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

Chocolate Cake in a Mug

INGREDIENTS

- 3 tbsp all-purpose flour
- 3 tbsp sugar
- 2 tbsp cocoa powder
- 1/4 tsp baking powder
- Pinch of salt, optional
- 3 tbsp milk
- 3 tbsp vegetable oil
- Splash vanilla extract, optional
- 3 tbsp chocolate chips

DIRECTIONS

1. Special equipment: a 12-ounce microwave-safe ceramic mug and a microwave oven
2. Put the flour, sugar, cocoa powder, baking powder and salt if using in a 12-ounce microwave-safe ceramic mug. Blend thoroughly with a fork. Add the milk, vegetable oil and vanilla if using and blend until smooth. Stir in the chocolate chips.
3. Microwave on high for 90 seconds. Do not overcook or the cake will be dry. Let cool for 2 to 3 minutes before eating.

https://www.foodnetwork.com/recipes/ree-drummond/chocolate-cake-in-a-mug-3158576

Jeffrey Bird-RICP®

Financial Focus

A Monthly Insight Into Your Finances

May 2023

How to Reduce Taxes on Retirement Savings

With an appropriate strategy, you may be able to reduce taxes on your retirement savings. Although financial services professionals don't give tax or legal advice, a U.S. News and World Report article, 10 Ways to Reduce Taxes on Your Retirement Savings has some good information.

Contribute to your 401(k)
Simply contributing to a 401(k) is one way you may be able to save on taxes during your retirement.

Putting money into a traditional 401(k) plan may allow you to defer paying income taxes on your retirement savings until you withdraw the money from your account. Many workers are eligible to defer taxes on as much as $22,500 this year if that money is deposited into a 401(k), 403(b), or the federal government's Thrift Savings Plan.

And, if payments are made through a payroll deduction, you'll see the tax break almost immediately because less money will be withheld for your income taxes.

Continued on next page…

Tulip Flowers Are Edible

Tulips are actually a part of the lily family, which also includes onions, garlic, and asparagus. The petals are edible and have been used as an onion substitute and to make wine. Tulips were commonly used in food during the Dutch famine over the course of World War II.

https://www.bhg.com/gardening/flowers/facts-about-tulips/

HOW TO REDUCE…

Dedicate money to a Roth 401(k)
Contributing money to a Roth 401(k) is another way you may be able to reduce your tax burden during retirement. The contribution ceilings for Roth 401(k)s are identical to those for traditional 401(k)s, but the tax ramifications are different.

First, you don't see an immediate tax break on Roth 401(k) contributions because they use after-tax money, which may then allow you to accumulate tax-free investment growth and utilize tax-free withdrawals after you've turned 59 ½ from an account you've held for a minimum of five years.

The investment growth in a Roth 401(k) isn't taxed annually and you can make tax-free and penalty free withdrawals after age 59½ and once the account has been open for five years.

Consider an IRA
This year, folks with earned income who save for retirement via an individual retirement account, or IRA, may defer income tax on as much as $6,500. But you may not be able to claim a tax deduction on your IRA contribution if you also have a 401(k) account through your work and earn more than a certain threshold.

The IRA deduction vanishes for 401(k) account participants who earn between $73,000 and $83,000 this year. That number is between $116,000 and $136,000 for couples. If just one spouse has a 401(k) plan through their employer, the tax break sunsets if the couple's income is between $218,000 and $228,000 this year.

Research Roth IRAs
By contributing to a Roth IRA, you may be able to prepay income tax on as much as $6,500 this year. Dedicating money to a Roth IRA may qualify you for tax-free investment growth and tax-free withdrawals in retirement accounts that you've held for a minimum of five years.

The flexibility to put money in a Roth IRA phases out once your adjusted gross income rises to between $138,000 and $153,000 for individuals and $218,000 and $228,000 for married couples. However, in some cases, folks who earn more than those figures may still be eligible to convert traditional retirement account money to a Roth.

