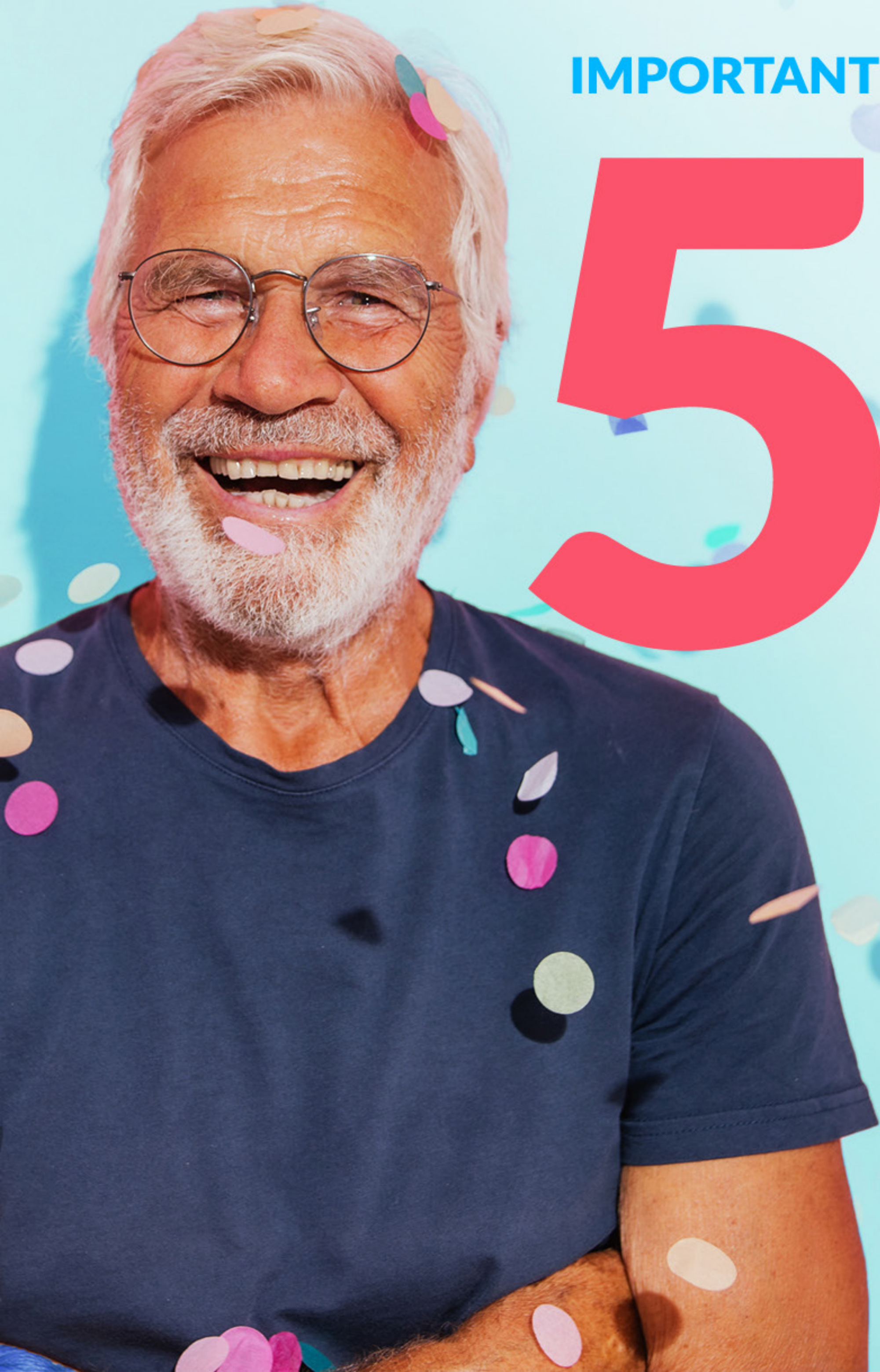
Premiere
Retirement Planning
& Wealth Management

IMPORTANT BIRTHDAYS OVER 50



Happy Birthday! Now the real fun begins. Before you begin planning your retirement, be sure to mark these important dates in your calendar. Starting at age 50, several birthdays – including “half-birthdays” – are critical to understand because they have implications regarding your retirement income.

AGE 50

At age 50, workers with certain qualified retirement plans can make annual "catch-up" contributions in addition to their normal contributions. In 2022, you can contribute up to $6,000 to an IRA if you are under 50 and an additional $1,000 if you are 50 or older. Those who are 50 or older and participate in a Simple IRA or Simple 401(k) plan can contribute up to $17,000 per year for 2022. Those 50 and older can contribute an additional $6,500 to a 401(k), 403(b), most 457 plans, and a government Thrift Savings Plan in 2022 for a total of $27,000.[1]

AGE 55

Many people aren't aware that they might be able to withdraw from their 401(k) or other employer-sponsored retirement plan starting at age 55. If you leave your job for any reason in or after the year you turn age 55, you can withdraw from the retirement plan at the job you left, penalty free. Keep in mind that this does not apply to money rolled into an IRA.[2]

AGE 59 ½

Age comes with benefits. Once you reach 59 ½, you can withdraw from your IRA or old 401(k)s without penalty.[3]

If you are retired or have terminated employment and still have funds in your 401(k) plan, you can access them at age 59 ½ and pay no early withdrawal penalty tax. If you have rolled your 401(k) funds into an IRA, the rules are the same. Age 59½ is the earliest you can withdraw funds from an IRA account and pay no early withdrawal penalty tax.

If you are still working, you can access funds from an old 401(k) plan once you reach age 59½, but you may not have the same access to funds inside the 401(k) plan at the company for which you currently work. Check with your 401(k) plan administrator to see if your plan allows what is called an “in-service” distribution at age 59½. Some 401(k) plans allow this and others do not.

