LET'S TALK MONEY®
March/April 2021

Don't Kick Retirement Planning to the Curb

Depending on the future sale of your business to finance your retirement can leave you without the resources you'll need to live comfortably. Finding the right retirement plan for your business can make a big difference to you and your employees' financial futures.

Simplified Employee Pension Plans (SEPs)

You can set up a SEP IRA for yourself and each of your employees. Employers generally must contribute the same percentage of pay for each employee, although they do not have to make contributions every year. Employer contributions are limited to the lesser of 25% of pay, or $58,000 ($64,500 if age 50 or older) for 2021. SEPs have low start-up and operating costs. Employers can decide how much to put into a SEP each year, offering some flexibility when business conditions vary.

SIMPLE IRA Plans

This is an option for employers with 100 or fewer employees. Under SIMPLE IRA plans, employees can set aside up to $13,500 in 2021 ($16,500 if age 50 or older). Employers must either match employee contributions dollar for dollar – up to 3% of an employee's compensation – or make a fixed contribution of 2% of compensation for all eligible employees, even if an employee chooses not to contribute. SIMPLE IRA plans are easy to set up and administrative costs are low.

SIMPLE 401(k) Plans

Similar to SIMPLE IRA plans, Simple 401(k) plans are for small business owners with 100 or fewer employees. Under a SIMPLE 401(k) plan, an employee can elect to defer compensation – up to $13,500 in 2021 ($16,500 if age 50 or older). Employers must match contributions, up to 3% of pay, or make a non-elective contribution of 2% of each eligible employee's pay. Total contributions to a participant's account, not counting catch-up contributions, cannot exceed $58,000 for 2021.

Solo 401(k) Plans

This plan covers a business owner with no employees and his or her spouse. Contributions can be made to the plan as both employer and employee. The owner can make elective deferrals of up to 100% of "earned income," up to the annual contribution limit in 2021 of $19,500 ($26,000 if age 50 or older), plus employer nonelective contributions of up to 25% of compensation as defined by the plan. Your financial professional can help you determine which plan is right for you.

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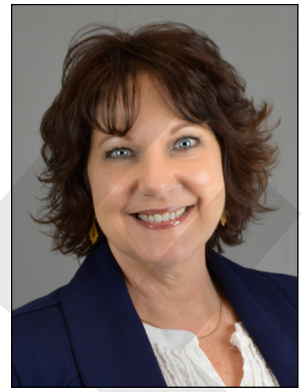

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

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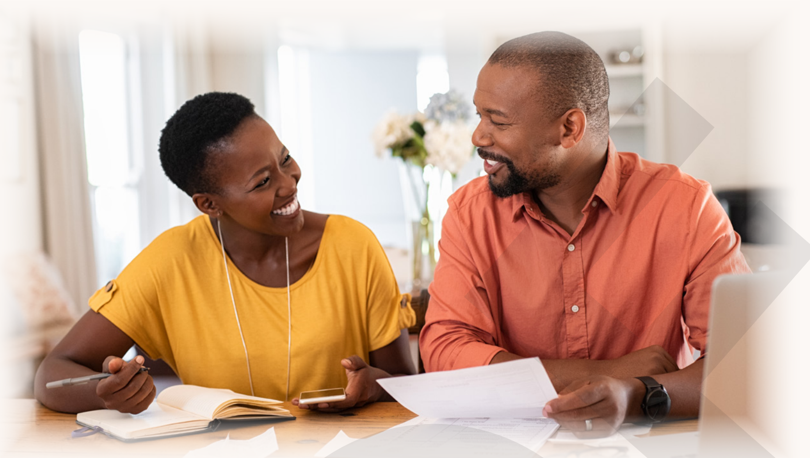

When there's a lot going on in your life, you might be tempted to put thinking about your finances on the back burner. But that's never a good plan. Improving your financial outlook can be as easy as laying down – and following – a few simple ground rules.

Create a Spending Plan

Add up your monthly expenses – rent/mortgage, utilities, insurance, food, commuting costs, loan and car payments, etc. – and subtract them from your after-tax income. If expenses are top heavy, look for places to trim.

Build Credit

Paying bills and making loan payments on time will help you earn a healthy credit score. Credit cards can help you establish credit, but make sure you pay off any balances each month to avoid accruing interest and lowering your credit score.

Start an Emergency Fund

Set aside money in a cash account in case of a job loss or an unexpected expense. Your goal should be at least six months' worth of living costs.

Set Concrete Goals

A down payment on a house, a college fund, retirement – identifying specific goals can keep you on track. Think about how much you'll need to save for each goal and review your progress periodically.

Contribute to a Retirement Plan

Take advantage of your employer's 401(k) or other retirement plan, or open an individual retirement account (IRA) on your own.

New Limits for HSAs

Covered by a high-deductible health plan (HDHP)? That makes you eligible to contribute to a health savings account (HSA). An HSA allows you to set aside money in a tax-advantaged account to pay current and future qualified medical expenses. For 2021, the annual HSA contribution limit is $3,600 for individuals with self-only HDHP coverage and $7,200 for individuals with family HDHP coverage. If you're age 55 or older, you can make an additional $1,000 catch-up contribution.

