REINVENTING RETIREMENT

Your Retirement Planning Newsletter
Second Quarter 2023

COACHING DECISION

Consider Working With a Financial Professional To Help Improve Your Financial Health

A financial professional can help you not only make key financial decisions, but also identify your priorities and guide you toward achieving your financial goals — including retirement. Here are three reasons why seeking professional advice about your financial future may be a smart move.

Independence

Sometimes your emotional biases can make it difficult to look at your own financial situation with clear eyes. A common example: people may know they need to save for retirement, but they often have difficulty sacrificing present consumption because of a lack of self-control. A professional advisor can help provide an outside perspective, personalized accountability and recommendations for changes in behavior that may be necessary for you to pursue your goals.

Personalization

Each person has their own unique set of circumstances, and general financial advice (like the kind you get in this newsletter) cannot possibly consider all of your unique variables. A financial advisor can help you recognize when you may need to adjust your spending, balance personal needs versus wants and identify ways to be more mindful about your finances.

Address Specific Questions You Have Now

A professional advisor can help answer questions you have right now, such as:

- Is the amount I'm currently saving enough to manage my retirement income needs?
- Should I be making Roth contributions or pre-tax contributions?
- How can I manage things like inflation, market volatility and other risks in my investment strategy?
- What can I expect from Social Security benefits?
- How can I best plan for healthcare expenses in retirement?

Finding a Financial Advisor

Your current plan advisor may be able to work with you or refer you to a colleague. In addition, you can:

- Ask friends, family or colleagues for recommendations
- Visit www.cfp.net or https://www.letsmakeaplan.org/ to research Certified Financial Planner® professionals in your area
- Do a background check on your potential advisor through Investor.gov
- Create a shortlist of potential candidates and ask each one the following questions:
  - *What services do you provide?*
  - *What types of clients do you work with?*
  - *How often do you meet with clients? How often will we communicate?*
  - *How are you compensated? Fees (hourly or a percentage of assets)? Commission? Both?*

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DO NOT REMOVE

Tapping Your Retirement Account for Other Financial Needs Can Have Costly Consequences

According to a December 13, 2022, article in The New York Times[1], hardship withdrawals from workplace retirement accounts are rising — “another sign, along with rising credit card debt, that many Americans have been feeling financial pain from inflation.”

At some point, most people find themselves in a situation where they need access to cash quickly. If that happens to you, you may think about taking money out of your retirement plan account through either a loan or distribution. While those are both possible options, you need to understand the impact of this action on your long-term goals.

Hardship Withdrawals

Hardship withdrawals can be taken for “immediate and heavy” financial need, according to the Internal Revenue Service. But while a hardship withdrawal may solve a short-term issue, it may have a costly impact. Consider the following chart to see the financial implications before you remove funds from your account. If you’re under age 59½, you may get hit with both ordinary income taxes and an additional 10% federal income tax penalty.[2]

Example

Amount of withdrawal:	$40,000
Ordinary income taxes:	($9,600)
Early withdrawal penalty tax:	($4,000)
Leaves you with just:	$26,400

Assumes the account holder is under age 59½ (and no exception to the 10% additional tax applies) and has a 24% effective federal income tax rate. Additional state and local income taxes may be levied (if applicable).

Plan Loans

When you take out a plan loan, there are no income tax or early-withdrawal penalty consequences. However, you generally have up to five years to repay any loan from your retirement plan account. Leaving your job (or losing it) before the loans are repaid may mean you have to pay the money back in full right away. If you don’t, the amount that still needs to be repaid may be considered a distribution and subject to federal and state income taxes (if applicable), as well as the additional 10% federal income tax penalty if you are under age 59½ (unless an exception applies).

Missing Out on Potential Growth Opportunities

As much as you may need the money now, taking a distribution or borrowing from your retirement account undermines the potential for the funds to grow through tax-deferred compounding — on both the money you have invested as well as any growth of that money’s earnings. This could make it more difficult for you to reach your retirement goals.

If you’re thinking about taking a distribution or loan from your retirement plan account, consider consulting with a financial advisor (your plan’s advisor may be able to help).

