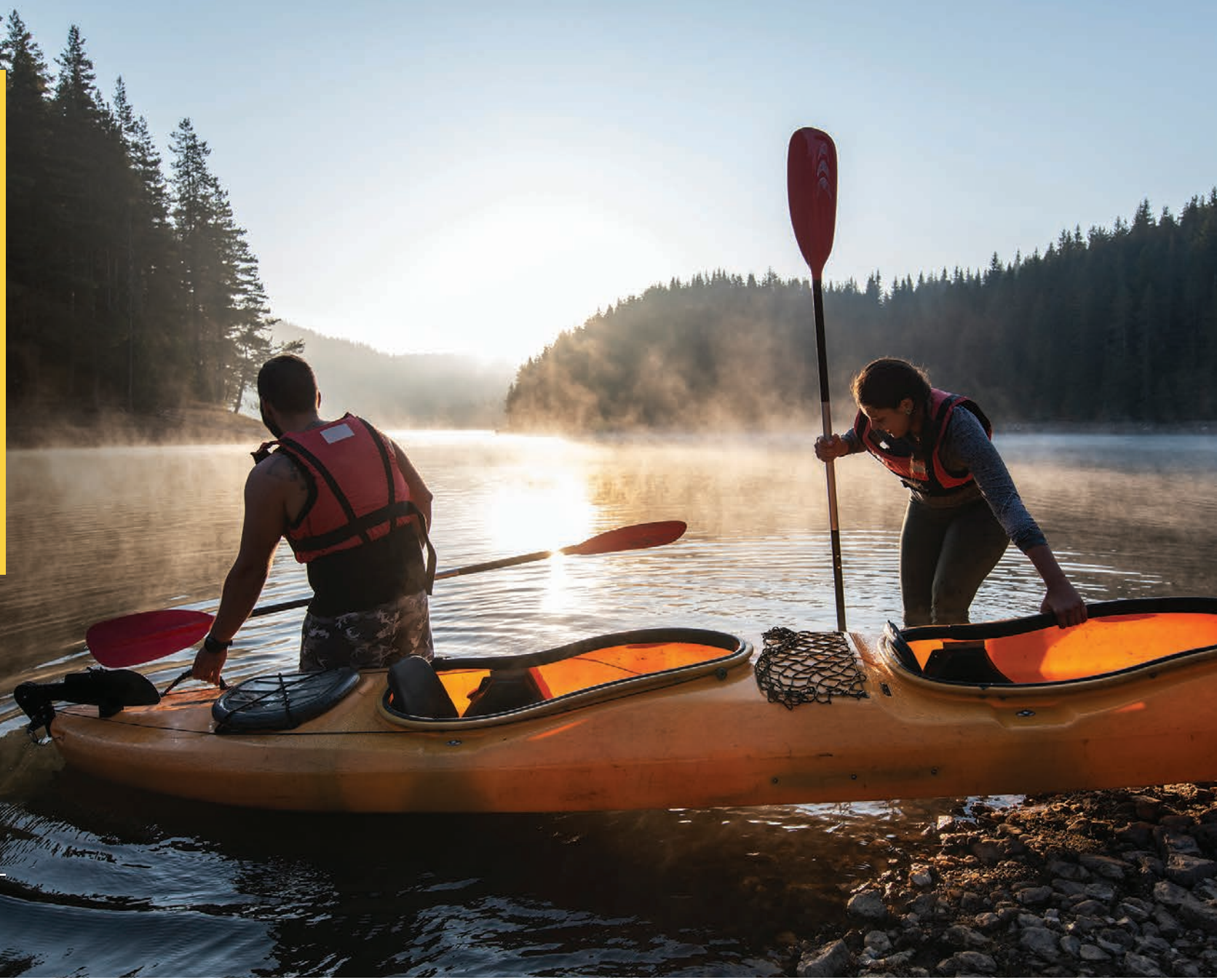
Edward Jones

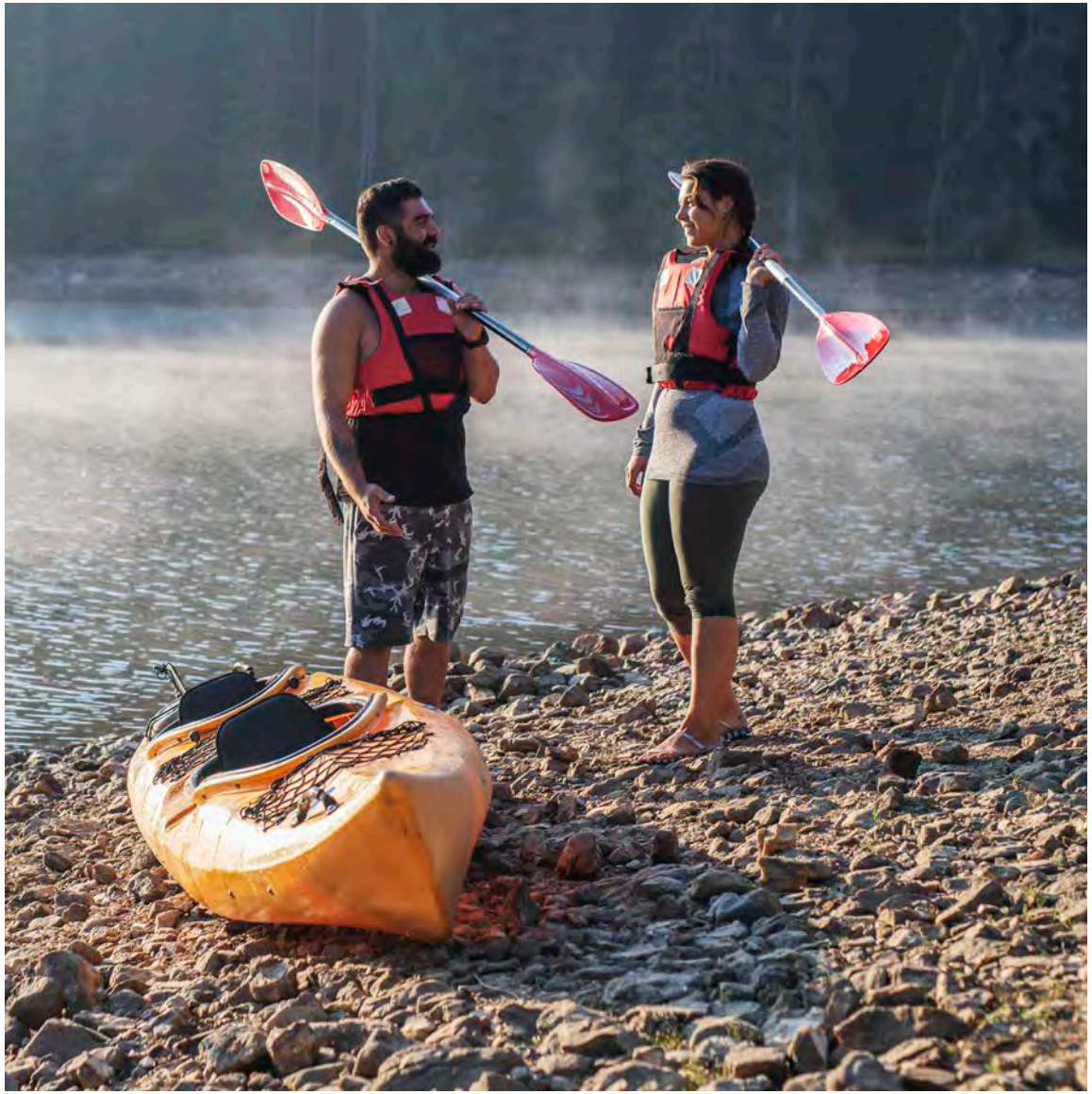
# Perspective

March 2024

# 5 changes that could impact your retirement



**Katherine Tierney, CFA, CFP®, *Senior Strategist, Retirement***



# 5 changes that could impact your retirement

## 1. 