The Retirement Income Store®

NEWS

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Smart Financial Moves to Get Ready for Fall

The Summer season is a time to relax and forget about our worries. For many, that includes taking a break from thinking about our finances. Unfortunately, with Summer quickly slipping away, we wanted to share some tips about smart financial moves you can make now to be financially ready for Fall:

1. Smart Tax Moves That Make Sense in the Fall

First, let's talk taxes. Spring is tax season, but Fall is when you still have plenty of time to take steps to save on this year's tax bill. For example, Fall is a good time to consider increasing contributions to your 401(k) or other qualified retirement accounts. Pre-tax contributions can lower your taxable income this year, while growing your source of retirement income for the future.

Fall is also a good time to familiarize yourself with year-end tax deadlines so you can take advantage of them. For instance, rather than writing checks to your favorite charity in December, make a charitable contribution plan for the Fall. Not only will you get the tax breaks, but your money might do more good heading into the holiday season.

You can also do a paycheck assessment to make sure you're paying the right amount of taxes up front each year. Use the IRS's tax withholding calculator on IRS.gov to figure out if you should adjust the amount withheld from your paycheck.

Next, make a list of deductions you're eligible for and ensure you're tracking those expenses. If you're self-employed and working from home, take the time to confirm you have all the information you'll need to file for a home office deduction.

Finally, if you're over age 72 and haven't done so already, make a plan for your required minimum distributions (RMDs). Congress suspended RMDs

for 2020, but they're back on for 2021. Remember, if you're required to take RMDs and don't by December 31st, you could face a huge IRS penalty.

2. Fall and The Financial Markets

Historically, there's a perception that Fall and the financial markets don't get along. It's based mainly on the October Effect: the idea that financial declines and market crashes occur in October more than any other month. The Panic of 1907, the Great Crash of '29, and 1987's Black Monday all happened in October.

Even though Wall Street has also enjoyed plenty of strong Octobers, the October Effect can still have an impact because the markets are so emotional. Just the fear of an impending market drop can be what causes the drop, even if that fear is irrational.

[1]https://www.ebri.org/docs/default-source/rcs/2021-rcs/2021-rcs-summary-report.pdf?sfvrsn=bd83a2f_2

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Could it happen this year? Well, so far, investors haven't shown they're afraid of much, other than inflation. As a result, the stock market has been ruled by optimism and all three major indexes have hit record highs recently.

However, the bond market tells a different story.

After rising steadily early this year, the yield on the 10-Year Treasury leveled off this Spring and has trended downward ever since. This downward trend suggests that there's increasingly high demand for bonds and the security they provide compared to stocks.

In other words, the bond market is less optimistic about current conditions heading into Fall than the stock market. With all this in mind, Fall is the perfect time to revisit your financial strategy to ensure it's providing you with adequate protection and flexibility.

Protection in case the October Effect proves real again, and flexibility so you're well-positioned to take advantage of any potential changes in the market. Nevertheless, don't wait until October! Make an appointment with an advisor who is qualified to navigate the complexities of planning and saving for retirement. By working with a trusted advisor, you can help ensure your risk exposure is appropriate for your current stage in life.

3. The Single Smartest Financial Move You Could Make This Fall

Make a commitment to learning about all of your savings and investment options. The last thing you want to do is continue using a strategy that's not right for you just because you didn't know a better alternative exists.

When we say better, we mean an option that might be more suited to your situation, needs, risk tolerance, and retirement goals. Sure, you may know about common stock, mutual funds, and bond funds because those are probably the options you've used most throughout your working life. However, there's an entire universe of other options available that can make more sense once you're in or nearing retirement. That's the universe of income-generating strategies, and it's much broader and more versatile than many realize.

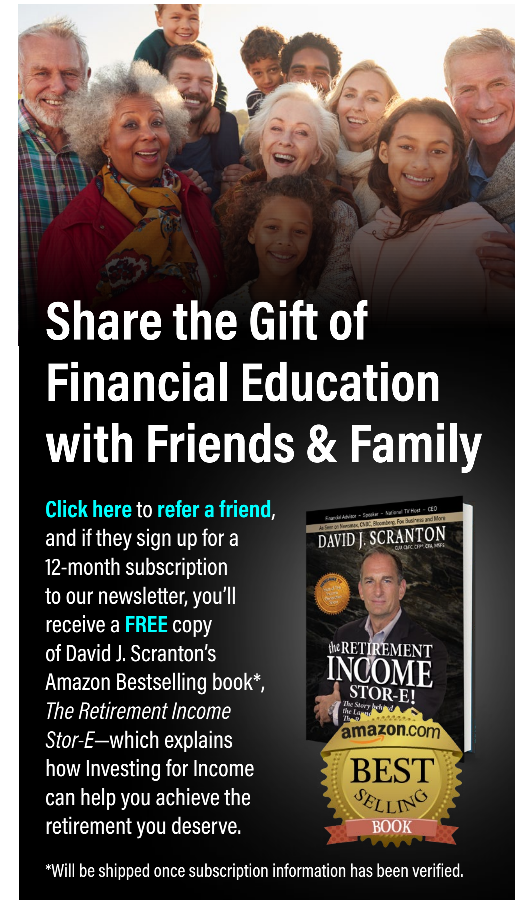
CDs, government bonds, and municipal bonds are part of it, but Income Specialists today have a much larger and more dynamic range of tools and strategies at their disposal. The more you learn about them, the more you realize how the right mix can provide you with not just a good financial strategy, but the right strategy specifically for you.

