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Five Keys to Investing for Retirement

Because inflation could reduce your purchasing power over time, you'll probably need to contribute more to your retirement plan than you think. What seems like a healthy amount now is likely to feel smaller and smaller over time.

All investing involves risk, including the possible loss of principal, and there can be no guarantee that any investment strategy will be successful. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

Making decisions about your retirement account can seem overwhelming, especially if you feel unsure about your knowledge of investments. However, the following basic rules can help you make smarter choices regardless of whether you have some investing experience or are just getting started.

1. Don't lose ground to inflation

It's easy to see how inflation affects gas prices, electric bills, and the cost of food; over time, your money buys less and less. But what inflation does to your investments isn't always as obvious. Let's say your money is earning 4% and inflation is running between 3% and 4% (its historical average). That means your investments are earning only 1% at best. And that's not counting any other costs; even in a tax-deferred retirement account such as a 401(k), you'll eventually owe taxes on that money. Unless your retirement portfolio keeps pace with inflation, you could actually be losing money without even realizing it.

What does that mean for your retirement strategy? First, you might need to contribute more to your retirement plan than you think. What seems like a healthy sum now will seem smaller and smaller over time; at a 3% annual inflation rate, something that costs $100 today would cost $181 in 20 years. That means you may need a bigger retirement nest egg than you anticipated. And don't forget that people are living much longer now than they used to. You might need your retirement savings to last a lot longer than you expect, and inflation is likely to continue increasing prices over that time. Consider increasing your 401(k) contribution each year by at least enough to overcome the effects of inflation until you hit your plan's contribution limits.

Second, you may consider investing a portion of your retirement plan in investments that can help keep inflation from silently eating away at the purchasing power of your savings. Cash alternatives such as money market accounts may be relatively safe, but they are the most likely to lose purchasing power to inflation over time. Even if you consider yourself a conservative investor, remember that stocks historically have provided higher long-term total returns than cash alternatives or bonds, even though they also involve greater risk of volatility and potential loss.

Note: *Past performance is no guarantee of future results.*

Note: *Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in such a fund.*

2. Invest based on your time horizon

Your time horizon is investment-speak for the amount of time you have left until you plan to use the money you're investing. Why is your time horizon important? Because it can affect how well your portfolio can handle the ups and downs of the financial markets. Someone who was planning to retire in 2008 and was heavily invested in the stock market faced different challenges from the financial crisis than someone who was investing for a retirement that was many years away, because the person nearing retirement had fewer years left to let their portfolio recover from the downturn.

If you have a long time horizon, you may be able to invest a greater percentage of your money in something that could experience more dramatic price changes but that might also have greater potential for long-term growth. Though past performance doesn't guarantee future results, the long-term direction of the stock market has historically been up despite its frequent and sometimes massive fluctuations.

Think long term for goals that are many years away and invest accordingly. The longer you stay with a diversified portfolio of investments, the more likely you are to be able to ride out market downturns and improve your opportunities for gain.

The dollar-cost averaging you do when you make automatic contributions to the investments in your retirement plan account involves continuous investment in securities regardless of price changes. You should consider your financial and emotional ability to continue making purchases during times when prices are low. Dollar-cost averaging does not guarantee a profit or protect against a loss.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

3. Consider your risk tolerance

Another key factor in your retirement investing decisions is your risk tolerance — basically, how well you can handle a possible investment loss. There are two aspects to risk tolerance. The first is your financial ability to survive a loss. If you expect to need your money soon — for example, if you plan to begin using your retirement savings in the next year or so — those needs reduce your ability to withstand even a small loss. However, if you're investing for the long term, don't expect to need the money immediately, or have other assets to rely on in an emergency, your risk tolerance may be higher.

The second aspect of risk tolerance is your emotional ability to withstand the possibility of loss. If you're invested in a way that doesn't let you sleep at night, you may need to consider reducing the amount of risk in your portfolio. Many people think they're comfortable with risk, only to find out when the market takes a turn for the worse that they're actually a lot less risk tolerant than they thought. Often that means they wind up selling in a panic when prices are lowest. Try to be honest about how you might react to a market downturn and plan accordingly.

There are ways to help manage risk. For example, understanding the potential risks and rewards of each of your investments and their role in your portfolio may help you gauge your emotional risk tolerance more accurately. Also, having money deducted from your paycheck and put into your retirement plan helps spread your risk over time. By investing regularly, you reduce the chance of investing a large sum just before the market turns downward.

