



Reinventing RETIREMENT

4Q | 2020

YOUR RETIREMENT PLANNING NEWSLETTER

Tough Competition

Careful planning can help you manage competing financial priorities

Does this sound familiar? You keep meaning to increase your retirement plan contribution, but there seem to be too many other financial priorities that get in the way. Fortunately, with a little planning, you can develop a strategy to cover those expenses and help stay on track for retirement. Here are some tips to help balance competing financial priorities.

List all savings goals. Writing a list is an important first step, from both a practical and mental standpoint. It helps focus your thinking and motivation. Don't worry about order or organization yet — just get it all down. The list should include both “nice-to-have” items (such as a vacation home or new car) and “must-haves,” such as children's college costs and retirement. And don't forget about preparing for potential financial surprises, such as caring for an aging parent, replacing your roof, or unexpected medical costs.

Estimate a cost and timeframe to achieve each goal. Some goals may be easier to address than others, but even a ballpark estimate can help. Using your estimates, calculate how much to save each month to achieve the goal within your expected timeframe. A financial professional can help develop cost estimates for each goal — for example, establishing a retirement savings target based on projected future expenses and potential investment growth.

Calculate how much you have available to save. Compare current monthly income with all household expenses, such as utility payments, food expenses, and so on. The difference between current income and current expenses is the potential cash flow available to put toward financial goals. If there is little cash available to put aside, consider working with a financial professional on ways to help tighten the household budget to free up additional money for savings.

Prioritize your financial goals. Even after reducing expenses, there may not be enough to save the desired amount for every goal. In that case, you'll need to prioritize which goals should receive full attention, and which ones can wait. You may need to consider eliminating or pushing out the dates for your “nice-to-have” items to ensure you can cover your “must-haves.” It's very important to remember that retirement should



always remain a top priority, even if a nearer-term expense like a child's tuition seems more pressing. Think of it like this: you can always borrow money for college, but nobody will loan you the money to finance your retirement.

Make saving automatic. Automated programs allow for regularly scheduled transfers from a bank account into savings vehicles such as a Health Savings Account for medical costs (you must have an eligible high-deductible plan to be able to save in a health savings account) or a 529 plan for education costs — making it easier to stay on track with retirement savings goals. For workplace retirement plan payroll deductions, consider contributing at least as much as your employer will match (if available). Either way, certain financial professionals suggest saving 10%–15% of your annual salary for retirement.

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Housing Agency Retirement Trust

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Consider increasing retirement savings over time. After meeting a financial milestone, such as helping a child make their final tuition payment, redirect the money you were saving toward that goal to your retirement plan. Are you age 50 or older? If so, for 2020, you're allowed to make an additional "catch-up" contribution of up to \$6,500 (beyond the \$19,500 maximum) in your workplace retirement plan.

Refine your retirement income plan. The process of reviewing and prioritizing goals provides an opportunity to revisit future income needs. For example, consider reassessing your investment mix, as people typically want to increase or shift savings into more conservative investments as they approach retirement. Also, review all potential income streams, including withdrawals from retirement savings accounts, any pension benefits, and Social Security. Look for ways to enhance income, such as delaying Social Security payout or, if appropriate, putting a portion of savings into a guaranteed* income source, like an annuity.

* All guarantees are based upon the issuing insurance company's claims paying ability.



One for the Ages

Consider the trade-offs before deciding what age to begin taking Social Security benefits

As you get close to retirement, one of your biggest questions will likely be when to begin taking Social Security benefits. If you file at an age other than your full retirement age, your benefit amount will be reduced or increased. Filing earlier gives you a reduced benefit; filing later gives you an increased benefit. For someone with a full retirement age of 67, here is what you can expect, based on the age you actually file for benefits:

Social Security Benefit by Filing Age

62.	70.0%
63.	75.0%
64.	80.0%
65.	86.7%
66.	93.3%
67.	100.0%
68.	108.0%
69.	116.0%
70.	124.0%

Source: Social Security Administration of the U.S. government.

Everyone's situation is unique, so it's important to look closely at the trade-offs before making your decision. Here are some reasons you might want to claim benefits earlier:

- You simply need the money to help pay living expenses
- You cannot work longer due to health reasons
- You have caregiving responsibilities for a family member
- You have been laid off or lost your job.

Here are some reasons you might want to claim benefits later:

- You don't need the money right now, or have income from other sources to tide you over (such as a pension or workplace plan)
- You believe you have a longer life expectancy, during which higher payments would be helpful
- You plan to work at some level during retirement
- You simply like the idea of getting higher benefits over the long term.

To increase your knowledge, check out AARP's Social Security Resource Center (www.aarp.org/retirement/social-security) as well as the Social Security Administration's Retirement Benefits web page (www.ssa.gov/planners).

