The Retirement Income Store®

NEWS

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Finances, Family Dynamics, and How to Avoid Having the Unexpected Derail Your Plans for Retirement

If recent events have taught us anything, it's that life can throw us curveballs at any time. If you are unprepared, it could impact your plans for retirement and could place added stress on your relationships with family and loved ones.

According to research conducted by Ramsey Solutions, money is the number one issue that married couples argue about.[1] However, it's not just married couples who fight about money. A lack of preparation for what life throws at us can lead to financial problems, which are a leading source of conflict between family members.

The good news is that through careful planning and by maintaining open communication about your finances with your spouse or family members, you can be better prepared for the unexpected, which can go a long way in helping you keep the peace within your family. Here are a couple of examples:

Unexpected loss of a spouse: No one wants to think about making a plan for the possibility of losing a loved one, but it is one of those things that if you put it off for too long could cause financial headaches. By taking the time to create an estate plan now, you can save yourself or your surviving spouse unnecessary taxes, probate fees, and undue stress in what will already be a very difficult situation. It can also help to avoid unnecessary family arguments over small things like who gets to claim grandma's jewelry.

Caring for Elderly Parents and Dependent Children: Modern family life has created a "Sandwich Generation" of retirees who are picking up the responsibly of caring for their elderly parents, while also caring for their own grown children. Instead of spending their "golden years" enjoying the activities they had planned, many find themselves taking on the extra financial and emotional burdens of supporting their grown children financially and caring for their elderly parents. This is a tough situation for all involved, with no easy answers.

One possible solution is to work with your parents and their financial advisor ahead of time to make sure they have the proper long-term care insurance in place to help ease the burden when the time comes. As far as helping your grown children, you should only help them as much as you can, without jeopardizing your own financial future.

These are the types of issues we discuss in our recently updated report, ***7 Risks to Your Retirement and What You Can Do to Avoid Them***. Click below to claim your free copy—and find out what you can do to prevent these easy-to-avoid risks from derailing your plans for retirement.

Read the Report Here

[1] https://www.daveramsey.com/research/money-marriage-communication

Invest in Your Health – HSA Basics

Stretch your dollars further and put more money in your pocket. Health Savings Accounts empower you to save more, spend smarter, and invest in your healthcare.

What you need to know:

- Both employers and employees can contribute to an HSA
- Money you put into your HSA account is tax deductible
- There is no limit on when you can tap your HSA, making it attractive for retirement planning
- You can invest some or all your HSA funds, just like you can for an IRA
- Once you enroll in Medicare, you must stop contributing to your HSA
- There are tax penalties if you withdraw funds for non-medical expenses
- You can pass your HSA money on to your heirs, but how it's taxed is dependent on whether used in a Will or estate trust
- High-deductible health plans, a requirement for HSAs, aren't always the best option for patients

For more information on whether an HSA is right for you, consult your financial advisor.

A Year-End Financial Checklist: Top 11 Tips

The end of the year always seems to sneak up on us. After Thanksgiving, the buzz of the holiday season keeps us busy through the New Year. Tax season isn't on our radar yet, but there are many reasons to make year-end financial planning a priority, because when this year ends, there's no going back.

Head into 2021 feeling confident about your financial health. Here are 11 tips for making sure you act as needed before the end of the year:

1. **Flexible Spending Accounts:** If your employer plan does not allow rolling money over into the following year, make sure you spend the balance on qualified expenses.
2. **Required Minimum Distributions:** If you don't take your RMD from accounts that require it, you could be subject to penalties.
3. **Charitable Contributions:** Making a qualified charitable contribution (QCD) may reduce the amount of taxes owed. More about QCDs in next month's newsletter.
4. **Retirement Contributions:** Maximize the amount you contribute to a 401(k) and IRA. It is especially important to take advantage of employer matching contributions.
5. **Tax Losses:** If you have losing stocks, consider selling them to offset gains and reduce taxable income.
6. **Life Events:** Job changes, new home purchase, a child's wedding, surgery, or other life event requires financial planning in advance, if possible.
7. **Estate Planning:** Ensure your overall estate plan, Will, trust, and healthcare power of attorney are current.
8. **Insurance Policies:** Review your home, auto, and life insurance policies to determine if your coverage is enough, and make adjustments if necessary.
9. **Roth Conversions:** If you're unable to contribute to a Roth IRA directly because you don't qualify, consider contributing to a Traditional IRA, then converting the funds to a Roth IRA.
10. **Employer Benefits:** Consider taking advantage of all available options, including flexible spending accounts, health savings accounts, and insurance.