401(k) plan access for certain part-time employees

Affects part-time employees 21 or older with at least 500 hours of service for three consecutive years

### Actions you can take

- If you think you may qualify, contact your employer
- Try to contribute at least enough to earn any employer match

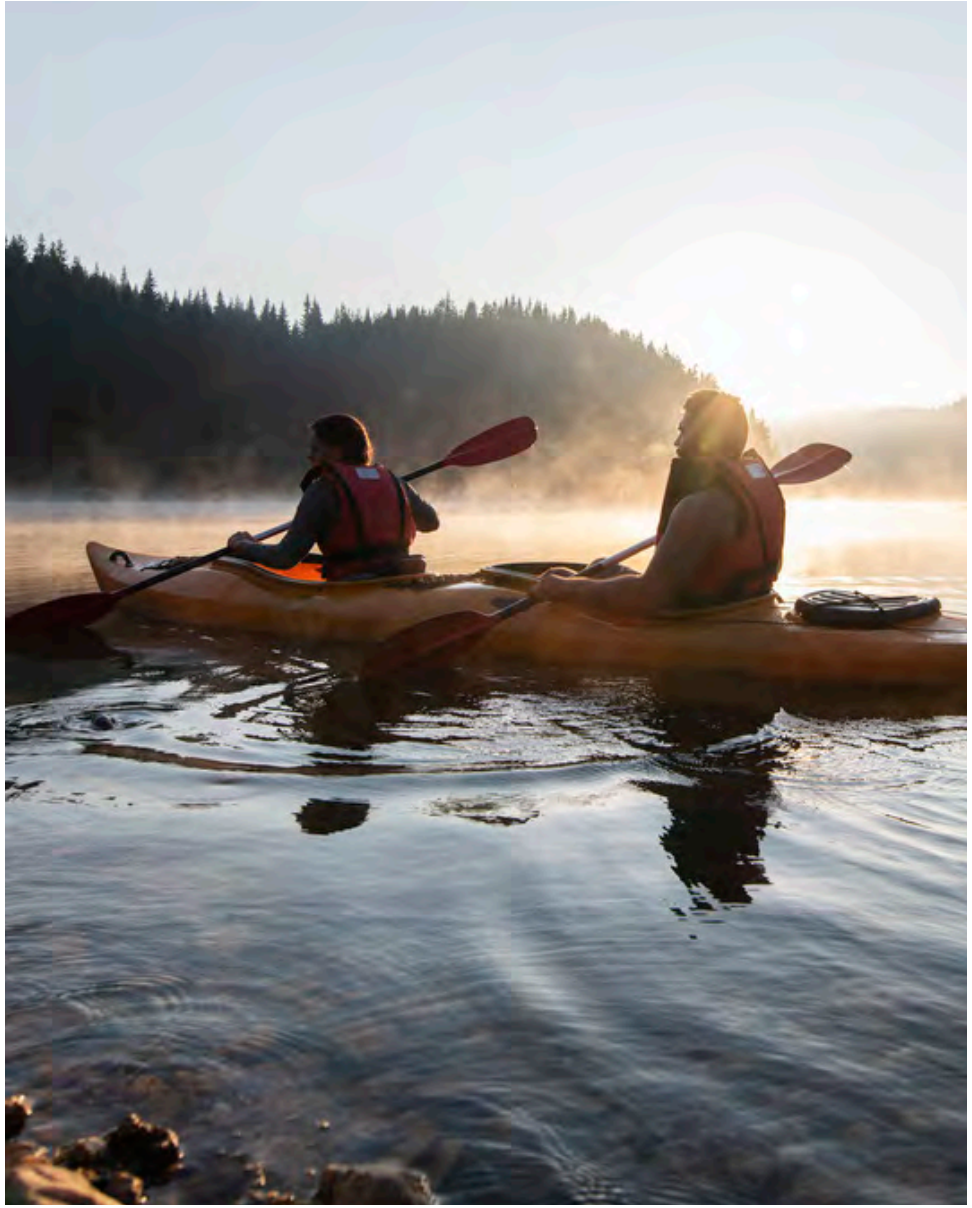
# 5 changes that could impact your retirement (cont.)