4. Integrate retirement with your other financial goals

Think about establishing an emergency fund; it can help you avoid needing to tap your retirement savings before you had planned to. Generally, if you withdraw money from a traditional retirement plan before you turn 59½, you'll owe not only the amount of federal and state income tax on that money but also a 10% federal penalty (and possibly a state penalty as well). There are exceptions to the penalty for premature distributions from a 401(k), such as having a qualifying disability or withdrawing money after leaving your employer after you turn 55. However, having a separate emergency fund can help you avoid an early distribution and allow your retirement money to stay invested.

If you have outstanding debt, you'll need to weigh the benefits of saving for retirement versus paying off that debt as soon as possible. If the interest rate you're paying is high, you might benefit from paying off at least part of your debt first. If you're contemplating borrowing from or making a withdrawal from your workplace savings account, make sure you investigate using other financing options first, such as loans from banks, credit unions, friends, or family. If your employer matches your contributions, don't forget to factor into your calculations the loss of that matching money if you choose to focus on paying off debt. You'll be giving up what is essentially free money if you don't at least contribute enough to get the employer match.

5. Don't put all your eggs in one basket

Diversifying your retirement savings across many different types of investments can help you manage the ups and downs of your portfolio. Different types of investments may face different types of risk. For example, when most people think of risk, they think of market risk — the possibility that an investment will lose value because of a general decline in financial markets. However, there are many other types of risk. Bonds face default or credit risk (the risk that a bond issuer will not be able to pay the interest owed on its bonds, or repay the principal borrowed). Bonds also face interest-rate risk, because bond prices generally fall when interest rates rise. Investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, and economic and political risk unique to the specific country. This may result in greater share price volatility. Political risk is created by legislative actions (or the lack of them).

These are only a few of the various types of risk. However, one investment may respond to the same set of circumstances very differently than another. Putting your money into many different securities, as a mutual fund does, is one way to spread your risk. Another is to invest in several different types of investments — for example, stocks, bonds, and cash alternatives. Spreading your portfolio over several different types of investments can help you manage the types and level of risk you face.

Participating in your retirement plan is probably more important than any individual investing decision you'll make. Keep it simple, stick with it, and value time as a strong ally.

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Key Numbers 2024 | Tax reference numbers at a glance.

Income Tax (2024 tax rate tables)

Taxable income	Tax due	*plus*	% of income*
Single			
Up to $11,600	$0	+	10%
$11,601 to $47,150	$1,160.00	+	12%
$47,151 to $100,525	$5,426.00	+	22%
$100,526 to $191,950	$17,168.50	+	24%
$191,951 to $243,725	$39,110.50	+	32%
$243,726 to $609,350	$55,678.50	+	35%
Over $609,350	$183,647.25	+	37%
Married filing jointly			
Up to $23,200	$0	+	10%
$23,201 to $94,300	$2,320.00	+	12%
$94,301 to $201,050	$10,852.00	+	22%
$201,051 to $383,900	$34,337.00	+	24%
$383,901 to $487,450	$78,221.00	+	32%
$487,451 to $731,200	$111,357.00	+	35%
Over $731,200	$196,669.50	+	37%
Married filing separately			
Up to $11,600	$0	+	10%
$11,601 to $47,150	$1,160.00	+	12%
$47,151 to $100,525	$5,426.00	+	22%
$100,526 to $191,950	$17,168.50	+	24%
$191,951 to $243,725	$39,110.50	+	32%
$243,726 to $365,600	$55,678.50	+	35%
Over $365,600	$98,334.75	+	37%
Head of household			
Up to $16,550	$0	+	10%
$16,551 to $63,100	$1,655.00	+	12%
$63,101 to $100,500	$7,241.00	+	22%
$100,501 to $191,950	$15,469.00	+	24%
$191,951 to $243,700	$37,417.00	+	32%
$243,701 to $609,350	$53,977.00	+	35%
Over $609,350	$181,954.50	+	37%

*The percentage applies to each dollar of taxable income within the range until the next income threshold is reached.

Standard Deduction

Single	$14,600
Married filing jointly	$29,200
Married filing separately	$14,600
Head of household	$21,900
Dependent*	$1,300*

Additional deduction for blind or aged (age 65+)	
Single or head of household	$1,950
Married filing jointly or separately	$1,550

*Dependent standard deduction can't exceed the greater of $1,300 or $450 plus earned income.