[1] https://www.nytimes.com/2022/12/16/your-money/hardship-early-401k-withdrawal-loans.html

[2] There are a few exceptions to the 10% penalty, including a birth or adoption, terminal illness, and a qualified disaster. Check with a tax professional to confirm which expenses are exempt from the 10% early-withdrawal penalty.

DAY DRINKING

Start Your Day Off With Water (and Keep the Drinks Coming)

When was the last time you reached for a glass of water first thing in the morning — instead of getting your caffeine fix? You probably already know that staying properly hydrated throughout the day is a basic rule of a healthy lifestyle. It balances chemical processes in the brain, keeps your organs functioning properly and aids in recovery after a tough workout. In addition, there may be something extra beneficial to drinking a glass of water right after you wake up.

Top of the Morning

Your body cannot produce enough water through metabolism to meet its daily needs. This is why we need to drink enough to function properly. If you spend 6-8 hours sleeping, that's a long time to go without one sip of water. However, when you wake up, your brain may be wired to think of coffee first. Instead, consider re-training yourself to drink water first.

According to the Mayo Clinic, there's no one-size-fits-all recommendation for how much water is needed every day, but starting off with a full glass of water can have real benefits.

Boost Your Morning Workout

If you work out in the morning, drinking water first thing can help you ward off breakfast hunger. It can also help you burn fat. This is partly due to what is known as water's "thermogenic effect." This has to do with the energy required to warm up cold water in the digestive tract after consumption. Multiple studies have shown that water-induced thermogenesis has the potential to increase the body's metabolic rate by 24%-30% in adults, and the effect lasts about an hour.

Fun fact: the human brain is composed of 95% water, lungs are 90%, blood is 83%, muscles are 76% and bones are 22%.

Improve Your Mental Performance

If you are even just a little dehydrated when you wake up, it can result in brain fog. Unfortunately, a double shot of espresso probably won't clear things up much (or at least, only temporarily). Water, however, has been shown to increase alertness and short-term memory performance. Drinking it before you start your day is a great way to combat fatigue and improve your concentration.

Achieve Better Gut Health

Consistently drinking water throughout the day will help your body naturally filter out toxins via the kidneys. This doesn't mean you have to drag a 2-liter jug along with you everywhere you go. Just take a good, long, satisfying drink once every couple of hours or so (to help, set a reminder on your smart watch or phone). By hydrating more, you're getting rid of bad bacteria in your system, which allows the good bacteria in your gut to grow and thrive.

Sources: U.S. Geological Survey (U.S. Department of the Interior); National Center of Biotechnology Information (National Institutes of Health); Mayo Clinic; Kmotion Research.

RETIREMENT IN MOTION

Tips and resources that everyone can use

Knowledge Is Retirement Power

Although everyone has experienced a few tough years of higher inflation, it's important to keep things in perspective. According to the Bureau of Labor, inflation has averaged just 2.41% from 2000 to 2023. Conventional wisdom says you should consider keeping an appropriate amount of your retirement savings allocated to stock and bond mutual funds to help offset inflation risk. Although past performance is no guarantee of future results, historical average stock and bond returns have stayed ahead of inflation over the long term.

Q&A

Do I have to wait until retirement to open a Social Security account?

No matter what stage you are at in the retirement planning process, everyone should open a Social Security account as soon as possible. Creating an account gives you the control to check your annual Social Security statement for accuracy, change your address, verify your reported earnings, estimate your future benefits, and much more. You can visit ssa.gov to open your account. In fact, the Social Security Administration has recently unveiled a brand-new homepage and a new design to help users find what they need more easily.

Tools & Techniques

You may feel a lot differently about the money you earn from your job versus money that was gifted to you through a will, trust or other circumstances. And you may have a different feeling toward the money you save through your retirement account — especially when the account is growing versus experiencing losses. You might say everyone has a "money personality" that affects how we think about and manage our money. Take a few minutes to answer a few questions in Fidelity's money personality quiz℠ (https://www.fidelity.com/learning-center/personal-finance/money-personality-quiz) to find out which type you are, how that affects your financial decisions, and some common pitfalls to avoid.

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