AGE 62

The earliest you can claim Social Security benefits is age 62. However, claiming benefits before your full retirement age will result in a permanently smaller benefit. If you want to claim past your full retirement age, your benefit will increase by about 8% per year you defer until age 70.[4]

If you’re planning on working while receiving Social Security, keep in mind that your benefit can be reduced. Social Security beneficiaries under their full retirement age who earn more than $19,560 in 2022 will have $1 withheld for every $2 they earn above this limit. This earnings limit jumps to $51,960 for the year recipients reach their full retirement age and the penalty decreases to $1 withheld for every $3 earned above the limit. After beneficiaries reach their full retirement age, no benefits are withheld if they continue working.[5]

AGE 65

Whether you're new to Medicare, getting ready to turn 65, or preparing to retire, you'll need to make several important decisions about your health coverage. If you wait to enroll, you may have to pay a penalty and you may have a gap in coverage. The first time you can enroll is called your Initial Enrollment Period. If you're eligible for Medicare when you turn 65, you can sign up during the 7-month period that:

- ***Begins 3 months before the month you turn 65***
- ***Includes the month you turn 65***
- ***Ends 3 months after the month you turn 65[6]***

You can enroll in Part A (hospital insurance) when you turn 65, even if you still have health insurance through an employer. Keep in mind that since most people paid Medicare taxes while they worked, they won't have to pay a monthly premium for Part A. If you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A and Part B. You can decline Part B (medical insurance) coverage because it requires an additional premium payment, but if you aren't covered by an employer's health plan and decide to enroll later, you may have to pay a penalty for as long as you're enrolled.[7]

- FAST FACT -

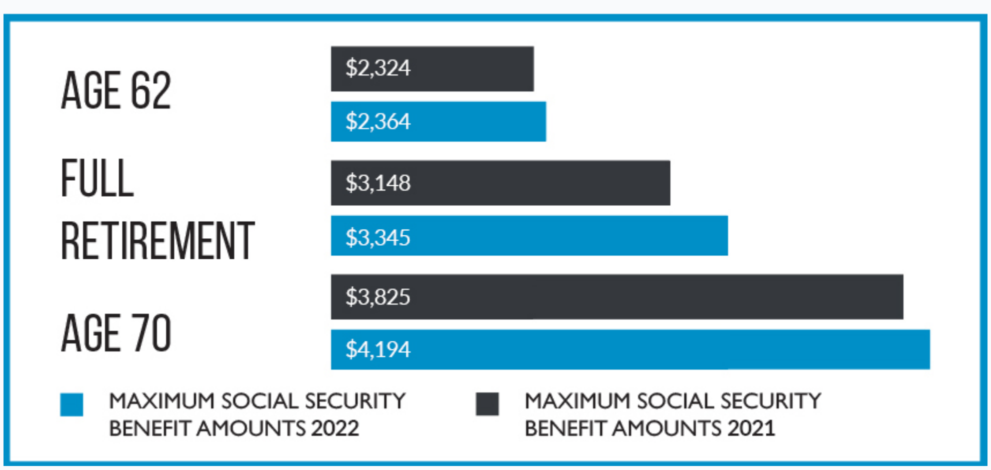
THE TYPICAL HOUSEHOLD LOSES OUT ON ABOUT $111,000 IN LIFETIME BENEFITS, ACCORDING TO A STUDY FROM UNITED INCOME.[8] DON'T LOSE OUT ON YOUR OPTIMAL BENEFIT!

AGE 65 to 67

Between ages 65 and 67, individuals become eligible to receive 100% of their Social Security benefit. In 2022, recipients got a 5.9% Cost of Living Adjustment (COLA) to their Social Security benefits – the largest since 1982! Thanks to this increase, the maximum benefit for retirees claiming at their full retirement age increases to $3,345 per month.[9]

Although the chances of qualifying for that much in Social Security benefits are slim, everyone can strategize to maximize their benefit. You can start by reviewing your benefit statements regularly to make sure you are getting credit for the taxes you're paying into the system. Reviewing your statements will also make it easier to decide when to claim by showing you what you are owed.

Note that only Americans 60 and over who have not claimed their benefits and did not set up an online account will still receive a statement by mail. To make an online account, either look for a letter with an activation code, or go to the Social Security administration's website.



AGE 72

As of 2020, the SECURE Act changed the age at which Required Minimum Distributions begin from 70 ½ to 72. RMDs apply to qualified retirement plans such as 401(k)s, 403(b)s, Profit Sharing plans, Money Purchase Pensions, IRAs, Simple IRAs, and SEP IRAs; so now many retirees have more time to let their retirement savings grow tax free.[10]

RMDs are the minimum you are required to withdraw each year, and you can always withdraw more than that amount. However, some retirees would prefer to withdraw less than they are required to. Withdrawing more from a traditional retirement account could mean a higher tax burden, and an end to tax-free growth for the withdrawn funds.

If you forget to take an RMD, it's going to cost you. There is a 50% penalty based on the RMD you were supposed to take. RMDs are based on the total balance of all your IRAs, 401(k)s, and other traditional retirement plans as of December 31st of the previous year. You can visit your financial advisor to make sure you are in compliance, and develop a long-term tax minimization plan.

Understanding key birthdays may help you better prepare for certain retirement income and benefits. But perhaps more importantly, knowing key birthdays can help you avoid penalties that may be imposed if you miss the date.

Questions?

We invite you to come into our offices to go over your options and strategies.

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CITE SOURCES:

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[2] https://www.irs.gov/taxtopics/tc558
[3] https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals
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DISCLOSURE STATEMENT(S):