Alternative Minimum Tax (AMT)

	Maximum exemption amount	Exemption phaseout threshold
Single or head of household	$85,700	$609,350
Married filing jointly	$133,300	$1,218,700
Married filing separately	$66,650	$609,350
26% rate applies to AMT income up to $232,600* 28% rate applies to AMT income over $232,600*		

*$116,300 if married filing separately.

Education Credits and Deductions

MAGI phaseout ranges	Single or head of household	Married filing jointly
Lifetime Learning credit **($2,000 max)**	$80,000 to $90,000	$160,000 to $180,000
American Opportunity credit **($2,500 max)**	$80,000 to $90,000	$160,000 to $180,000
Education loan interest deduction **($2,500 max)**	$80,000 to $95,000	$165,000 to $195,000
U.S. Savings bond interest exclusion for higher-education expenses	$96,800 to $111,800	$145,200 to $175,200

Estate Planning

Annual gift tax exclusion	$18,000
Noncitizen spouse annual gift tax exclusion	$185,000
Top gift, estate, and GST tax rate	40%
Gift tax and estate tax applicable exclusion amount	$13,610,000 + DSUEA*
Generation-skipping transfer (GST) tax exemption	$13,610,000**

* Basic exclusion amount plus deceased spousal unused exclusion amount (exclusion is portable).
**The GST tax exemption is not portable.

Retirement Planning

Employee contribution limits to employer plans*	
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs (includes Roth contributions to these plans)	$23,000
Annual catch-up contribution (age 50+)	$7,500
SIMPLE 401(k) and SIMPLE IRA plans	$16,000
Annual catch-up contribution (age 50+)	$3,500
IRA contribution limits**	
Traditional and Roth IRAs (combined)	$7,000
Annual catch-up contribution (age 50+)	$1,000

* Lesser of these limits or 100% of participant's compensation.
** Lesser of these limits or 100% of earned income.

MAGI phaseout limits for deductible contributions to a traditional IRA (affects taxpayers covered by an employer-sponsored retirement plan)	
Single or head of household	$77,000 to $87,000
Married filing jointly when the spouse who makes the contribution is covered by a workplace plan	$123,000 to $143,000
Married filing jointly when the spouse who makes the contribution is not covered by a workplace plan but the other spouse is covered	$230,000 to $240,000
Married filing separately	Up to $10,000

MAGI phaseout limits to contribute to a Roth IRA	
Single or head of household	$146,000 to $161,000
Married filing jointly	$230,000 to $240,000
Married filing separately	Up to $10,000

Health Care

Flexible spending account (FSA) for health care	
Maximum salary reduction contribution	$3,200
Health savings account (HSA)	
Annual contribution limit — individual coverage	$4,150
Annual contribution limit — family coverage	$8,300
Annual catch-up contribution (age 55+)	$1,000
High-deductible health plan (HDHP)	
Minimum deductible — individual coverage	$1,600
Minimum deductible — family coverage	$3,200
Maximum out-of-pocket amount — individual	$8,050
Maximum out-of-pocket amount — family	$16,100

Social Security/Medicare

Maximum taxable earnings	
Social Security (OASDI only)	$168,600
Medicare (HI only)	No limit

Standard Mileage Rates

Business purposes	TBD
Medical purposes	TBD
Charitable purposes	14¢ per mile
Moving purposes	TBD

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Investment Taxes

Single filer	Married filing jointly	Married filing separately	Head of household	Tax rate
Long-term capital gain & qualified dividend tax (taxable income thresholds)				
Up to $47,025	Up to $94,050	Up to $47,025	Up to $63,000	0%
$47,026 up to $518,900	$94,051 up to $583,750	$47,026 up to $291,850	$63,001 up to $551,350	15%
More than $518,900	More than $583,750	More than $291,850	More than $551,350	20%
Net investment income tax (MAGI thresholds)				
Over $200,000	Over $250,000	Over $125,000	Over $200,000	3.8%*

*The 3.8% net investment income tax (also referred to as the unearned income Medicare contribution tax) applies to the lesser of (a) net investment income or (b) modified adjusted gross income (MAGI) exceeding the above thresholds. It does not apply to municipal bond interest or qualified retirement plan/IRA withdrawals.

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Maintaining Your Financial Records: The Importance of Being Organized

An important part of managing your personal finances is keeping your financial records organized. Whether it's a utility bill to show proof of residency or a Social Security card for wage reporting purposes, there may be times when you need to locate a financial record or document--and you'll need to locate it relatively quickly.

By taking the time to clear out and organize your financial records, you'll be able to find what you need exactly when you need it.

What should you keep?

