Edward Jones

Perspective

April 2024

9 strategies to help protect your retirement

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9 strategies to help protect your retirement

Did you know your retirement strategy could be at risk?

Many of the risks you face earlier in life don't go away.

What's the good news?

Addressing these risks is typically within your control.

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Life stage: Preparing for retirement

Risk: Not saving enough for retirement

Boost your retirement savings with the power of three:

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Life stage: Preparing for retirement (cont.)

Risk: An unexpected expense or emergency

- Create an emergency fund for unexpected expenses or periods of unemployment
- Try to save three to six months' worth of living expenses in a separate account

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Life stage: Preparing for retirement (cont.)

Risk: Premature death or disability

- Life insurance policy with enough coverage for your needs
- "Own occupation" long-term disability policy

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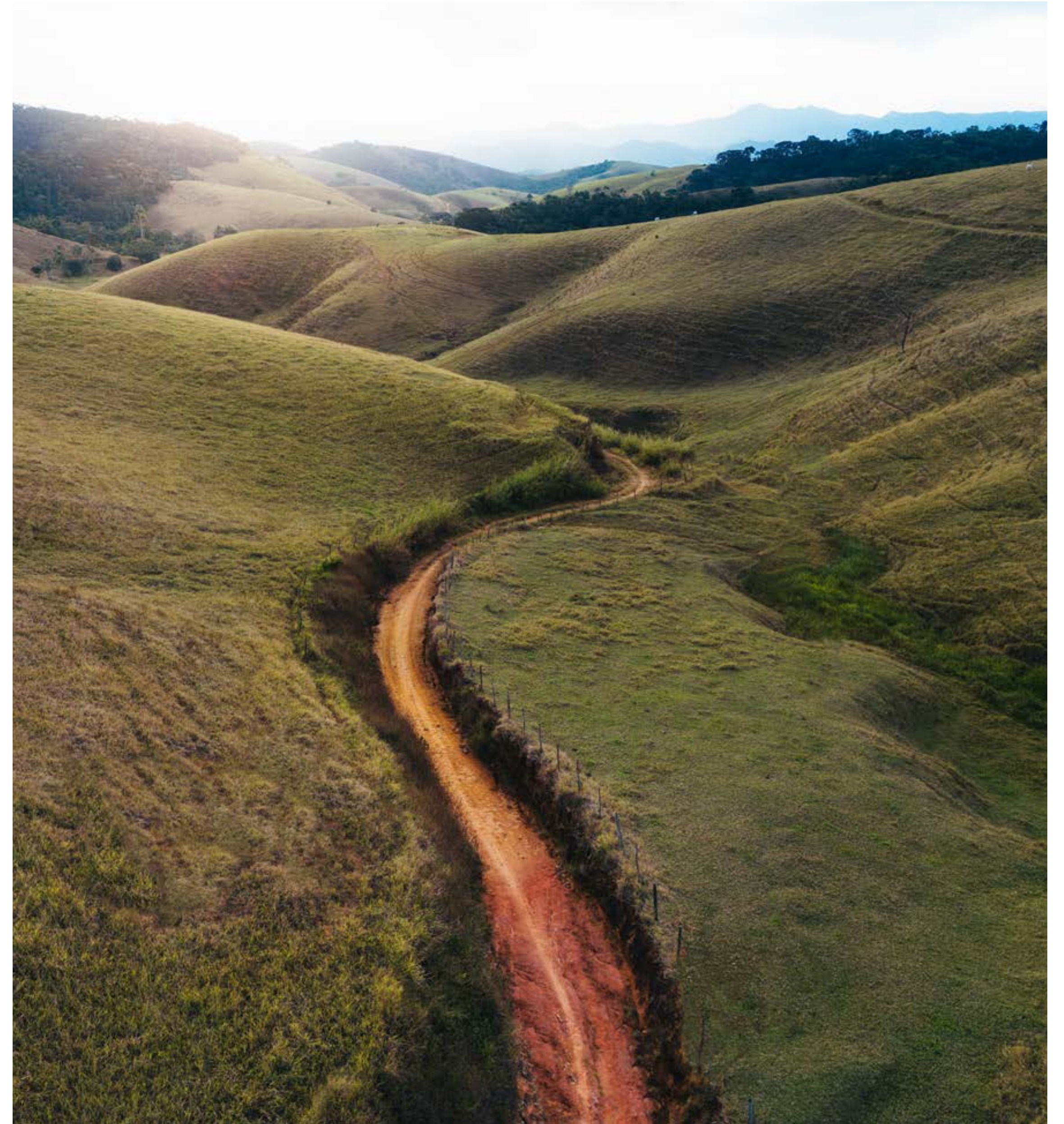

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Life stage: Transitioning to retirement

Risk: Unplanned retirement

- More time to live on less savings
- Emergency fund, disability insurance
- Backup strategy with spending flexibility

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Life stage: Transitioning to retirement (cont.)