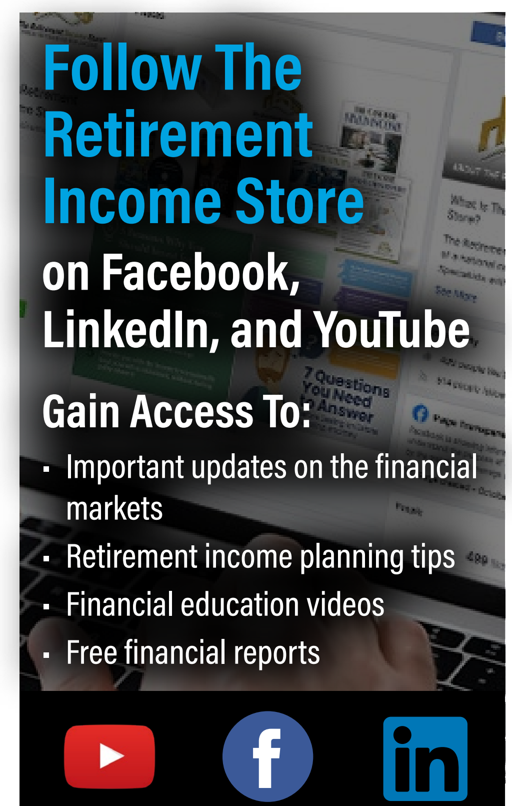
At the end of the day, educating yourself about all the options available to you is a great first step toward being able to take advantage of them.

7 Easy-to-Avoid Risks to Your Retirement

Most of us look forward to retirement, imagining we'll get to relax and enjoy activities we didn't have time for during our working years. However, as hard-working Americans transition into full retirement, many don't realize they're crossing the threshold into a new way of living where they could be vulnerable to risks unique to retirees.

After spending decades working toward a goal, too many retirees have had their plans derailed by 7 Easy-to-Avoid Risks. Click here to view our report which explains what you can do to avoid these risks.





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DAVE'S CORNER

Resilience in Retirement

By David J. Scranton, CLU, ChFC, CFP®, CFA®, MSFS, Founder of The Retirement Income Store

Resilience, broadly speaking, is the ability to recover quickly from adversity. Resilience is particularly important when it comes to your finances, especially during retirement. Although you can't control all the circumstances that might shake your financial stability, here are two steps you can take to make yourself more financially resilient.

Two Ways to Improve Financial Resilience Ahead of Retirement

1. *Identify potential financial weaknesses and shore them up.* For example, does your plan protect you from the potential drain of rapidly-rising healthcare costs? Does it protect you from spending down your principal to satisfy RMDs? Does it help maximize your Social Security income and help ensure your assets are preserved and protected legally through estate planning?

If you're within 10 years of retirement and the answer to any of those questions is "no" or "I'm not sure", then those are potential weak spots that could undermine your resilience. The sooner you work with the right financial advisor to help you strengthen them, the better.

2. *Find an advisor who specializes in retirement income.* Your current advisor may focus on retirement planning, but they might not specialize in the kinds of financial strategies needed to make your plan as resilient as it needs to be during retirement.

How Investing for Income Gives You A Strategy with Resiliency Baked In

In my experience, people are most financially vulnerable when they have little to no income. With income, you can rebuild your savings and pay down debts. Without income, however, you have no recourse – and no resilience when a crisis hits.

Of course, you don't just need income to be resilient in retirement. You need enough income, and the right financial strategies to generate that income. That means strategies designed to provide reliable income, that can help protect your principal from the risks of spenddown and market volatility.

The universe of income-generating investments includes a wide range of options designed to do just that. By investing for income, you could help make your savings a renewable source of interest and dividend payments that are not dependent on market performance. With that, you can be better prepared to handle most financial emergencies.

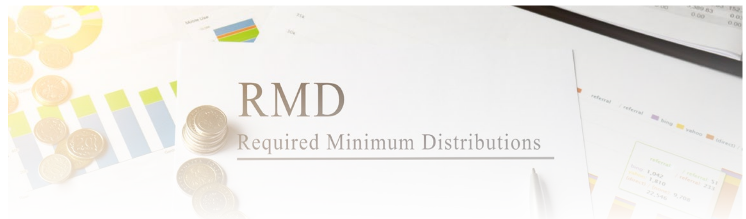
Each week on my show The Income Generation, we cover topics that are important for those who are retired or nearing retirement. Since every person's situation is different, viewers often have questions. That's why the show and our social media pages include an Ask Dave forum – which I'm glad to be able to share with you.

The first question comes from Peter in Minnesota. Peter asks: "How would Required Minimum Distributions (RMDs) affect me if I have a Roth IRA?"

Peter, great question. The good news is that you do not have to take RMDs from your Roth IRA. The IRS mandates that we start taking withdrawals from our qualified retirement accounts and paying taxes on them once you reach the age of 72. However, since Roth IRAs are not considered qualified retirement accounts, RMDs don't apply to them.

Next, Carol from Oregon asks: "Why do RMDs increase as you get older?"

RMDs are calculated based on your life expectancy. The goal is that by the time you near the age of 117, the funds in your qualified accounts will be depleted. So, every year as you get older, your life expectancy decreases. Therefore, the percentage you must take increases.



Finally, Marion from Nevada asks: "How do I know if a certain advisor specializes in investing for income?" Marion, we recommend interviewing several advisors before picking one to work with. You can start by asking the advisors you interview, "For someone in my current stage of life, what percentage do you recommend they should have in the stock market?" If the advisor says 60-70% in the stock market, like most of their clients do, then it's a good sign they're not an Income Specialist. Next, ask: "What's the average dividend yield on your stock market investments?" If they say 3% or more, it's a good sign they might be an Income Specialist. If they say 1 or 2%, however, they might be more focused on total return like most financial advisors.

If you have a retirement-related question you would like answered, be sure to email it to me at: AskDave@TheRetirementIncomeStore.com