Tap into the Power Nap

A short snooze can help get you through a tough day

With all the fear, uncertainty and drastic changes that have occurred over the past several months, who has been able to tune out and enjoy a good, old-fashioned nap? As it turns out, now may be a good time to revisit something that you may not have done regularly since you were a child (or a growing teenager).

You might think that a solid nap would require at least an hour or two. It turns out that you can reap the health benefits of a nap in as little as 15 or 20 minutes. Plus, shorter naps may actually be better for you than a longer one. According to the American Sleep and Breathing Academy, the optimal duration of a nap is anywhere from 15 to 45 minutes. Their studies indicate that any longer than that will put your body into a REM cycle, making you feel groggy when you wake up.

These shorter sleep cycles, commonly known as “power naps,” may offer a variety of health benefits, including:

- Increased alertness
- Better endurance
- Increased creativity
- Fighting the risks of an improper sleep schedule
- Lowered risk of heart disease.

If you want to try including a power nap in your day once in a while (and assuming it makes sense as part of your daily schedule), here are a few tips to help you maximize your nap time — and reap all the health benefits in the process:

- **Keep naps short.** When you start, consider trying to nap for only about 10 to 20 minutes (you may want to set an alarm). The longer you nap, the more unlikely you are to feel truly rested afterward.
- **Take naps in the early afternoon.** Napping after 3 p.m. may interfere with nighttime sleep. Individual factors, such as your need for sleep, your sleeping schedule, your age and any medication use, can also play a role in determining the best time of day to nap.
- **Create a restful environment.** Nap in a quiet, dark place with a comfortable room temperature and few distractions.
- **Pace your wake-up.** After napping, give yourself time to wake up before resuming activities — particularly those that require a quick or sharp response.



Some words of caution: if you’re experiencing an increased need for naps and there’s no obvious cause of new fatigue in your life, talk to your doctor. You could have a sleep disorder or other medical condition that’s disrupting your nighttime sleep.

What’s Your Nap Type?

Who knew there was a “nap type?” As it turns out, there are three types of napping, according to the National Sleep Foundation:

Planned napping (also called preparatory napping) is when you take a nap before you actually get tired. This is a good option if you know you’re going to need to stay up later than usual.

Emergency napping is exactly what it sounds like: falling asleep because you’re suddenly very tired and can no longer continue with the regularly scheduled activities of your day. Pulling over to the side of the road to take a nap if you’re drowsy while driving is an example.

Habitual napping is when someone takes a nap at the same time each day. Though this is most common for young children, adults can certainly get into the habit too.

No matter what your type may be, being a napper puts you in some good company. Aristotle, Winston Churchill, John F. Kennedy, Eleanor Roosevelt, Albert Einstein, Thomas Edison, Leonardo da Vinci and Margaret Thatcher are all said to have valued an afternoon siesta on a regular basis.

Informational sources: National Institute of Health; The Mayo Clinic; American Sleep and Breathing Academy; Kmotion research.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Knowledge is retirement power

Looking to reduce your taxes? It's always good to remind yourself that your workplace retirement plan offers one of the best tax breaks available. That's because your contributions may be excluded from your federally taxable income (as well as taxable state income, if applicable). Just think of the tax savings you could realize if you contributed the maximum allowed in 2020 to your 401(k) plan (\$19,500, plus another \$6,500 if you are age 50 or older)! Not only do you get some nice tax savings each year for contributing to your plan, you're also helping to set yourself up for the possibility for better financial results years down the road.

Q&A

What does it mean to be “vested” in my retirement account?

“Vesting” means that you own all of the money in your workplace retirement account. You are always 100% vested in your own contributions to your plan, but your ownership of your employer's contributions may be governed by certain vesting rules. For example, you may become 100% vested only after a certain number of years of employment. You can check with your benefits administrator to confirm your vesting schedule.

Quarterly reminder

With identity theft, data breaches, ransomware, and spyware becoming more and more common, it's more important than ever to protect your financial information — especially if you handle most of your financial business online. Managing your various passwords is probably one of the most important

things you can do. A good rule of thumb is to reset your financial log-in passwords every 90 days, and don't use the same password for more than one account.

Tools & techniques

Many identity theft victims have found out about credit accounts opened in their name by reviewing their credit reports. That's one reason financial professionals recommend reviewing your reports regularly. The reports generally contain the same information, so you should consider requesting and reviewing one agency report every four months, which allows you to keep a closer eye on your reports and still obtain them without cost. Be sure to use the free site www.annualcreditreport.com to obtain your reports. The site also includes additional information on what to look for in your report and other resources and tips for safeguarding your identity.

Corner on the market

Basic financial terms to know

Emerging Market

Generally, this refers to economies that are in the process of growth and industrialization. Developing markets, such as Africa, Asia, Eastern Europe, the Far East, Latin America and the Middle East may hold significant growth potential in the future. Investing in emerging markets may potentially provide significant rewards, but it also comes with significant risks. Before investing in emerging markets, you may want to consult with a financial professional to help decide if it is appropriate for you.