Risk: Longevity

- Higher chance of outliving your portfolio or needing long-term care
- Consider getting more of your retirement income from guaranteed sources
- Cover long-term care expenses with insurance, savings or a combination of the two

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Guarantee is made by the issuing life insurance company. Talk with your financial advisor to decide if annuities are suitable for you.

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Life stage: Transitioning to retirement (cont.)

Risk: Sequence of returns

Beginning portfolio value: $500,000							
	Annual portfolio returns						Ending portfolio value
	1	2	3	4	5	6	
Portfolio A	25%	8%	15%	0%	-8%	-12%	$511k
Portfolio B	-12%	-8%	0%	15%	8%	25%	$454k

Source: Edward Jones. Hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Example assumes a starting withdrawal of $20,000 increased by 3% each year for inflation. "Ending portfolio value" rounded.

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Life stage: Living in retirement

Risk: Inflation

- No one can control inflation
- Fight it by incorporating growth investments in your portfolio

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Life stage: Living in retirement (cont.)

Risk: Incapacity and estate planning

- Review and update estate and incapacity legal documents regularly
- Appoint fiduciaries you trust who are willing to accept their roles
- Ensure your loved ones know where to find your documents

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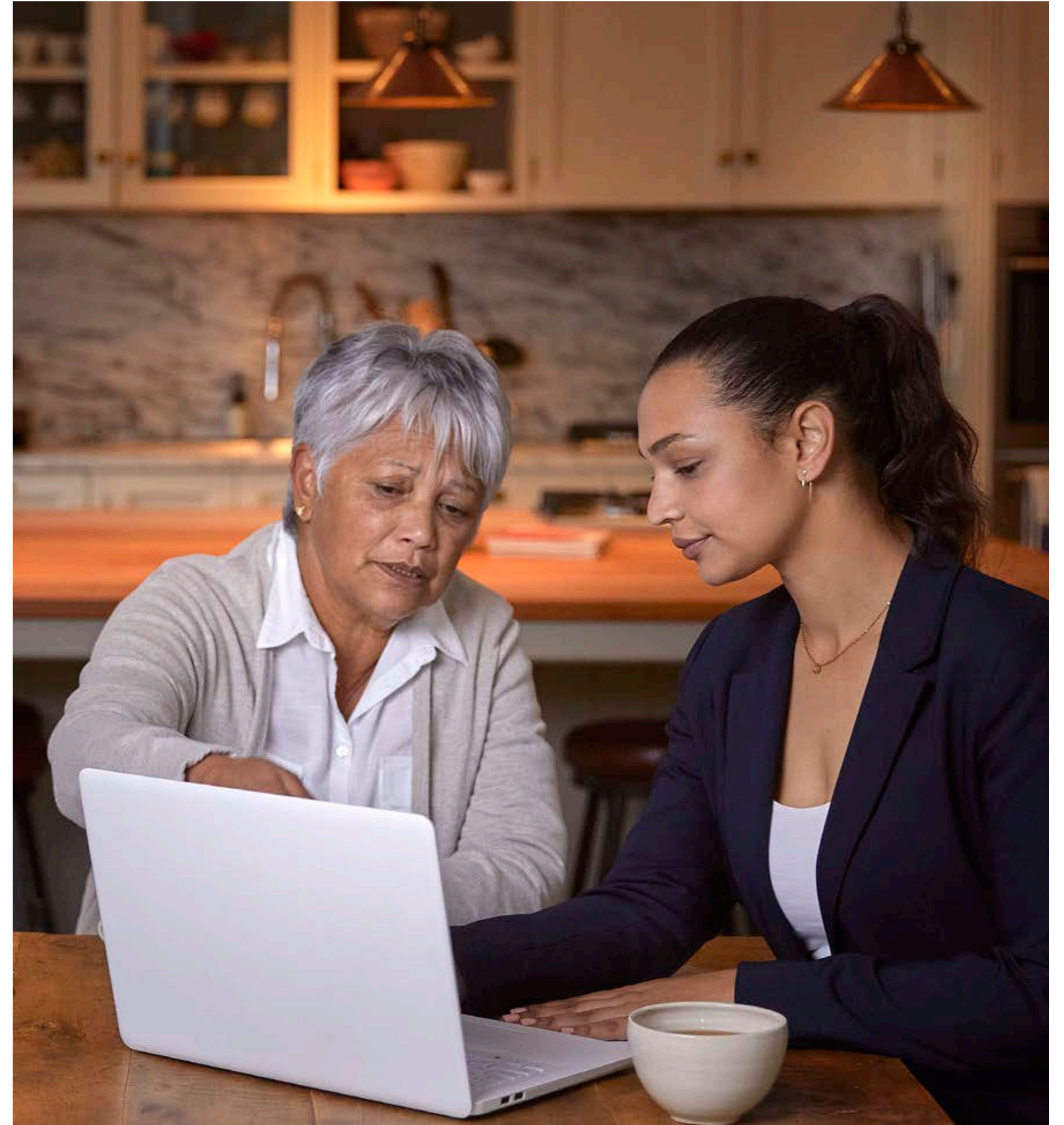