## 2. New employer plan options for emergency savings and student loan payments

- 401(k) plans can offer an in-plan emergency savings account
- Plans can offer matching retirement contributions for qualified student loan payments

### Actions you can take

- Ask your plan administrator if either option is available to you
- Work with me to develop a strategy for all three goals



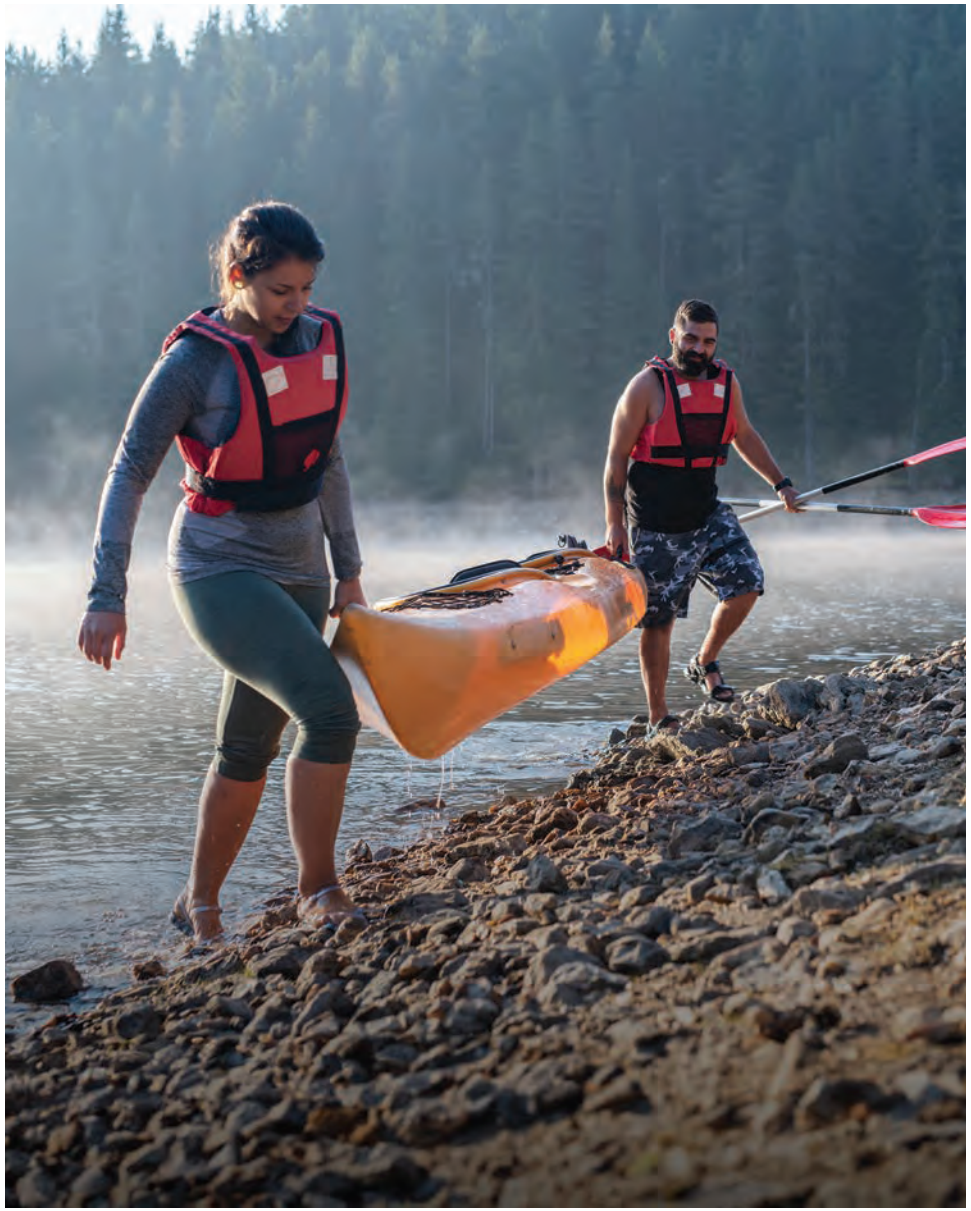
  

# 5 changes that could impact your retirement (cont.)

## 3. Higher contribution limits

| | 2023 | 2024 |
|---|---|---|
| **401(k), 403(b) and governmental 457(b) plans** | | |
| Elective deferrals | $22,500 | $23,000 |
| Catch-up contributions (age 50+) | $7,500 | $7,500 |
| **Roth & traditional IRAs** | | |
| Basic limit | $6,500 | $7,000 |
| Catch-up contributions (age 50+) | $1,000 | $1,000 |
| **SIMPLE IRAs*** | | |
| Elective deferrals | $15,500 | $16,000 |
| Catch-up contributions (age 50+) | $3,500 | $3,500 |
| **Health savings account (HSA)** | | |
| Single coverage | $3,850 | $4,150 |
| Family coverage | $7,750 | $8,300 |
| Catch-up contributions (age 55+) | $1,000 | $1,000 |

*Participants of eligible SIMPLE plans can contribute 110% of normal contribution limits, including catch-up contributions.



