LET'S TALK

MONEY®

March/April 2022

It's Not Too Late

It isn't often that we get to fix our mistakes, but here's some good news. If you regret not adding more money to your retirement accounts last year, you can take advantage of a do-over. You have until the date 2021 tax returns are due — typically April 15 — to contribute to a traditional individual retirement account (IRA) and possibly qualify for a tax deduction on your 2021 return.

IRA Basics

An IRA is a tax-advantaged retirement account often used by individuals who are self-employed or who aren't covered by an employer's retirement plan. However, it can also be used to supplement retirement benefits received through an employer. To be eligible, you must have earned income that's at least equal to the amount you contribute to the IRA.

Traditional or Roth?

With a traditional IRA, you may be able to contribute to the account with pretax dollars, reducing your taxable income by the amount of your contribution. Your savings accumulate tax deferred until you begin making withdrawals, generally at retirement. Then, you'll pay taxes on withdrawals at your tax rate at that time. Withdrawals from a traditional IRA prior to age 59½ may result in a 10% early withdrawal penalty.

Contributions to a Roth IRA are made with after-tax dollars. However, withdrawals of earnings are tax free once certain conditions are met.

Contribution Limits

For the 2021 and 2022 tax years, the contribution limit for an IRA is $6,000. Individuals age 50 or older can make an additional catch-up contribution of $1,000, for a total of $7,000.

If you or your spouse is covered by a retirement plan at work or your income exceeds certain levels, the tax deduction may be limited. The IRS sets income thresholds that gradually phase out the tax advantages for wealthier taxpayers.

There are no age limits for making contributions to either a traditional or Roth IRA.

Finding the Funds

If you have stimulus money that you didn't spend, consider using it to open a new IRA or add to an existing account. Your financial professional can help with the details.

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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.

Retirement Version

LTM Client Marketing
helping financial professionals stay connected

You Have More Than One FICO® Score

Your FICO® score is based on the information in your credit report and shows lenders how likely you are to repay a loan. When you apply for credit, lenders use your score to determine the amount you can borrow and the interest rate you'll be charged. Typically, the higher your score, the better the rate.

FICO scores generally range from 300-850. The length of your credit history, your history of on-time bill payments, and the amount of debt you have relative to your available credit are some of the factors used in determining your credit score. Some industries have refined the base FICO score to reflect the type of credit the borrower is seeking.

FICO® Auto Scores are used by auto-financing lenders and give additional weight to your history of making on-time auto loan payments.

FICO® Bankcard Scores are used by credit card companies and take into account how responsible you've been with credit cards in the past, which affects whether you'll get credit and the interest rate you're charged.

Find Extra Cash Hiding in Plain Sight

Looking for extra dollars to invest? They might be right in front of you.

They're in the Kitchen

Instead of buying coffee on your way to work every morning and going out for lunch every day, bring a thermos of coffee from home and brown bag it at lunch time. Prepare a shopping list for the week and buy only what's on it to save money at the grocery store — and at the gas pump because you'll make only one trip.

They're in Your Wallet

It's easy to overspend when you're using a credit card. Instead, pay with cash or a debit card. You'll be limited to using money you have in your wallet or bank account.

They're in Your Phone and TV

Shopping for a less expensive phone plan could save a bundle each month. And can you really watch 300 cable channels, plus streaming options? Cutting back on subscriptions can put cash back in your pocket — and free up time for other activities in the process.

They're in Your Car

From shopping around for cheaper gas to comparing rates on auto insurance, you can save money on owning a car. If it's time to replace your vehicle, consider buying a previously owned model. You may find one with all the accessories you want for much less than a new car.

Talk to Your Spouse

You've discussed where you want to live, the next place to go on vacation, and whose family you'll spend the holidays with, but have you talked—really talked—about money? Financial issues are often a major source of stress between partners. Talking about money can lessen the stress and make sure you're both on the same page with your finances.

Start the Conversation

Knowing how each partner feels about money is a good starting point. If one of you is a frugal saver while the other likes to spend with abandon, you're going to have to compromise. As a couple, commit to saving a specific amount each month. Then set aside a small amount to use as a splurge so the spender won't feel deprived.

Who's Handling the Money?

Designating one person to pay the bills can be a sensible approach to managing expenses and help minimize the possibility for a payment to be overlooked. Discuss which one of you will take on the task. However, both of you should be knowledgeable about your finances and able to assume the role of money manager at any time.

Income and Debt

Will you completely merge your finances or keep some things separate? As a starting point, each partner should know the other partner's income. It's also important for both of you to know about outstanding debt, including student or personal loans, car payments or credit card balances. Consider opening a joint account to pay shared expenses and having individual accounts for personal expenses you're each responsible for paying.

Share Your Financial Goals

One of your most important discussions should be about your saving and investing goals. Share your feelings about the goals that are important to you, such as buying a home, funding college for your children, and saving for retirement. Both of you should develop a relationship with your financial planner, who will help you define your objectives and determine the best plan for achieving them.

Are You Above Average?

Here's a snapshot of the average U.S. household's finances. See how your own finances compare.

- **Gross Household Income:** $87,864
- **Checking Account Balance:** $10,618
- **Monthly Spending:** $ 5,102
- **Credit Card Debt:** $ 6,194
- **Household Debt:** $145,000
- **Social Security Monthly Retirement Benefit:** $ 1,514
- **Savings Rate:** 13.7%
- **FICO® Score:** 711

Average 401(k) Balance: $106,478

BY AGE GROUP:

Under 25:	$ 5,419	**45-54:**	$135,777
25-34:	$26,839	**55-64:**	$197,322
35-44:	$72,578	**65 +:**	$216,720

Average Retirement Savings: $407,490

BY GENERATION:

Gen Z:	$ 35,197
Millennials:	$ 166,430
Gen X:	$ 568,750
Baby Boomers:	$1,029,840

Source: 10 Financial Statistics of the Average American, May 10, 2021

Avoid These Retirement Planning Mistakes

Make a mistake with your monthly budget and you might have to tighten your belt for a few weeks. Make a mistake with retirement planning and you could have to modify—or even delay—the retirement you've dreamed about. Help improve your financial future by avoiding these pitfalls.

Neglecting the Basics

Planning for your future should start with making sure your finances are in order in the present. Build an emergency fund to eventually cover six to twelve months' worth of living expenses in case of an unexpected expense or a job loss. Once you've set up your fund, start paying off any credit card debt or personal loans. High interest rates can decimate your retirement savings, so make sure you're debt free before you stop working.

Waiting to Contribute

Time is your ally when it comes to saving for retirement. As soon as you're eligible, start contributing to your employer's retirement plan. Contribute the maximum amount you can afford, or at least the percentage of pay your employer will match.

Saving for College Instead of Retirement

Ideally, you should put money aside for both your child's college education and your retirement. But if you're having a hard time saving for both goals, your retirement should take priority. Remember, your child can borrow money for college, but you can't get a loan for retirement.

Forgetting to Plan Ahead

You probably have many goals. You may need money for some of them in a year or two, such as a new car or a special trip, while others, like retirement, may be farther in the future. Thinking about your financial objectives in two years or ten years or 40 years can help you choose investments for all your short-term, mid-term, and long-term goals.

Selling in a Down Market

Some investors panic when the market takes a nosedive. But a down market is the wrong time to sell investments. Being out of the market when it begins to recover may result in significantly lower returns than if you had waited out the downturn. Your financial professional can help align your portfolio to fit your risk tolerance.

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FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

December 10, 2021

Reference: **FR2021-1122-0163/E**
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1. LTM MarApr 2022 - Retirement

   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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