Investing for the Future

According to the Social Security Administration, "the earliest a person can start receiving Social Security retirement benefits will remain at age 62[1]." The average (or "normal") age for retirement, however, has been 65 for years, and indications are that the later a person is born, the higher their retirement age will be—up to age 67 for those born after 1959.

Planning for retirement today is no simple matter, not that it ever was. Many things must be taken into consideration.

Some things to think about...

DEBT

Debt can make a signficant impact on your retirement savings. Home ownership (mortgage debt) represents a large chunk, so paying down your house prior to retirement is important. However, it is crucial to stay on top of your other debts, such as credit card debt, as well.

BILLS

Take inflation into account when planning for retirement. It may not impact retirees as much as younger couples with children, but the cost of living (including necessities like water and heat) is expected to go up significantly over the next two or three decades. A financial professional may be able to devise a strategy that will keep your investment income increasing at a pace matched to the increase in cost of living.

"Retirement is like a long vacation in Las Vegas. The goal is to enjoy it to the fullest, but not so fully that you run out of money."

-Author Jonathan Clements

[1] *https://www.ssa.gov/planners/retire/ageincrease.html*

Additional things to think about...

LIFE EXPECTANCY

Studies have shown that once a male reaches the age of 70, he is very likely to live at least another 15 years. Additionally, in married couples, one person will generally live to 90 (according to the Mayo Clinic). When planning for retirement, if you make it to 70, plan to make it to 85 or 90!

HEALTHCARE

Medical costs are high and will most likely keep going up. Now, more than ever, it is important to be proactive and work with your doctor to stay as healthy as possible. Getting enough exercise and sleep, as well as staying up-to-date on vaccinations, can keep you in better shape in order to avoid high medical expenses.

DAY-TO-DAY EXPENSES

People have more free time in their retirement and may wish to travel more or take on projects. In addition to spending time on more pleasurable pursuits, the costs of keeping up your home can add up fast (even if you own it debt free). These things should be budgeted for when investing and planning for retirement.

TAXES

Tax laws change over time, and taxes can eat into retirement savings. Money placed in a tax-deferred investment can accumulate free from tax until it is withdrawn at retirement, allowing more money to generate retirement income for a longer period.

Types of Retirement Accounts

Everyone's financial situation is different. A financial professional can help you explore all options and determine what vehicles may best help you meet your retirement goals.

Below are some of the most common types of retirement accounts and plans:

Traditional IRA

What is it?

- An Individual Retirement Account (IRA) to which pre-tax dollars can be contributed
- Allows contributions to be made on behalf of a non-working spouse if a married couple files jointly and the working spouse meets certain criteria

Maximum Annual Contribution (2018)

- $5,500 or $6,500 (if you'll be age 50 or older by the end of the year **OR** your taxable compensation for the year, whichever is less

Adjusted Gross Income (AGI)	Eligible Deduction	Filing Status
$63,000 or less	Full	Single or head of household
>$63,000 but <$73,000	Partial	
>$73,000	None	
$101,000 or less	Full	Married, filing jointly OR qualifying widow(er)
>$101,000 but <$121,000	Partial	
>$121,000	None	
<$10,000	Partial	Married, filing separately
>$10,000	None	

Roth IRA

What is it?

- A type of IRA to which contributions are made post-tax
- Allows contributions to be made on behalf of a non-working spouse if a married couple files jointly and the working spouse meets certain criteria

Maximum Annual Contribution (2018)

- $5,500 or $6,500 (if you'll be age 50 or older by the end of the year **OR** your taxable compensation for the year, whichever is less

AGI	Eligible Contribution	Filing Status
< $189,000	Up to maximum	Married, filing jointly OR qualifying widow(er)
≥ $189,000 but < $199,000	Reduced amount	
≥ $199,000	Zero	
< $10,000	Reduced amount	Married, filing separately and living together
≥ $10,000	Zero	
< $120,000	Up to maximum	Single, head of household, or married filing separately and not living together
≥ $120,000 but < $135,000	Reduced amount	
≥ $135,000	Zero	

SEP Plan

What is it?

- Allows employers to contribute to Traditional IRAs set up for employees
- Can be established by a business of any size, including self-employed individuals

Maximum Annual Contribution (2018)

- 25% of the employee's compensation or $55,000, whichever is less

SIMPLE IRA Plan

What is it?

- **S**avings **I**ncentive **M**atch **PL**an for **E**mployees (SIMPLE) allows employees and employers to contribute to Traditional IRAs set up for employees
- Best suited to small employers who don't sponsor a retirement plan

Maximum Annual Contribution (2018)

- $12,500 for employees
- Matching contributions or non-elective contributions for employers

401(k) Plan

What is it?

- A retirement plan that allows employees to contribute pre-tax dollars

Maximum Annual Contribution (2018)

- $18,500 elective deferrals

403(b) Plan

What is it?

- A retirement plan offered by public schools and certain tax-exempt organizations that allow employees to contribute pre-tax dollars

Maximum Annual Contribution (2018)

- $18,500 elective deferrals

Information regarding maximum contributions from https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans

If you have concerns about these or any other topics that could affect your retirement savings, look to your Moors & Cabot financial professional for help. He or she is backed by the support of a firm with the resources and expertise to help you create a financial strategy suited to your specific needs.

Your financial professional addresses critical questions, such as:

• Are you compromising your goals too much with your investment choices?
• Are you taking too much financial risk – or not enough?
• Do your goals need adjusting, or do you need to allow more time for achieving them?
• Will you have enough?

With the help of your financial professional, you will be able to prioritize your goals. Using this information, you will discuss how well you're working toward achieving your goals.

"In the end, it's not the years in your life that count. It's the life in your years."

-Abraham Lincoln

This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Past performance is not necessarily a guide to future performance.

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