust, plus any future appreciation on the property, is removed from your taxable estate.

Wealth Cache
Assets held in individual retirement accounts (IRAs) and defined-contribution plans such as 401(k)s dipped in the first half of 2022 to $21 trillion. Even so, that total was up more than 25% from year-end 2018.

While trusts offer numerous advantages, they incur upfront costs and often have ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax professionals before implementing such strategies.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. In addition, if a policy is surrendered prematurely there may be surrender charges and income tax implications. Any guarantees are subject to the financial strength and claims-paying ability of the insurer.

To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must meet the five-year holding requirement, and the distribution must take place after age 59½ or due to the owner's death, disability, or a first-time home purchase ($10,000 lifetime maximum). Under current tax law, if all conditions are met, the Roth IRA will incur no further income tax liability for the rest of the owner's lifetime or for the lifetimes of the owner's heirs, regardless of how much growth the account experiences.