LET'S TALK MONEY®
March/April 2021

Contribute Now to Reduce Your 2020 Tax Bill

You can lower your tax bill and increase your retirement savings with one simple move. Making a contribution to an eligible retirement account by the April 15, 2021 income tax deadline will reduce your 2020 taxable income by the amount you contribute.

Individual Retirement Account (IRA)

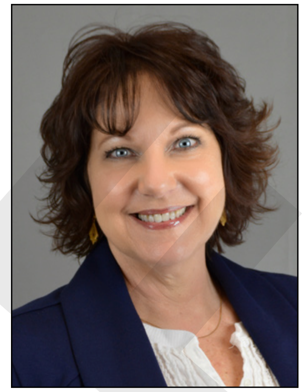
An IRA offers you the flexibility to choose a variety of different investments to hold in your account. For 2021, you can contribute up to $6,000 to an IRA – $7,000 if you're age 50 or older. You must have "earned income," including money from wages, salaries, tips, bonuses, commissions, or self-employment, to contribute to an IRA. Your spouse can contribute to an IRA as well. Additionally, employees, incomes below $75,000 ($124,000 for couples) are eligible to make traditional IRA contributions and still claim the deduction.

SIMPLE IRA

A "Savings Incentive Match Plan for Employees," or SIMPLE IRA, is a retirement savings plan designed for small businesses with 100 or fewer employees. 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. As with a traditional IRA, you can make a contribution to a SIMPLE IRA until April 15 following the end of the tax year and benefit from the tax deduction.

Solo 401(k)

Solo 401(k) plans are designed to cover a business owner with no employees and his or her spouse. You can make elective deferrals of up to 100% of your earned income, up to the annual contribution limit in 2021 of $19,500 ($26,000 if age 50 or over), plus employer nonelective contributions of up to 25% of compensation. The maximum amount you can contribute to a Solo 401(k) for 2021 is $58,000 ($64,500 if you're age 50 or older). Contributions can be made to the plan up until the company's tax return deadline, including extensions. Your financial and tax professionals can help you determine which plan is right for you.



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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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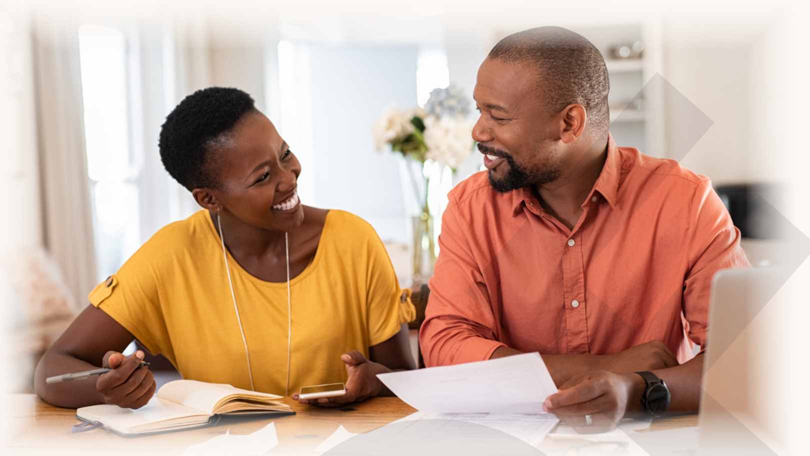

When there's a lot going on in your life, you might be tempted to put thinking about your finances on the back burner. But that's never a good plan. Improving your financial outlook can be as easy as laying down – and following – a few simple ground rules.

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/

Millennials: Saving Is Up to You

The oldest Millennials are nearing 40; the youngest are in their early 20s. They've surpassed their Baby Boomer parents in sheer numbers. Collectively, they have significantly more student loan debt than their previous generation. The demise of pension plans and the uncertainty of Social Security mean Millennials may need to save more money than their parents saved to fund their retirement years. Getting an early start can make a big difference.

The Goal: Financial Security

Financial independence means having enough income to pay your expenses throughout your lifetime. Saving as much of your salary as possible — especially during your early working years when you may not have the financial responsibilities of a family or mortgage – can help you get there. Establish goals for different stages of your life — a down payment on a house, college for your children, funding your retirement. Although your objectives may change as you reach some goals and add others, your priority is to have enough money to live comfortably.

Create an Emergency Fund

At every stage of life, make sure you have enough money in an emergency fund to cover at least six months' worth of living expenses or an unexpected bill. Having money in a dedicated fund can eliminate the need to sell investments or use a high-interest credit card to cover the expense.

Join the Plan

Start contributing to your employer's 401(k) or other tax-deferred retirement plan as soon as you're eligible. Plan contributions come out of your pay before taxes are taken out, and you won't owe taxes on contributions or earnings until you withdraw the funds, typically at retirement. Your employer may match your contributions up to a certain percentage, so be sure to take advantage of this "free money."

Open an IRA

If your employer doesn't offer a retirement plan, consider putting money into a traditional or Roth individual retirement account (IRA). A traditional IRA's earnings grow tax-deferred while qualified withdrawals from a Roth IRA are tax-free. Having an IRA can be beneficial even when you have a retirement plan at work. (Contribution limits apply.)

Your financial professional can help you work toward your budget and investment goals.

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 14, 2020

Reference: **FR2020-1009-0092/E**
Link Reference : FR2020-1002-0033

Org Id: 23568

1. Lets Talk Money Newsletter Mar/Apr 2021 - Retirement
   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Associate Principal Analyst

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Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.

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