HDHP Defined

The IRS currently defines an HDHP as a health plan having a minimum deductible for 2021 of $1,400 for self-only coverage and $2,800 for family coverage. Limits on out-of-pocket expenses (including deductibles, copayments, and coinsurance, but not premiums) are $7,000 for self-only HDHP coverage and $14,000 for family HDHP coverage.

Reap the Tax Benefits

If you have health insurance through your employer, your HSA contributions typically are made through pretax payroll deduction. Any earnings generally are free from taxes as well.* And the money in your account can be withdrawn tax free at any time as long as it's used to pay qualified medical expenses. As health-care costs continue to rise, maximizing your contributions to an HSA makes good sense.

Some states tax earnings.

Adoption: Understand the Costs

Adopting a child can be a joyful event – and an expensive one. If you're considering adoption, it's important to know the costs so you can plan and budget for them.

Costs to Consider

Adoption costs can range from $15,000 to $50,000. Agencies typically have a set fee schedule for their services. You'll also pay the costs of fingerprinting, background checks, doctor physicals and financial reports, as well as any travel costs you incur.

You'll also need to pay for a home study completed by a licensed agency, and you could be responsible for paying expenses and counseling for the birth mother.

Another option to consider is adopting through foster care, which typically costs much less.

The Tax Benefits

You may qualify for a tax credit of up to $14,440 per child for qualified adoption expenses, as well as an exclusion from income for employer-provided adoption assistance.

Adoption of a child with special needs qualifies for the full tax credit regardless of expenses incurred. Adoption of a stepchild does not qualify unless the child is under age 18 and unable to care for himself or herself. You must meet income limits and other requirements to receive the tax credit, so consult your tax professional.

The Tipping Dilemma

It isn't always easy to know how much you should you tip and when. Here are some guidelines.*

Restaurants

Wait staff: 15%-20% for sit-down service and 10% for buffet service
Home delivery: 10%–15% of the bill – $2.00-$5.00 if it's pizza delivery, depending on the order size
Bartender: $1.00-$2.00 per drink, or 15%-20% of a running tab
Host/Hostess: $10-$20 for finding you a table on a busy night
Valet: $2.00-$5.00 when the car is returned

Salons

Hairstylist, Manicurist, Masseuse and other services: 15% to 20%

Travel

Taxi driver: 15% to 20%
Skycaps and hotel bellhops: $2.00 for the first bag and $1.00 per additional bag; $2.00-$3.00 for each additional service
Doormen: $1.00-$2.00 if they carry luggage or hail a cab
Housekeeping service: $2.00-$5.00 per day with a note marked "Housekeeping"
Concierge: for tickets or restaurant reservations, $5.00-$10.00 – $15.00 or more if tickets or reservations are hard to get

emilypost.com/advice/general-tipping-guide

Tipping in the States

How do you feel about tipping? Compare your opinions and habits with these survey responses, based on a representative sample of 1,031 adults in the U.S.

46% Prefer to dine in a restaurant with wages built in to the entrée price to eliminate tipping

35% Prefer to supplement low wages with tips

91% Women who tip at a sit down restaurant, compared with **80%** of men

32% Women likely to tip 20%, compared with **27%** of men

67% Patrons who don't tip in coffee shops

63% Hotel guests who leave a tip for the housekeeper

https://www.consumerreports.org/tipping/is-it-time-to-rethink-the-rules-of-tipping-etiquette/

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SDBA — Would One Work for You?

Unlimited investment options and complete control over how your money is invested are the major advantages of a self-directed brokerage account, or SDBA. If you're looking for greater flexibility in saving for retirement, an SDBA may be something to consider.

How it Works

Your financial professional can help you open an online account with a discount broker if you don't have one. You'll then be able to invest in a variety of mutual funds,* buy individual stocks and bonds, and have access to markets and investments that typically aren't available to you in a retirement plan account. Because you can choose from a wide selection of investments, you and your financial professional can tailor your portfolio to meet specific investing needs.

A Little Help

Your financial professional probably helped you choose your current investments and, therefore, may be in the best position to help you make selections for an SDBA that will complement your portfolio. In addition to monitoring the performance of the investments in your SDBA, your financial professional can review the investments in all your accounts to ensure they are working together to earn returns that outpace inflation.

Best of Both Worlds

Can an SDBA be a good option if you currently have a retirement plan? If you've already reached the maximum contribution limits in a 401(k) account, an individual retirement account (IRA), or another sponsored retirement plan, an SDBA allows you to add to your retirement savings.

Before you invest, consult your financial and tax professionals and consider commissions on trades and any account fees. You may be able to reduce your investing costs by selecting investments having lower expenses.

**Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. Contact the issuing firm to obtain a prospectus, which should be read carefully before investing or sending money. Because mutual fund values fluctuate, redeemed shares may be worth more or less than their original value. Past performance won't guarantee future results. An investment in mutual funds may result in the loss of principal.*

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Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 14, 2020

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The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Associate Principal Analyst

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