# 5 changes that could impact your retirement (cont.)

## 4. Increased Medicare premiums

- Monthly Medicare Part B premiums increased 6% to $174.70
- Part B and Part D premium surcharges also increased 6%

### Actions you can take

- Use HSA and Roth distributions to cover qualified medical costs without increasing your taxable income
- A tax professional and I can help you begin preparing for Medicare expenses

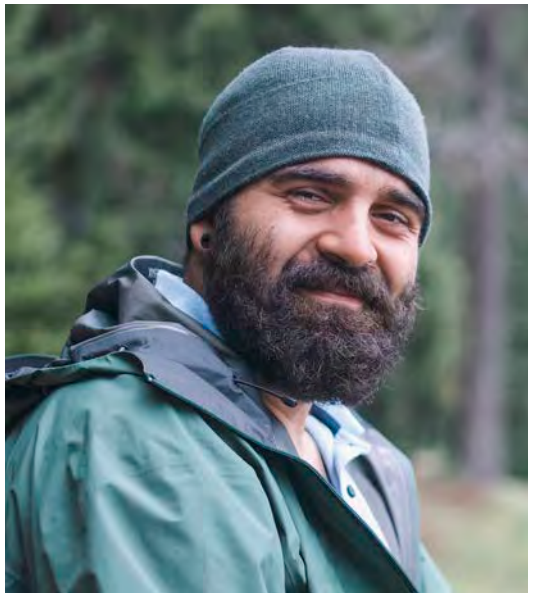
# 5 changes that could impact your retirement (cont.)

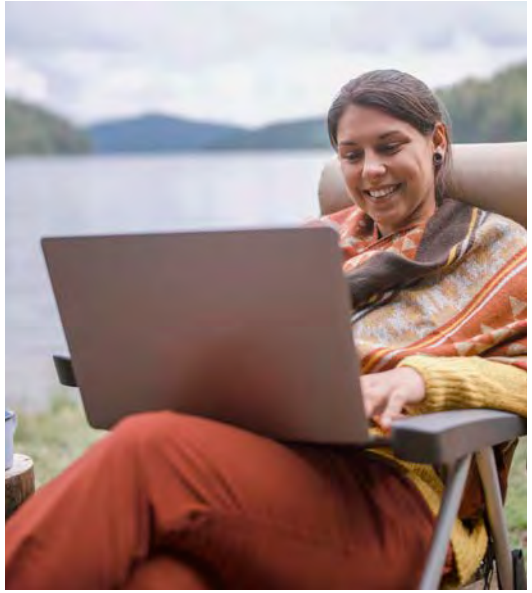
## 5. Minimum distributions no longer required from Roth 401(k)s

- RMDs are no longer required from these accounts for the original owner
- This aligns with the rules for Roth IRAs

### Actions you can take

Talk with your tax professional and me to learn whether any of these changes could impact your progress toward achieving the retirement you want