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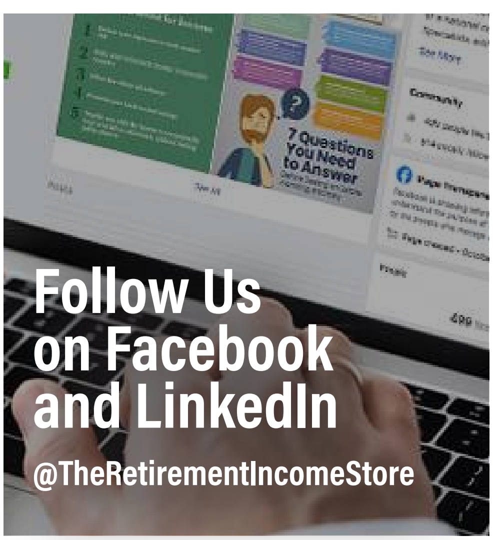
11. **Adjust Withholdings:** If you may be subject to an estimated tax penalty, consider increasing your withholding for the remainder of the year to cover the shortfall.

Remember to get a jump on planning now so you don't find yourself scrambling at the end of the year. Although this list offers a good starting point, you probably have some unique planning concerns. Be proactive and get professional advice. Feel free to reach out to us to talk through issues that are most relevant to you.



DAVE'S CORNER

How the Election Outcome Could Impact the Financial Markets

By David J. Scranton, Founder and CEO, The Retirement Income Store®

We all remember the so-called "Trump bump," when the stock market enjoyed a ride upward following Donald Trump's presidential victory in 2016. As dramatic as it may have seemed, a post-election market spike is not uncommon.

Many presidents have enjoyed similar "honeymoon periods", where the stock market spiked during their first year in office, including Herbert Hoover, Dwight D. Eisenhower, John F. Kennedy, Bill Clinton, and others. Then, following the post-election spike, according to history stock market returns tend to be slightly lower the following year. Although the impact of a presidential election can seem dramatic in the short term, it usually means little in the broader picture.

When the presidency changes hands, stock market gains average 5%—according to the analysis conducted by US Bank.[1] This is based on historical averages and can differ greatly from one election to the next. For example, Donald Trump's honeymoon period lasted longer than normal, and in the year following his election all the major market indexes rose by 20% or more.

Of course, this election is different in many ways – the most obvious being that the Covid-19 pandemic is still fueling massive economic uncertainty and another being how long it has taken to declare official winners.

At the time we write this, Biden has been declared the winner of the Presidential election and control of Congress has yet to be determined. With the Senate contest in Georgia too close to call in both races, and Republicans gaining five seats and Democrats losing four seats in the House of Representatives, it looks possible that power could be split down the middle. Or, whoever ends up winning the majority will hold a thin margin, which could be good for the stock market.

History has shown that the stock market tends to perform better with a divided government. Some analysts feel it's a best-case scenario because it offers some level of stability, plus the potential for more progress in addressing the Covid-19 crisis. Who knows, maybe both sides will even learn to get along and pass meaningful legislation.

[1] https://www.usbank.com/investing/financial-perspectives/market-news/how-presidential-elections-affect-the-stock-market.html

On my show *The Income Generation*, we cover many of the topics that are most important to those who are retired or nearing retirement age. Since the world of finance is ever-changing, and every person's situation is different, viewers often have questions.

That's why the social media pages for the Retirement Income Store include an Ask Dave forum – which many viewers take advantage of. I'd like to share a recent question with you.

This question is about Social Security – a hot topic for Americans in or nearing retirement now more than ever amid Covid-19. As you know, the coronavirus crisis has increased concerns about the solvency of the Social Security program. It's also forced many Americans to reexamine their plans for when they will begin taking Social Security–which is one of the most important decisions involved in retirement planning. Here's our question:

"Dave, I'm in my early 50s and wondering if I should wait to claim my Social Security benefits so I can maximize them or if I should start taking them as early as possible in case they aren't there in the future?"

Again, this is a common concern given the additional pressure being put on the Social Security trust fund by the Covid-19 recession. However, the answer is still going to be different for every individual depending on several factors. For instance, the healthier you are or the more longevity you have in your family, the more sense it might make to delay your benefits.

The answer also depends on your other retirement income sources: a pension, for example, or rental property you may own. It also depends on how long you plan to work. Most importantly, it depends on how all your assets are allocated.

As for concerns about the program's solvency, the good news is that as of now, the trust fund is sufficient to guarantee full benefits for at least the next 10 to 15 years. So, if you're in your early 50s now, you can revisit this issue as you get closer to age 62.

If you have a retirement planning related question, you can submit it below by calling 1-855-9-ASK-DAVE. Or email us at askdave@theretirementincomestore.com