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Life stage: Living in retirement (cont.)

Risk: Declining investment values

- Pause before changing investments
- Adjust your spending
- Spend from your cash

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Gifting strategies for grandparents

Gifting limits

- Annual gift tax exclusion of $18,000
- Gifts over that amount count against your lifetime exemption amount of $13.61 million ($27.22 million per couple)

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Gifting strategies for grandparents (cont.)

Legacy of meaning through experience

- Paying for experiences can be a key part of your estate strategy
- They can help you leverage your annual exclusion and lifetime exemption amounts

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Gifting strategies for grandparents (cont.)

Investing in education: 529 plans

Up to $90,000 contribution for 2024, if it's spread over a five-year period

Not deductible for federal income taxes but may offer state income tax deductions

Consult your tax advisor

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Gifting strategies for grandparents (cont.)

The value of cash gifts and appreciated assets

- Lower taxation for appreciated assets if the grandchild is in a lower capital gains tax bracket
- UTMA/UGMA accounts go to the beneficiary when they reach the age of termination
- Roth IRA is an option if the grandchild meets eligibility requirements

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Tapping into your 401(k): Withdrawal or loan?

We generally recommend avoiding taking money from your 401(k) before you're retired.

If you've exhausted all other options:

401(k) loan:

- Borrow money from your plan and pay it back over time
- Usually five years to repay the loan, with payments due at least quarterly

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Tapping into your 401(k): Withdrawal or loan? (cont.)

Loan disadvantages:

- Less money working toward your retirement, but you will earn interest on the loan
- Employer may limit new contributions to the account while the loan is outstanding

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Tapping into your 401(k): Withdrawal or loan? (cont.)

401(k) hardship withdrawal

- You must have an immediate and heavy financial need
- The withdrawal must be necessary to satisfy that need

401(k) nonhardship withdrawal

- Can generally be taken for any purpose
- Typically limited until age 59½ or older

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Tapping into your 401(k): Withdrawal or loan? (cont.)

Withdrawal disadvantages:

Hardship withdrawals can't be rolled back into the plan or to an IRA

Withdrawals taken for other reasons must be rolled over within 60 days

Your plan may withhold 20% of the withdrawal for taxes

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5 myths about health savings accounts (HSAs)

Myth 1:
"I have to use my HSA funds before year-end or I'll lose them."

- Easy to confuse HSAs with flexible spending accounts (FSAs)
- FSA funds must be spent each year, but you keep HSA funds until you spend them

Edward Jones currently does not offer a health savings account, so we cannot open or hold an HSA. We're providing this information solely for educational purposes because we believe HSAs are a helpful tool in saving for health care expenses.

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5 myths about health savings accounts (HSAs) (cont.)

Myth 2:
"My employer can keep my HSA funds if I quit."