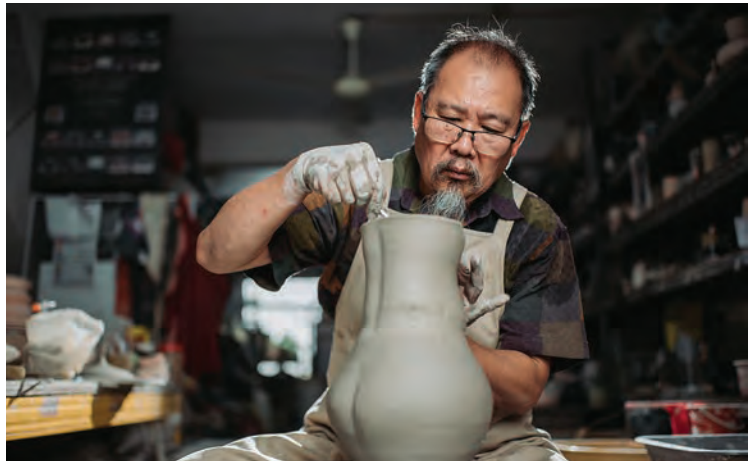


# How to keep paying yourself in retirement

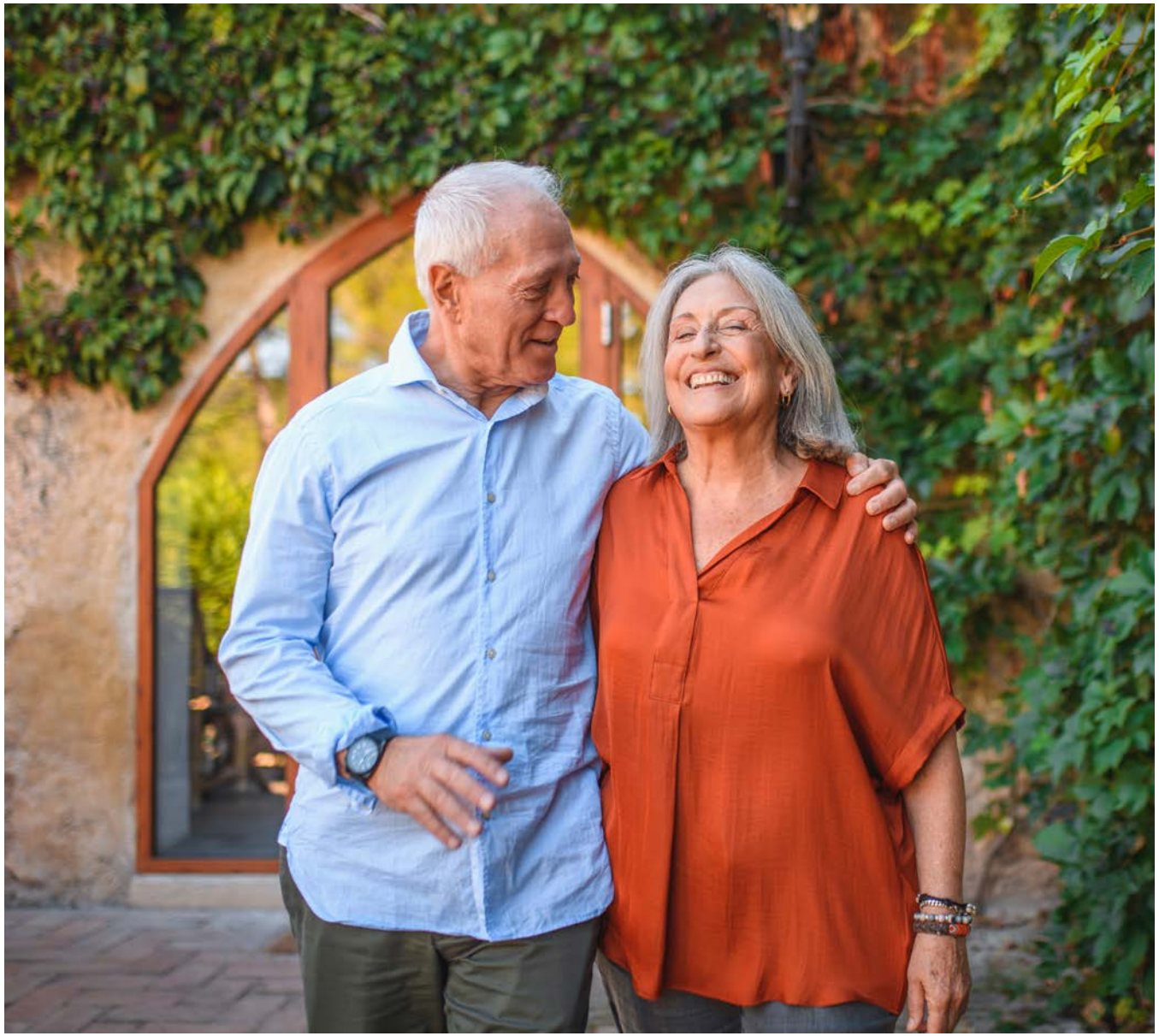
## Your investments' purpose in retirement:

**Cash/short-term fixed income —** cover income needs and provide some stability but earn little if any interest



**Bonds/other fixed-income investments —** provide interest that can supplement your income

**Stocks/other growth investments —** can help provide rising income



# How you spend matters

## A guide for retirement spending:

1. Outside income sources
2. Required minimum distributions (RMDs)
3. Dividends and interest from taxable accounts
4. Sales from your investments

# Putting guidelines into practice

This framework is only a starting point

Talk with your tax professional each year about your income and withdrawals

We can work together to position your portfolio to help provide the income you need when you need it

Investors should evaluate whether a CD or bond ladder and the securities held within it are consistent with their investment objectives, risk tolerance and financial circumstances. Including callable bonds may increase the interest rate risk of a bond ladder. Bonds may be called prior to maturity, which could result in lower yields with new investments.

# Why you should plan early for long-term care

## When to start planning

- Start between ages 50 and 60
- Planning early can give you more options and higher confidence as you enter retirement

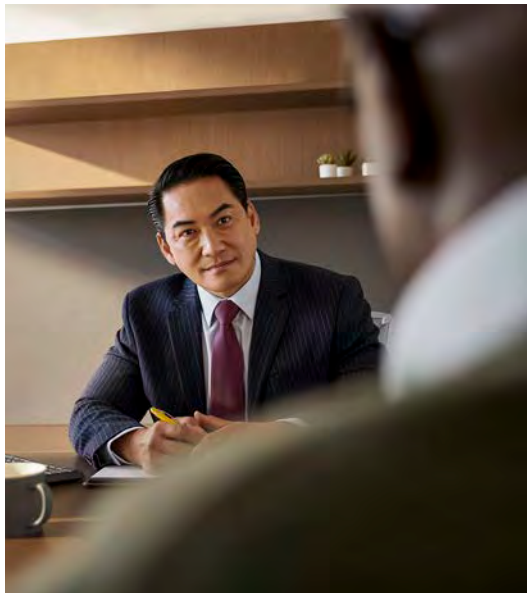
# Options for financing long-term care

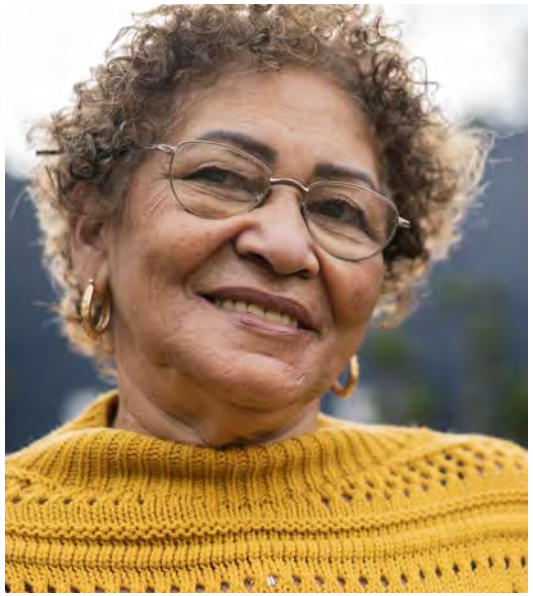
## How much do you need?

We recommend planning for $150,000 of care and then adjusting as needed.