If you tend to keep stuff because you "might need it someday," your desk or home office is probably overflowing with nonessential documents. One of the first steps in determining what records to keep is to ask yourself, "Why do I need to keep this?"

Documents you should keep are likely to be those that are difficult to obtain, such as:

- Tax returns
- Legal contracts
- Insurance claims
- Proof of identity

On the other hand, if you have documents and records that are easily duplicated elsewhere, such as online banking and credit-card statements, you probably do not need to keep paper copies of the same information.

How long should you keep your records?

Generally, a good rule of thumb is to keep financial records and documents only as long as necessary. For example, you may want to keep ATM and credit-card receipts only temporarily, until you've reconciled them with your bank and/or credit-card statement. On the other hand, if a document is legal in nature and/or difficult to replace, you'll want to keep it for a longer period or even indefinitely.

Some financial records may have more specific timetables. For example, the IRS generally recommends that taxpayers keep federal tax returns and supporting documents for a minimum of three years up to seven years after the date of filing. Certain circumstances may even warrant keeping your tax records indefinitely.

Listed below are some recommendations on how long to keep specific documents:

Records to keep for one year or less:

- Bank or credit union statements
- Credit-card statements
- Utility bills
- Auto and homeowners Insurance policies

Records to keep for more than a year:

- Tax returns and supporting documentation
- Mortgage contracts
- Property appraisals
- Annual retirement and investment statements
- Receipts for major purchases and home improvements

Records to keep indefinitely:

- Birth, death, and marriage certificates
- Adoption records
- Citizenship and military discharge papers
- Social Security card

Keep in mind that the above recommendations are general guidelines, and your personal circumstances may warrant keeping these documents for shorter or longer periods of time.

Out with the old, in with the new

An easy way to prevent paperwork from piling up is to remember the phrase "out with the old, in with the new." For example, when you receive this year's auto insurance policy, discard the one from last year. When you receive your annual investment statement, discard the monthly or quarterly statements you've been keeping. In addition, review your files at least once a year to keep your filing system on the right track.

Finally, when you are ready to get rid of certain records and documents, don't just throw them in the garbage. To protect sensitive information, you should invest in a good quality shredder to destroy your documents, especially if they contain Social Security numbers, account numbers, or other personal information.

Where should you keep your records?

You could go the traditional route and use a simple set of labeled folders in a file drawer. More important documents should be kept in a fire-resistant file cabinet, safe, or safe-deposit box.

If space is tight and you need to reduce clutter, you might consider electronic storage for some of your financial records. You can save copies of online documents or scan documents and convert them to electronic form. You'll want to keep backup copies on a portable storage device or hard drive and make sure that your computer files are secure.

You could also use a cloud storage service that encrypts your uploaded information and stores it remotely. If you use cloud storage, make sure to use a reliable company that has a good reputation and offers automatic backup and technical support.

Once you've found a place to keep your records, it may be helpful to organize and store them according to specific categories (e.g., banking, insurance, proof of identity), which will make it even easier to access what you might need.

Consider creating a personal document locator

Another option for organizing your financial records is to create a personal document locator, which is simply a detailed list of where you have stored your financial records. This list can be helpful whenever you are trying to locate a specific document and can also assist your loved ones in locating your financial records in the event of an emergency. Typically, a personal document locator will include the following information:

- Personal information
- Personal contacts (e.g., attorney, tax preparer, financial advisor)
- Online accounts with username and passwords
- List of specific locations of important documents (e.g., home, office, safe)

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How Women Are Different from Men, Financially Speaking

Women today have never been in a better position to achieve financial security for themselves and their families. What financial course will you chart?

We all know men and women are different in some fundamental ways. But is this true when it comes to financial planning? In a word, yes.

Everyone wants financial security. But women often face unique obstacles that can affect their ability to achieve it. Let's look at some of these potential headwinds.

Some key differences

On the path to financial security, it's important for women to understand what they might be up against, financially speaking:

Women have longer life expectancies. The average life expectancy for a woman is almost 6 years longer than that of a man.[1] A longer life expectancy presents several financial challenges for women:

- Women will need to stretch their retirement dollars further
- Women are more likely to need some type of long-term care, and may have to face some of their health-care needs alone
- Married women are likely to outlive their husbands, which means they could have ultimate responsibility for disposition of the marital estate

Women generally earn less and have fewer savings. According to the Bureau of Labor Statistics, within most occupational categories, women who work full-time, year-round, earn approximately 83% of what men earn.[2] This wage gap can significantly impact women's overall savings, Social Security retirement benefits, and pensions.

