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WHY IS THIS AGE SO IMPORTANT?

Retirement Plan Advisors

If you were born in the early 1960s, you're old enough to remember the Apollo lunar landings. You may remember the first departure of astronauts Neil Armstrong and Buzz Aldrin, who walked on the moon and into history.

These events scrawled across the pages of late 20th- and early 21st-century history mark your life in ways that few others alive today can comprehend. Thinking about all you've seen may amaze you at times. But now you're six months shy of your 60th birthday. You are 59½, to be exact. Why is that age so significant?

This age marks a turning point of sorts in your life—on a number of fronts. In particular, the Internal Revenue Service (IRS) allows you to make withdrawals from your retirement accounts without incurring a penalty. It has also been nearly a decade since you were granted the right to make "catch-up contributions."[1]

In roughly 30 months, you'll be eligible to claim Social Security benefits. You're about 66 months away from Medicare eligibility.[2,3]

In this report, we explore your retirement choices, your healthcare concerns, and how to move vibrantly into those golden years. Keep in mind that this article is for informational purposes only. It is not a replacement for real-life guidance. Also, tax rules are constantly changing, and there is no guarantee that the tax landscape will remain the same in the years ahead. Please consider working with a financial professional before implementing or modifying a retirement strategy.

BUILDING YOUR RETIREMENT SAVINGS

Some people are still in the process of preparing for retirement. According to a recent survey, 27% of workers are not confident that they will have enough money to live comfortably in retirement, and 45% are only "somewhat confident."[4]

If your retirement savings are not quite up to par, the IRS provides a catch-up clause that applies to people over the age of 50.[1]

Older employees may exceed the IRS's standard elective deferral ($22,500 in 2023) to their employees' workplace-based retirement savings plans. Elective deferrals are contributions to retirement plans by the employer at the employee's request. Deferrals apply to 401(k)s, 401(b)s, and other retirement plans.[1]

The catch-up amount for 2023 is $7,500 and applies to the following plans:

- 401(k)s
- 403(b)s
- 457s[1]

Deferrals to retirement plans must exceed the standard $22,500 limit (2023) to be counted as catch-up contributions.[1]

You can make annual catch-up contributions if the amount is less than:

- The catch-up contribution dollar limit, or
- The excess of the participant's compensation over the elective deferral contributions that are not catch-up contributions.[1]

Catch-up contributions are $3,500 for Savings Incentive Match Plan for Employee Individual Retirement Account (SIMPLE IRA) plans. These plans are often used by small business owners.[1]

You can make $1,000 in catch-up contributions to your traditional or Roth IRA in 2023. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be made under certain other circumstances, such as the owner's death. Employer match is pre-tax and not distributed tax-free during retirement.[1]

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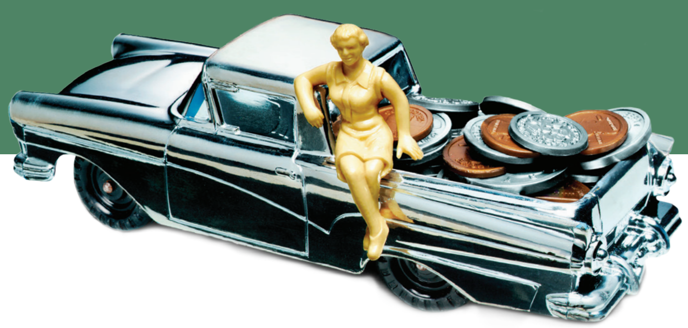

Once you reach age 73, you must begin taking required minimum distributions from your 401(k), 403(b), 457(b), or other defined contribution plans in most circumstances. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.

Once you reach age 73, you must begin taking required minimum distributions from a SIMPLE IRA in most circumstances. Withdrawals from SIMPLE IRAs and traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.

WHAT ELSE CAN YOU DO TO BOOST YOUR RETIREMENT SAVINGS?

One approach is to focus on saving rather than spending. A more common and typically unproductive approach to retirement saving is setting the wrong priorities: Spend first, save second.

Many older workers tuck away money periodically rather than implement consistent, disciplined savings strategies. A better approach is to shift your money to savings or investment accounts at the beginning of the pay cycle rather than the end, when little extra money remains to set aside for future needs.

If your employer doesn't offer a retirement plan, consider establishing a traditional or Roth IRA and having a designated portion of your paycheck go into one of these accounts at the start of the pay period.

MAKING YOUR WAY TOWARD SOCIAL SECURITY

Hitting the age of 59½ puts you within shouting distance of Social Security eligibility. In fact, it could be within 130 weeks. American workers are eligible for Social Security benefits at 62, but at a reduced amount.[2]

Although you're still some way away, here are some changes to Social Security for 2023:

- Social Security recipients in 2023 received an 8.7% increase in benefits. The Social Security Administration (SSA) attempts to match annual increases to inflation based on Bureau of Labor Statistics calculations.[5]

- The maximum monthly benefit for 2023 increased to $3,627. [5]

The full retirement age (FRA) is 67. Your benefits will rise by 8% for every year you delay receiving benefits past the FRA, up to a maximum of three years. If you wait until 70, you'll receive 124% of your determined benefits.[6]

The SSA uses a formula to calculate your basic benefit, or "primary insurance amount." This formula indexes your highest average monthly earnings over 35 years of work.[2]

STAYING HEALTHY

A big part of looking forward to retirement is making plans for what you want to do with that time and money. It's no fun to picture yourself spending more time at the doctor's office than pursuing your interests. So, for many Americans, preparing for retirement means taking care of their personal and financial well-being.

The good news? It doesn't need to be complicated. In fact, choosing a relatively uncomplicated strategy for your health may be easier to stick to and maintain. If you enjoy it, you can always adjust it to meet your lifestyle.

Walking, for instance, can be an effective way to control your weight, keep your body strong, prevent or delay certain diseases and ailments, and even help you sleep better and maintain a better mood. Those with mobility issues may seek out some other form of aerobic exercise, but 30 minutes a day can make a big difference. Break up walks into shorter spurts if needed to meet this daily goal.[7]

Eating better can be a tough sell. So can a strict diet. It's often better to take smaller steps rather than force drastic changes that you might be tempted to abandon. In some cases, it may be about more rather than less. For example, more fiber can take a wide variety of forms. So can taking on the "Mediterranean diet" by adding more fish, whole grains, and vegetables to your meals. Eating better doesn't mean saying goodbye to things like fatty meats, butter, or sugar; instead, it means diversifying your diet to include a wider variety of nutritional foods with occasional indulgences.[8]

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Not all moves to improve your health are about your body. It's also important to look after your mental well-being. Maintaining a positive outlook may feel difficult at times, but you can help it along by spending more time engaging in hobbies, seeing old friends, developing new friendships, getting out into nature, or exploring museums. However you spend your time, it's important to remember that this is your time, and it's up to you to find ways to enjoy yourself.[9]

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GETTING FINANCIAL GUIDANCE

You're approaching a major turning point in your life. A financial professional can help you discover wise solutions and develop smart retirement strategies for a fulfilling and exciting future.

We can help you analyze your financial situation to shape the life you envision.

If you or anyone close to you would like to discuss how to maximize your retirement benefits with a professional, we're here to help.

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Footnotes and disclosures:

Investing involves risk including the potential loss of principal.

No investment strategy can guarantee a profit or protect against loss in periods of declining values.

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