## How can you address the risk?

- **Accept the risk** by paying the costs yourself (self-insuring)
- **Transfer the risk** by purchasing an insurance policy
- **Share the risk** by combining self-insuring with an insurance policy





# How we can help

- The risk of a long-term care event is fairly likely, and the costs can be significant
- I can help you estimate long-term care costs and discuss options to cover these costs

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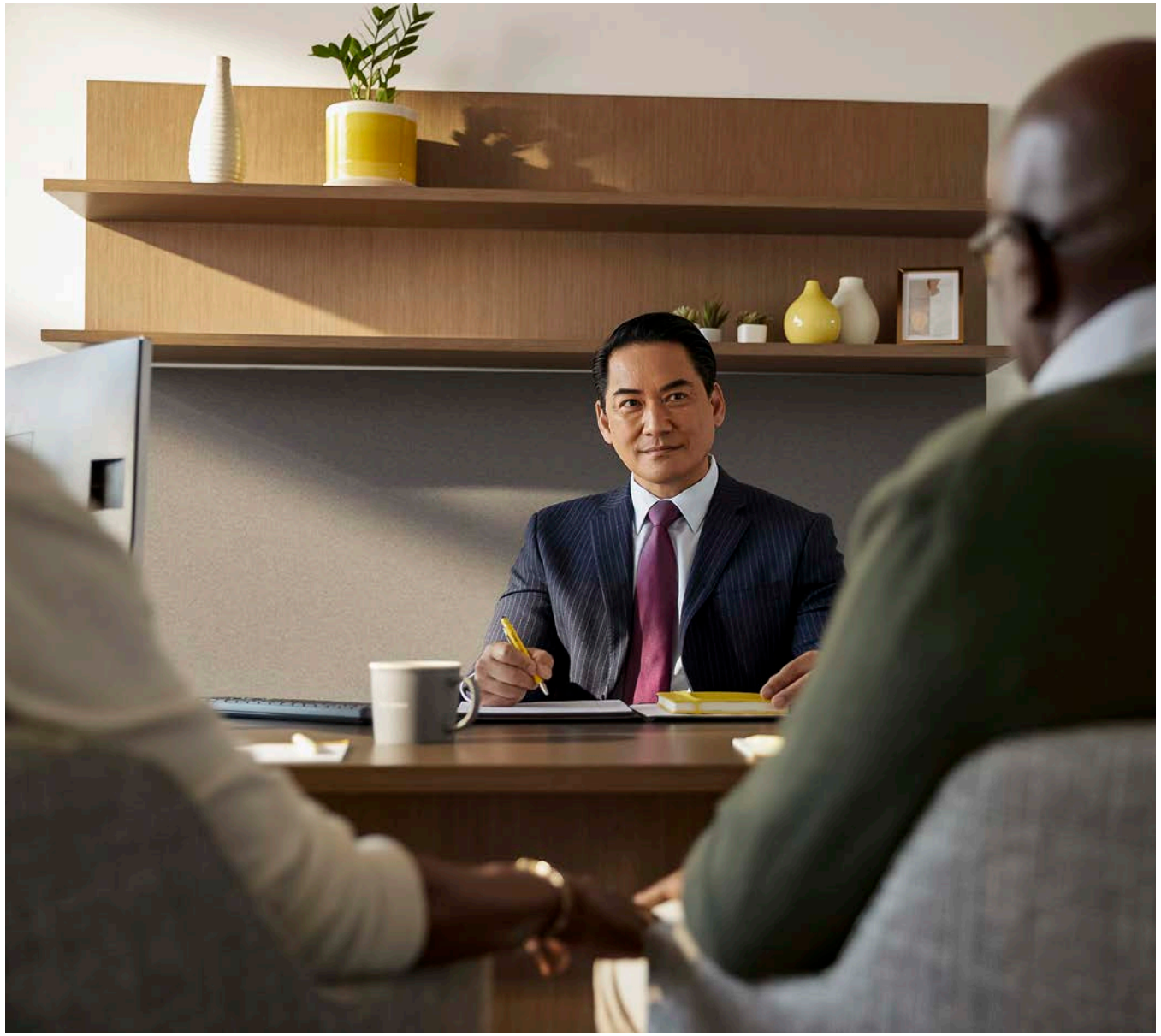


# Saving strategies: Where to put your next dollar

Budget for the basics

Save for an emergency

Save for retirement

Stay on top of your debt

# How to calculate your DTI ratio

1. **Add up your monthly debt payments (excluding mortgage)**
2. **Divide this amount by your monthly net income**

Strive for a DTI ratio of 20% or less (35% or less if your mortgage is included in your debt calculation)

