REINVENTING RETIREMENT

Your Retirement Planning Newsletter
Third Quarter 2021

ANNUAL MAINTENANCE

Perform this five-point inspection to help keep your retirement plan's motor running smoothly

Just like with a car, it's a good idea to perform some annual maintenance on your retirement plan. Here's a five-point inspection guide to help you continue to get good mileage out of your plan and ensure it stays reliable on your trip to retirement.

1. Review Your Retirement Saving Goals

It's challenging to predict your retirement needs, particularly if you're in your 20s or 30s. But financial planners generally recommend replacing about 75% of preretirement income. Even if your retirement is decades away, you should use a retirement calculator at least once a year to estimate whether you're on track to reach your goals. Your recordkeeper will likely have retirement calculators and other planning tools on their website. You can also check out the interactive retirement calculator at aceyourretirement.org, which includes a digital "retirement coach" that can help walk you through some personalized retirement plan action steps that may help you achieve your retirement goals.

2. Increase Your Retirement Plan Contribution

While the ultimate goal is to max out your retirement account contributions, don't stress if you aren't there yet. Focus first on making sure you contribute enough to receive your full employer match if your plan offers one — otherwise, you're missing out on free money. Then, aim to increase your contribution by at least 1%–2% each year, working up to saving 10%–15% of your pretax income each year. Finally, make sure to review current retirement plan contribution limits ($19,500 in 2021, plus an additional $6,500 catch-up contribution if you're age 50 or older). While you might not have been able to contribute the maximum amount in the past, you may have more to save now.

3. Rebalance Your Investment Portfolio

Over time, market changes can lead to shifts in your portfolio's asset allocation. For example, you may have started with a 75/25 stock-fund-to-bond-fund split, but changes in the market caused stocks to now account for 85% of your portfolio's value. That's why it's important to periodically check your asset allocation to see if it aligns with your current strategy. Keep in mind, you may also want to rebalance to a more aggressive or conservative allocation should your tolerance for risk change.

4. Consolidate Your Accounts

You may have a 401(k) from a past job that you no longer contribute to. Rolling over the funds from one or more other accounts into one retirement account can help make your financial life more manageable, keep your savings organized and potentially reduce your account management fees. Just make sure you follow transfer or rollover rules so you don't get hit with an unexpected penalty or tax bill.

5. Review or Name Your Beneficiaries

When you first signed up for your retirement plan, you may have skipped this step. Or, you may want to make adjustments if your family status has changed. Make sure your designated beneficiaries align with your will, if you have one. Also, please note that when it comes to employee-sponsored retirement plans, the law requires written consent from your spouse if you decide to name anyone besides them as the beneficiary.

CATCHING A PHISH

Tips to help you identify common phishing scams and take steps to avoid trouble

If you spend any time online, you've probably been the target of a phishing attack. This is when a scammer pretends to be from a reputable company to get you to reveal personal information they can use for their own gain. They do this through a number of communication mediums, including emails, website pop-ups, text messages and even mobile apps. Here are some tips to help you spot the most common phishing scams and take the necessary steps to avoid trouble.

Common Email Phishing Scams

Email phishing scams take on the appearance of a legitimate email. They may even appear to be from a company you're familiar with (such as Amazon, Costco or Netflix), to take advantage of your trust and gain personal or financial information. Here are some common email scams:

Foreign lottery. Congratulations! You just won a big prize! Unfortunately, it's often in a foreign country, and you must pay a small amount upfront to receive the larger reward.

Survey says. You get a request to take a survey for a social issue you may care about. When you click the link, you get infected with malware.

Bank on it. You receive an email saying there is something wrong with your bank, Netflix or PayPal account "that needs your attention." You're then directed to a fake site where you are instructed to login so they can steal your user name and password for the actual site.

Common Phone Scams

Phone scams come in many forms. Some seem friendly, while others try and use intimidation. Either way, the goal is to get your personal information and money. Here are some common phone scams:

Fix your credit. Give them some money and they promise to "fix" or "remove" your debt.

Please give now. You need to give money today to help these people in need.

Extended car warranties. Almost everyone with a cell phone has had one of these robocalls. The scammers access public purchase records to try and sell you overpriced or worthless car warranties.

You've Been Scammed. Now What?

If you think you've received a suspicious communication, here are some questions to ask yourself and defeat the scam before it even gets started:

Does it pass the eye test? Phishing emails often contain a number of spelling, punctuation and grammar errors. In addition, the email may contain an embedded logo of a well-known company (to try to make it look "official") that looks a bit fuzzy or blurry. If you read through it and spot any of these things, it's a pretty good bet that it's a scam email.

Is this asking for too much information? Be on the alert if anyone seems to be asking for sensitive information, like your Social Security or bank account number, even if you are talking to a company or bank you do business with.

Do I know you? Ask this simple question before responding to a message. First check to see if you recognize the sender's name and email address. If you don't do business or haven't requested information from a particular company, don't click on any links or take any surveys.

Do you know me? Avoid communications that lack personalization. "Dear valued customer" is your clue to ignore it.

Is this a legitimate link? Before clicking on a link, hover over it with your mouse to see if the URL address looks legitimate.

