



## NEWSLETTER

DECEMBER 2021 • VOLUME 29 • ISSUE 12

### Milestone Ages for Financial Planning

*Hartfordfunds.com*

Whether or not you've stopped counting birthdays, it's important to know that some birthdays are more important than others when it comes to financial planning. Milestone birthdays can remind you to consider your options and discuss key decisions with a financial professional.

#### **50: You can contribute more to your retirement plan**

When you turn 50, you can contribute more to your 401(k) or other retirement plan. In 2022, the maximum contribution limit is \$20,500 with an additional \$6,500 catch-up contribution allowed for those turning age 50 or older.<sup>1</sup>

For IRAs, the 2022 contribution limit is \$6,000 (\$7,000 if you're over 50).<sup>2</sup>

#### **59 ½: No penalty if you withdraw funds from your IRA**

Starting at age 59½, you can take withdrawals without penalties, although it's worth noting that taxes may be due based on the type of your IRA. At this age, consider talking to your financial professional about creating a retirement income plan.

It can also be a good time to consider consolidating old 401(k)s from previous employers and IRAs. Doing so can

make it easier to track and organize your investments, e.g. manage your asset allocation, diversification, and rebalancing. Plus, it



may help reduce taxes and fees.<sup>3</sup>

#### **62: You can start receiving Social Security**

At 62, you're able to start receiving Social Security income. However, doing so can reduce your monthly benefits by 30% versus waiting until your Social Security full retirement age (FRA—the age when you are entitled to 100 percent of your Social Security benefits, which are determined by your lifetime earnings). And that reduction is permanent.<sup>4</sup> It is important, therefore, talk to a financial professional to help you with this decision about your future benefits.

Visit the Social Security website to get personalized retirement estimates.

## 65: You can sign up for Medicare

You'll want to get the timing right on this. Medicare's initial enrollment period lasts seven months, starting three months before you turn 65, and ending three months after the month you turn 65. If you miss your 7-month Initial Enrollment Period, you may have to wait to sign up and pay a monthly late-enrollment penalty.<sup>5</sup>

## 66: Full Retirement Age for people born 1943–1954; 67 for people born after 1960

Full Retirement Age is the age when you are entitled to 100% of your Social Security benefits, which are determined by your lifetime earnings. The amount you receive when you first get benefits sets the base for the amount of money you will receive for the rest of your life.

If you were born between 1955 and 1959, full retirement age gradually increases.<sup>6</sup> If you were born after 1960, your full retirement age will be 67.<sup>6</sup>

You can increase your retirement benefits by waiting past your Full Retirement Age to retire. Each month you put off filing up to age 70 earns you delayed retirement credits that boost your eventual benefit.<sup>6</sup>

## 70: Social Security benefit increases as a result of delaying retirement stop at age 70

You don't have to begin collecting Social Security by age 70, but your benefit will not increase if you delay claiming past your 70th birthday.<sup>6</sup>

## 70 ½ or 72: RMDs begin

Required Minimum Distributions (RMDs) generally are minimum amounts that a retirement-plan account owner must withdraw annually starting with the year that you turn 72 (70½ if you reach 70½ before January 1, 2020).<sup>7</sup>

The requirement allows the government to finally tax the money, which had been growing tax-

deferred to encourage saving for retirement. Investors who fail to take an RMD may face a steep penalty, equal to half the amount they didn't withdraw.<sup>7</sup>

## 73 and beyond

According to the MIT AgeLab, a division of MIT that studies aging, retirement tends to get more complex as we age. Things you'll likely need to address include, housing decisions, driving challenges, maintaining friendships, caregiving, organizing your most important info, and having fun and a purpose.

<sup>1</sup> IRS announces changes to retirement plans for 2022, IRS, 11/17/21

<sup>2</sup> Retirement Topics - IRA Contribution Limits, IRS, 2021

<sup>3</sup> Consult a financial professional or tax professional for more information.

<sup>4</sup> Should you take Social Security at 62? Fidelity, 7/1/21

<sup>5</sup> When does Medicare coverage start? Medicare.gov, 2021

<sup>6</sup> Retirement Benefits, Social Security, 2021

<sup>7</sup> Retirement Plan and IRA Required Minimum Distributions FAQs, IRA, 2021

For guidance on decision making on your milestone birthdays, talk to your financial or tax professional.

## SOME WAYS TO IMPROVE YOUR FINANCIAL LIFE IN 2022

Embrace 2022 with a fresh start. Consider the following resolutions:

- Budget & Save \$ Every Month - Even Warren Buffet, the multi-billionaire, frugally budgets his spending. He says, "Do not save what is left after spending, but spend what is left after saving." Consider using a budget app like the free Everydollar.com app.
- Pay Yourself First - Good Rule of Thumb is 10%; possibly use this toward your 401k.
- Build your Emergency Fund as

well as your family savings.

- Pay bills right after receiving your paycheck. Avoid late fees.
- Evaluate your eating out and subscriptions expenses.
- Pay down your debt, especially those high-interest credit cards!
- Make a will if you don't have one.
- Review your insurance needs. Should you change your deductibles? Has your situation changed? Disability? Long-term?

Auto? (Call on your auto; often they'll reduce your premium if your record has been clean.)

- Refinancing? Do it soon before interest rates rise. Lock in today's historically low rates.
- Save money by doing things yourself.
- Stay healthy physically - this leads to wiser financial health.

### Reminder

Please remember to notify us if you have had any material changes in your financial circumstances.

All information provided is for informational and educational purposes only and is not intended to provide investment, tax, accounting or legal advice. As with all matter of an investment, tax, or legal nature, you should consult with a qualified tax or legal professional regarding your specific legal or tax situation, as applicable. The preceding information is not intended to be a recommendation or advice. This information does not take into account the specific investment objectives, tax and financial condition of any specific person. This information has been prepared from sources believed reliable but the accuracy and completeness of the information cannot be guaranteed. This material and/or its contents are current at the time of writing and are subject to change without notice. Southern Capital Services, Inc. is a Registered Investment Advisor.