$$\frac{\text{Debt payments}}{\text{Net income}} \%$$

**DTI ratio**

**Amy Theisen, CFP®, *Senior Strategist, Estate and Legacy***

# Estate planning: 5 steps to guide you

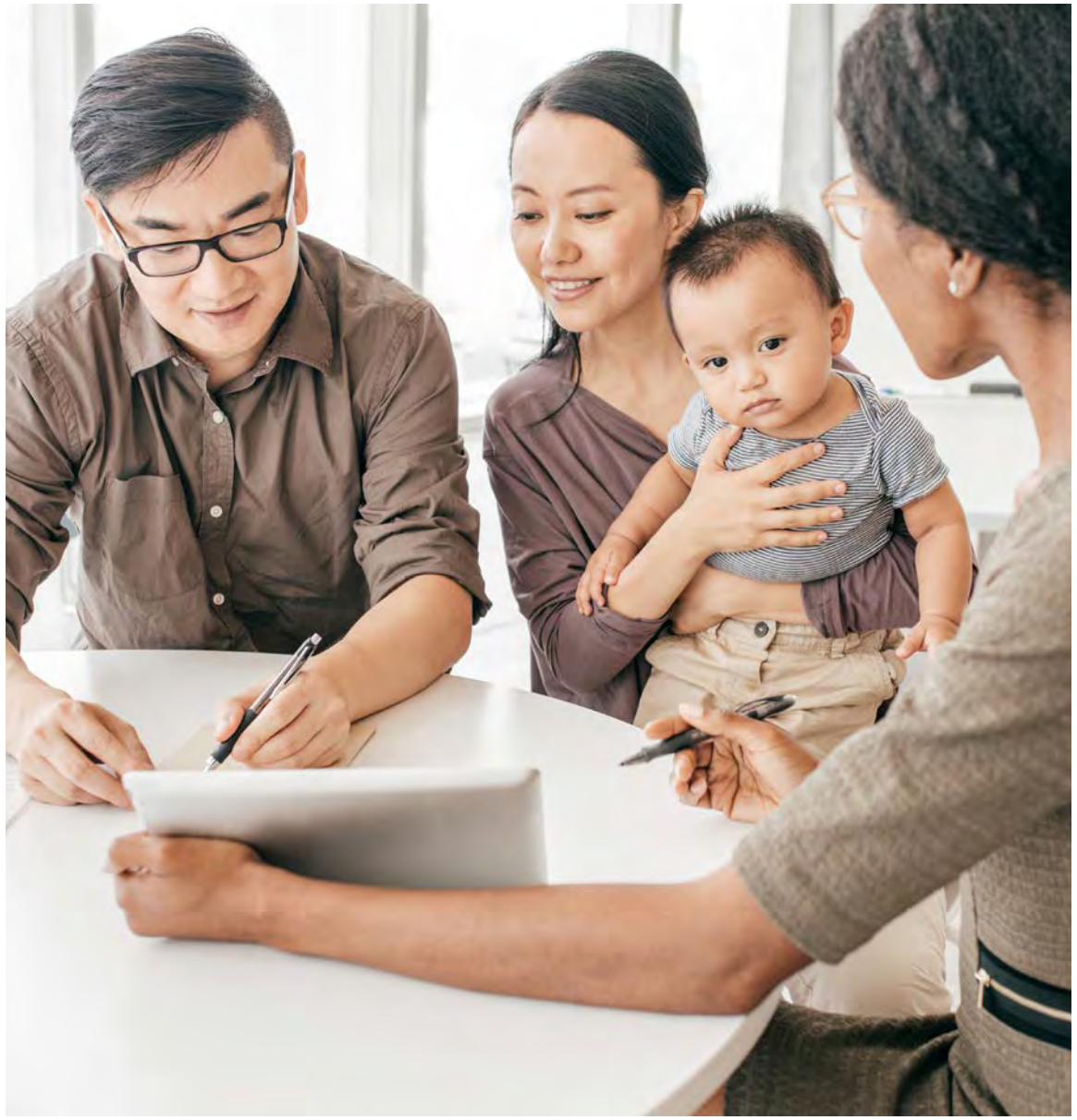
## Step 1: Ensure core documents are in place

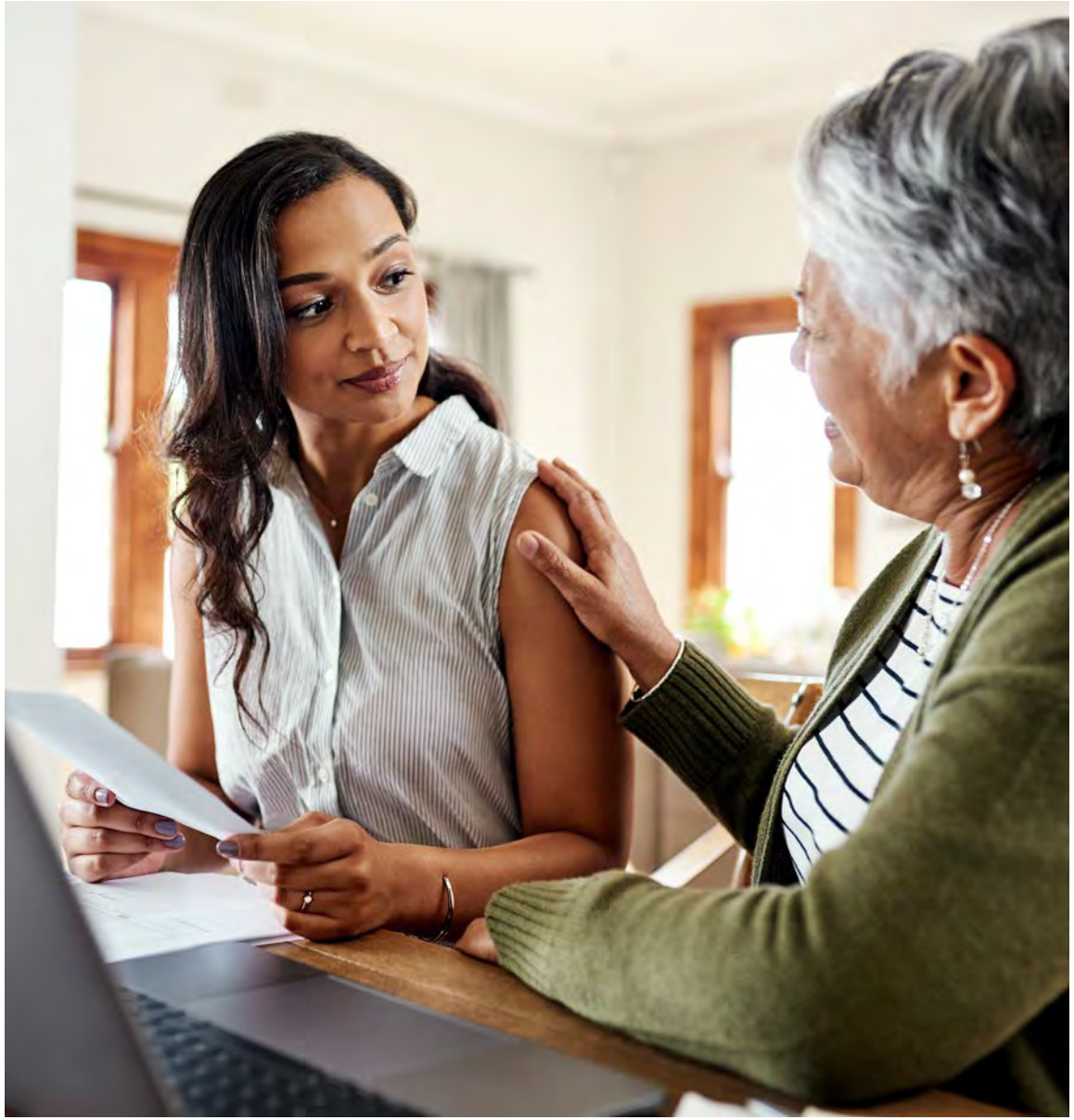
- **A will —** distribution of property, guardians for minor children
- **Trust documents —** name a trustee to manage and distribute the trust's assets