There are upsides and downsides to both traditional accounts and Roth accounts, and those will be determined by your individual circumstances. When choosing between the traditional or Roth route, you should work with a financial services professional.

Catch-up contributions
Folks who are at least 50 qualify for an additional tax break if they make catch-up contributions to their retirement accounts. Older workers may defer taxes on an additional $7,500 in a 401(k) plan for a total tax-deductible contribution of up to $30,000 this year. That number for younger workers is $22,500. In 2025, folks who are between 60 and 63 will have the option to make even more catch-up contributions.

IRAs also permit catch-up contributions for folks who are at least 50 of as much as $1,000 this year. Older people can contribute a tax-deductible IRA contribution of up to $7,500 this year.

Source: https://money.usnews.com/money/retirement/slideshows/10-ways-to-reduce-taxes-on-your-retirement-savings

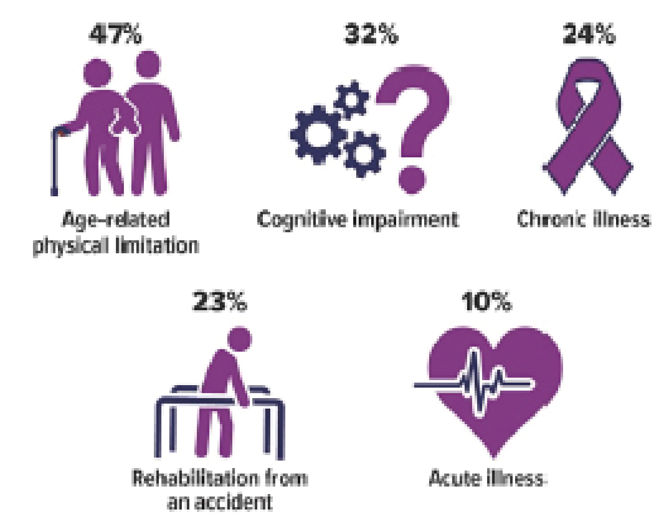
COULD YOUR LIVING SITUATION CHANGE AS YOU GROW OLDER?

Recent research from the U.S. Department of Health and Human Services suggests that most Americans turning age 65 will need long-term care support during their lifetimes.[1]

If the need arises, how will you handle potential long-term care for yourself or a loved one? Planning for the consequences of aging in general, andlong-term care in particular, will depend on your preferences and circumstances. A long-term care plan should account for the different types of care you may need and the different settings in which you might receive that care. These are the most common options.

Your Home
Given a choice, you might prefer to receive long-term care support in your own home. Family caregivers, friends, or trained homemakers could provide assistance with everyday tasks, and professionals such as nurses and home health aides could provide home health care. In addition, a variety of community support services may be available, including adult day-care centers and transportation services. In any case, receiving care at home offers a measure of independence in a familiar environment.

Reasons for Care
A 65-year-old has a nearly 70% chance of needing long-term care support and services at some point. The average length of long-term care in 2021 was 3.5 years, up from 3 years in 2018. People need care for a variety of reasons, but the most common is simply the physical limitations of aging.



Source: Genworth, 2021 (multiple responses allowed)

Community Care Retirement Communities (CCRCs)
Also known as life plan communities, CCRCs provide a range of services — from independent living tofull-time skilled nursing care — all in the same location, allowing you to age in place. Most CCRCs combine housing options at one location and may include townhouses or cottages for independent living, assisted living apartments, and nursing home accommodations.

Assisted Living Facilities
If you want to remain independent but need some assistance with activities of daily living, you might choose to live in an assisted living facility. These home-like facilities offer housing, meals, and personal care services, but generally not medical or nursing services.

Nursing Homes
People who enter a nursing home usually have a disabling condition or cognitive disorder and can no longer take care of themselves. State-licensed nursing facilities offer more specialized skilled care, intermediate care, and custodial care. This is the most expensive way to receive long-term care. Take some time to think about what the future might hold. Planning ahead can help ensure that you receive the type of care you need, in the setting that you prefer, as you grow older.

1) U.S. Department of Health and Human Services, 2021