Am I on the web page I think I'm on? Before logging into an online account, make sure the web address is correct. Phishers often counterfeit legitimate websites, hoping to trick you into entering your login details.

Is it too good to be true? Avoid "free" offers or deals that sound too good to be true.

Is my security software active? Always use comprehensive security software to protect your devices and information from malware and other threats that might result from a phishing scam.

Sources: PC Magazine; National Cybersecurity Alliance (www.staysafeonline.org); Kmotion Research.

MONEY WELL SPENT

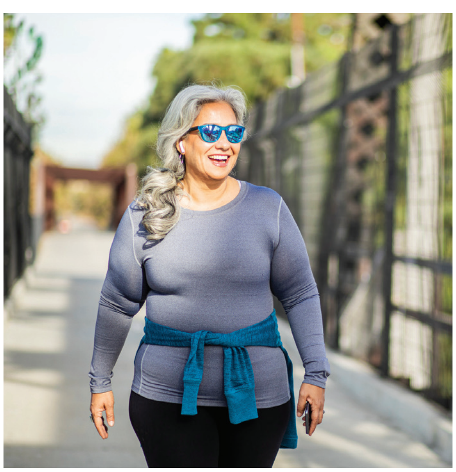
A fresh approach to spending can help put some sizzle in your retirement savings

Despite all the budgeting and cash flow tracking apps available, many people still struggle to manage their spending habits on a daily basis. What if there was a simple blueprint you could follow that could help you manage the way you spend your money and hold yourself accountable?

The 70/20/10 rule of thumb helps provide a framework for managing your finances, limiting your spending, and assessing any debt that you plan to take on. According to the 70/20/10 rule, you should spend:

- 70% of your after-tax income on living expenses, such as food, childcare, insurance, discretionary expenses, and your rent or mortgage.
- 20% on savings, such as your retirement account, emergency fund, college fund, or other savings goals.
- 10% on consumer debt, such as credit card payments or a car loan.

Under this rule, the 70% and 10% are maximums; in other words, you should spend no more than those percentages of your income. The 20% is a minimum; you should put at least 20% of your income toward savings goals — and even more if you can. The following are some additional ways to build better spending habits.



Record Your Progress

Just as maintaining a food diary may help you determine if you are eating healthy meals and snacks, the same strategy can help you become a more self-aware — and better — spender. That's why it's so important to keep track of your actual spending and see how it matches up against your ideal household budget.

There are a host of budgeting apps available through the Apple Store and Google Play, and many are free. Using a formal spreadsheet program, such as Microsoft Excel or Google Sheets may make more sense for people who prefer to track and store their budget history on a computer. The Google Sheets monthly budget can be set up on a PC or laptop, or you can download the app. And best of all for your budget — it's available for free!

Sleep On It

Try forcing yourself to delay purchases by at least one day so you have more time to consider if you really need them. For instance, you might wait 30 hours before buying anything over $30. Or you might impose a spending threshold, such as $250, over which you must discuss a potential purchase with a spouse, partner or friend.

Stay Away From Your Favorite Stores

If there's an online retailer or a local shopping avenue where you can't resist buying something, avoid it. Understanding what tempts you the most will help you avoid making purchases you can't afford.

Make It a Habit

Once you get in the habit of making better spending decisions, you shouldn't be too hard on yourself if you don't see the desired results overnight. It may take more than a few weeks of smarter spending before your financial well-being shows signs of long-lasting improvement. So be patient, stay focused and let yourself feel good about doing the right thing one day at a time.

RETIREMENT IN MOTION

Tips and resources that everyone can use

Knowledge Is Retirement Power

Followers of the Financial Independence Retire Early (FIRE) movement strive for complete financial freedom — earning and investing enough income to stop working for a paycheck in their thirties or forties. The goal? To spend the years before they turn 65 doing what they love most: traveling, volunteering, or living simply without financial pressure or uncertainty. Whether or not FIRE works for you, studying its principles can help you have a healthier relationship with your finances. For more information, check out playingwithfire.co (there is no “m” at the end of the URL). You can also learn more about it via Wikipedia or perform an online search of “Financial Independence Retire Early.”

Q&A

What is the difference between a Roth 401(k) and a traditional 401(k)?

The main difference is that contributions to a traditional 401(k) are pretax, meaning they are deposited before your income taxes are deducted from your paycheck. However, during retirement, withdrawals are taxed at your then-current income tax rate. Conversely, there is no tax savings or deduction for contributions to a Roth 401(k). However, the contributions can be withdrawn tax-free during retirement if at least five years passed since your first contribution to the Roth 401(k). Consider consulting with a financial professional to determine which strategy may be right for you.

Tools & Techniques

Getting a clear picture of your current financial state can help prioritize actions you might need to take to help achieve your financial goals. To get started, take a quick 10-question survey developed by the Consumer Financial Protection Bureau to receive your personal financial well-being score. You can also compare your score with others’ by age, household income and employment status, and discover ways to take the next steps toward achieving improved financial wellness. To access the survey, go to: www.consumerfinance.gov/consumer-tools/financial-well-being.

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