# Estate planning: 5 steps to guide you (cont.)

## Step 2: Review asset titling and beneficiary designations

- Avoid holding assets that are titled differently from how your estate plan is designed
- Coordinating asset titling can help ensure your assets pass as you intend





# Estate planning: 5 steps to guide you (cont.)

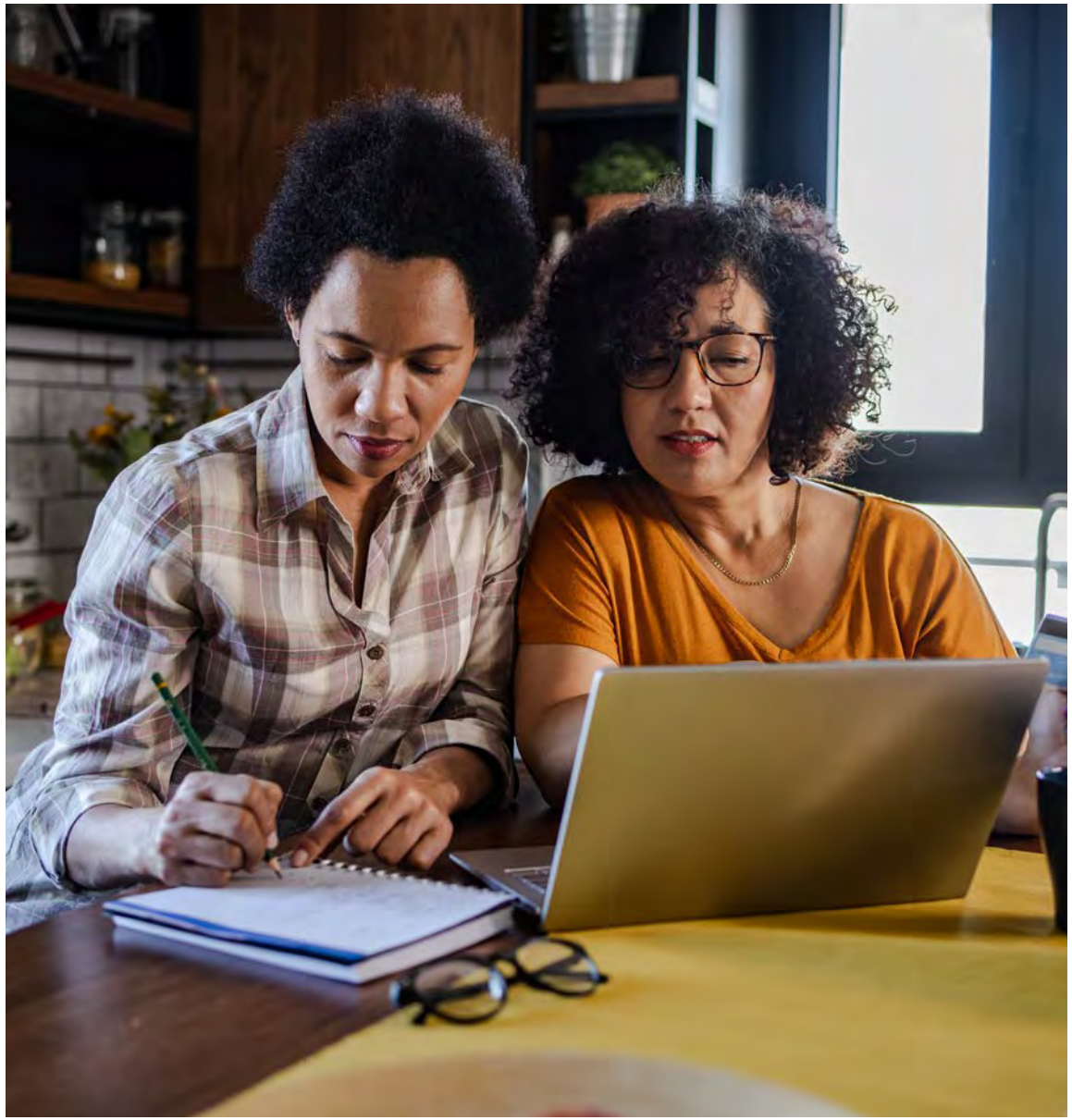
## Step 3: Ensure your loved ones can access your documents

- Estate, medical directive or incapacity planning documents are often needed suddenly
- Consider sharing this information with your loved ones

# Estate planning: 5 steps to guide you (cont.)

## Step 4: Don’t forget about digital access

- You may have online accounts or digital assets
- Make sure your estate plan addresses these and that you’ve shared related information



# Estate planning: 5 steps to guide you (cont.)

## Step 5: Review your documents periodically

- Consider reviewing every two to three years
- I can work with your tax, legal and estate-planning professionals to help ensure you have an estate plan that matches your goals

Edward Jones, its employees and financial advisors are not estate planners and cannot provide tax or legal advice. You should consult your estate-planning attorney or qualified tax advisor regarding your situation.

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# More information available

- This month's issue of *Edward Jones Perspective* contains more in-depth coverage of the topics discussed today
- Please be sure to complete your seminar evaluation form
- Please contact me with any further questions or to schedule an appointment

**Thank you for your time!**