The dilemma is that while women generally earn less than men, they need those dollars to last longer due to a longer life expectancy. With smaller financial cushions, women are more vulnerable to unexpected economic obstacles, such as a job loss, divorce, or single parenthood.

Women are more likely to be caregivers. Statistics show that women are more likely to be caregivers than men.[3] Often times being a caregiver means having to work part time or leave the workforce. Over time, being a caregiver can have significant financial implications, such as:

- Loss of income, employer-provided health insurance, retirement benefits, and other employee benefits
- Less savings
- Potentially lower Social Security retirement benefits
- Difficulty with career advancement or reentering the workforce
- Increased financial vulnerability in the event of divorce or death of a spouse

Women are more likely to be living on their own. Whether through choice, divorce, or death of a spouse, more women are living on their own. This means they'll need to take sole responsibility for protecting their income and making financial decisions.

Women need to protect their assets. As women continue to earn money, become the main breadwinners for their families, and run their own businesses, it's vital that they take steps to protect their assets, both personal and business. Without an asset protection plan, a woman's wealth is vulnerable to taxes, lawsuits, accidents, and other financial risks that are part of everyday life. But women may be too busy handling their day-to-day responsibilities to take the time to implement an appropriate plan.

Steps women can take

In the past, women may have taken a less active role in household financial decision making. But, for many, those days are over. Today, women have more financial responsibility for themselves and their

It is important for women to educate themselves about finances, make financial decisions, seek professional help when needed, and implement plans to ensure that they and their families will have financially secure lives. There is no assurance that working with a financial professional will improve investment results.

Sources

[1] NCHS Data Brief, Number 456, December 2022

[2] U.S. Bureau of Labor Statistics, Usual Weekly Earnings of Wage and salary Workers Fourth Quarter 2022, January 2023

[3] U.S. Bureau of Labor and Statistics, Monthly Labor Review, March 2021

families. So it's critical that women know how to save, invest, and plan for the future. Here are some things women can do:

Take control of your money. Create a budget, manage debt and credit wisely, set and prioritize financial goals, and implement a savings and investment strategy to meet those goals.

Become a knowledgeable investor. Learn basic investing concepts, such as asset classes, risk tolerance, time horizon, diversification, inflation, the role of various financial vehicles like 401(k)s and IRAs, and the role of income, growth, and safety investments in a portfolio. Look for investing opportunities in the purchasing decisions you make every day. Have patience, be willing to ask questions, admit mistakes, and seek help when necessary.

Plan for retirement. Save as much as you can for retirement. Estimate how much money you'll need in retirement, and how much you can expect from your savings, Social Security, and/or an employer pension. Understand how your Social Security benefit amount will change depending on the age you retire, and also how years spent out of the workforce might affect the amount you receive. At retirement, make sure you understand your retirement plan distribution options, and review your portfolio regularly. Also, factor the cost of health care (including long-term care) into your retirement planning, and understand the basic rules of Medicare.

Advocate for yourself in the workplace. Have confidence in your work ability and advocate for your worth in the workplace by researching salary ranges, negotiating your starting salary, seeking highly visible job assignments, networking, and asking for raises and promotions. In addition, keep an eye out for new career opportunities, entrepreneurial ventures, and/or ways to grow your business.

Seek help to balance work and family. If you have children and work outside the home, investigate and negotiate flexible work arrangements that may allow you to keep working, and make sure your spouse is equally invested in household and child-related responsibilities. If you stay at home to care for children, keep your skills up-to-date to the extent possible in case you return to the workforce, and stay involved in household financial decision making. If you're caring for aging parents, ask adult siblings or family members for help, and seek outside services and support groups that can offer you a respite and help you cope with stress.

Protect your assets. Identify potential risk exposure and implement strategies to reduce that exposure. For example, life and disability insurance is vital to protect your ability to earn an income and/or care for your family in the event of disability or death. In some cases, more sophisticated strategies, such as other legal entities or trusts, may be needed.

Create an estate plan. To ensure that your personal and financial wishes will be carried out in the event of your incapacity or death, consider executing basic estate planning documents, such as a will, trust, durable power of attorney, and health-care proxy.

A financial professional can help

Women are the key to their own financial futures--it's critical that women educate themselves about finances and be able to make financial decisions. Yet the world of financial planning isn't always easy or convenient. In many cases, women can benefit greatly from working with a financial professional who can help them understand their options and implement plans designed to provide women and their families with financially secure lives.