- You own your HSA assets, so you can take them with you
- FSA contributions generally must be spent when you change employers

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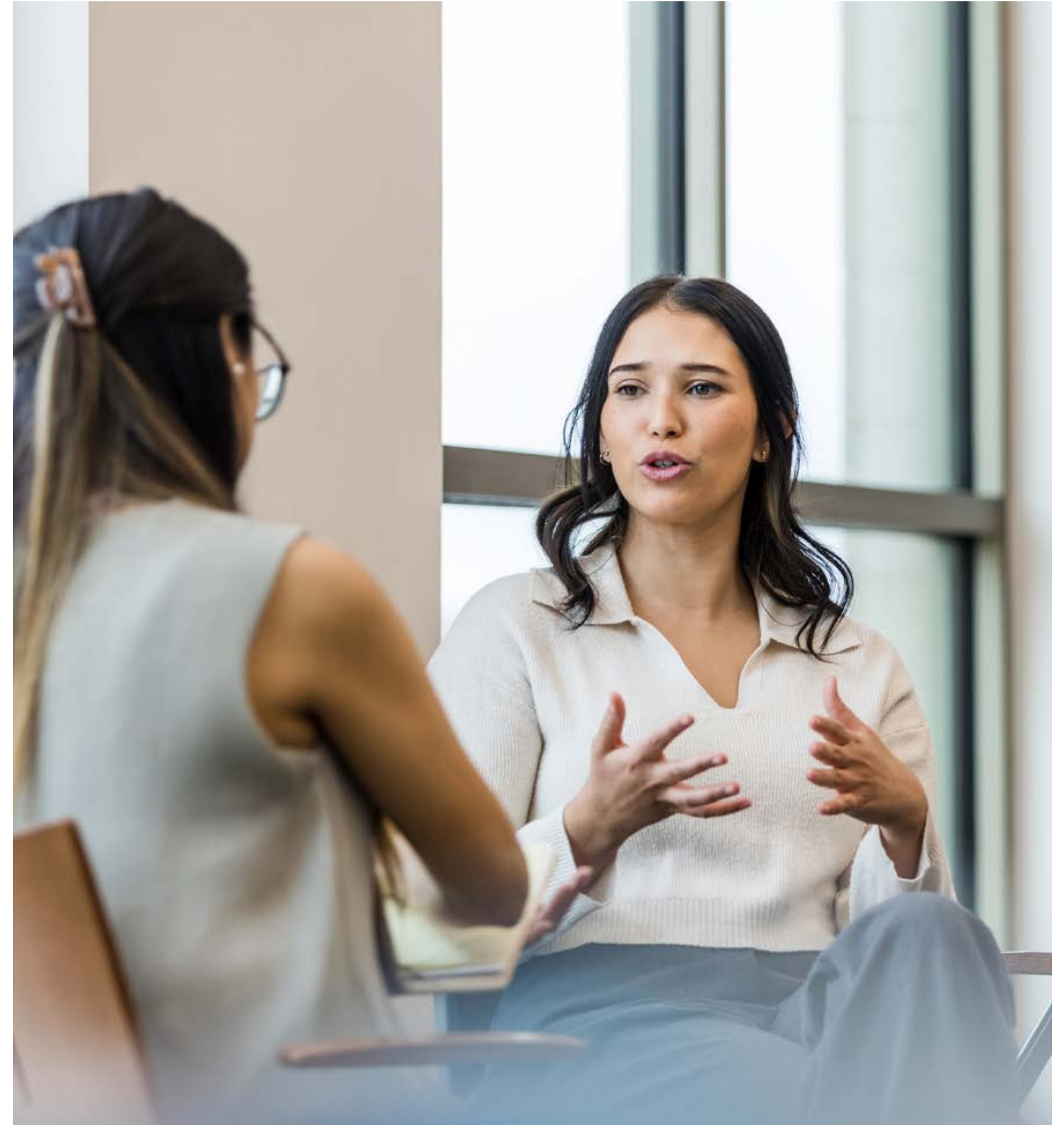

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5 myths about health savings accounts (HSAs) (cont.)

Myth 3:
“I can’t use HSA money if I can no longer contribute to my account.”

- You must meet certain requirements to contribute to an HSA but not for distributions
- HSA funds stay with you until you spend them

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5 myths about health savings accounts (HSAs) (cont.)

Myth 4: “An HSA is a spending account, not a savings account.”

- Leaving HSA funds untapped makes them available for future health care expenses
- Many HSAs provide investment options

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5 myths about health savings accounts (HSAs) (cont.)

Myth 5:
"I should start by funding my retirement account, then fund my HSA."

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Tax treatment of retirement accounts

	Traditional retirement	Roth retirement	HSA
Contributions	No income taxes	Income taxes apply	No income or FICA taxes
Earnings growth (within account)	Tax-deferred	Generally tax-free	Tax-free when used for qualified health expenses
Distributions	Income taxes apply	Generally tax-free	Tax-free when used for qualified health expenses
Impact on taxable income	Increases, potentially increasing Social Security tax and Medicare premiums	Generally none	None if used for qualified health expenses

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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!

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