

Reinventing RETIREMENT

Your Retirement Planning Newsletter

4th Quarter 2024

Roth or Regular?

Taking Advantage of a Roth Contribution Option Can Give You Some Flexibility in Retirement

According to Vanguard's "[How America Saves 2024](#)," 82% of employers offer a Roth 401(k) option in addition to a traditional, or regular, 401(k) option. However, just 17% of employees contribute to a Roth. If you have access to a Roth 401(k) option through your employer, it can add some diversity and flexibility to your retirement income and tax strategy. Roth or regular? Here's what to consider:

Contributions

Contributions to a Roth 401(k) are made with after-tax dollars, unlike a traditional 401(k) where contributions are made with pre-tax dollars.

This means you pay taxes on the money before it goes into your Roth 401(k), but you don't pay taxes on the money (including any earnings) when you withdraw it in retirement. With a traditional 401(k), you pay taxes on the money (including any earnings) when you withdraw it in retirement.

Both accounts share the same contribution limit. In 2024, you can contribute up to \$23,000 (\$30,500 if you're 50 or older). You can contribute to both accounts in the same year, as long as you keep your total contributions under that cap.

Withdrawals

Withdrawals of any contributions and earnings from a Roth 401(k) are tax-free, which can be beneficial if you expect to be in a higher tax bracket in retirement. However, certain criteria must be met:

- The Roth 401(k) account must have been held for at least five years.
- The withdrawal must have occurred when you reach at least age 59½.
- Tax-free withdrawals can also be taken due to disability, or by a beneficiary upon your death.

With a traditional 401(k), Required Minimum Distributions (RMDs) must begin at age 73. However, starting in 2024, a Roth 401(k) does not require RMDs during the account



holder's lifetime. Each year you have the freedom to withdraw whatever amount you want from your Roth 401(k) and let the rest continue to potentially grow on a tax-deferred basis.

Employer Matching

If offered, an employer match is typically available to you whether you save through a Roth 401(k) or traditional 401(k). For details on how your plan handles employer-matching contributions, check with your plan administrator.

Diversifying Your Contributions

No one knows what the tax brackets will be in the future, so you could decide to diversify your contributions evenly between the traditional and Roth option. Depending on your circumstances, you can always decide to contribute more toward one or the other in the future. In any event, a Roth option gives you the flexibility to further customize your plan based on your unique needs.

Unravelling the Rising Cost of Living

Understanding What Drives Higher Prices Can Help Improve Retirement Planning

According to the Employee Benefit Research Institute's [2024 Retirement Confidence Survey](#), 83% of workers are concerned that the higher cost of living will make it harder to save as much as they want toward retirement. If you're like most retirement savers, you've likely had concerns over the rising cost of living over the past few years. And for younger workers, it's the first time you've experienced an elevated inflation rate as an investor.

The cost of living, which reflects the amount of money required to maintain a certain standard of living, is influenced by several forces. Better understanding these factors and how they fit into your retirement planning process can help you prepare for future financial challenges. It can also motivate you to create an investment strategy that aims to stay ahead of rising prices over the long term. In addition, it can help you forecast a more accurate budget to meet your needs during retirement.

Key Forces Behind the Rising Cost of Living

1. Inflation. Inflation is the general increase in prices of goods and services over time. It reduces purchasing power, meaning that consumers need more money to buy the same amount of goods and services. Inflation can be driven by excess demand over supply, rising production costs or other factors.

2. Housing costs. Housing is often the largest component of living expenses. Rising demand for housing, limited supply, and increased costs of construction and land can drive up home prices and rents. Urbanization and population growth further worsen this issue, particularly in major cities.

3. Wages and labor costs. When wages increase, businesses may pass these costs onto consumers in the form of higher prices. While wage growth can boost living standards, if it outpaces productivity, it can contribute to inflation and higher living costs.

4. Energy prices. Energy costs, including electricity, gas and fuel, significantly impact the cost of living. Fluctuations in global oil prices, geopolitical tensions and supply constraints can lead to higher energy costs, affecting transportation, heating and manufacturing expenses.

5. Healthcare costs. Rising healthcare costs, due to advancements in medical technology, increased demand for services and an aging population, contribute significantly to the overall cost of living. Higher insurance premiums and out-of-pocket expenses add to household financial burdens.

6. Education expenses. The cost of education, including tuition fees, books and related expenses, has been rising steadily. This places a financial strain on families and students, impacting their overall cost of living.

7. Supply chain disruptions. Events such as natural disasters, pandemics and trade conflicts can disrupt product supply chains, leading to shortages and higher prices for goods. These disruptions affect everything from food to consumer electronics, contributing to a higher cost of living.



Doggy Pay Care

Creating a Budget for Dog Parenthood

Are you thinking about bringing a loyal, frisbee-chasing, treat-seeking, sock-stealing, face-licking, tail-wagging, bed-cuddling *Canis familiaris* into your life? If so, you're in good company. According to [Forbes Advisor](#), 65.1 million U.S. households own a dog, making it the most popular pet by far (cats are second, at 46.5 million households). To help you create a budget for dog parenthood, consider these typical expense items and general cost estimates:



Initial Costs

- **Adoption or purchase fee.** If you're adopting from a shelter, the fee may range from \$50 to \$300, whereas purchasing from a breeder can vary widely depending on the breed, ranging from a few hundred to several thousand dollars.
- **Spaying/neutering.** This procedure is typically required and can cost between \$50 and \$300, depending on the dog's size, gender and your location. Some shelters include this in the adoption fee.
- **Microchipping.** This one-time expense typically ranges from \$25 to \$50. It's a crucial step in ensuring your dog can be identified if they get lost.

- **Vaccinations.** Initial vaccinations for puppies can cost between \$75 and \$200, not including annual boosters and other vaccines that may be needed.
- **Initial supplies.** A good starting point is to budget \$300 to \$500 for items like a bed, crate, leash, collar, food and water bowls, toys, grooming tools and training aids.

Recurring Costs

- **Food.** The cost of dog food varies depending on the brand and quality, as well as the size of your dog. Expect to spend anywhere from \$250 to \$700 annually on food for an average-sized dog.
- **Routine veterinary care.** Regular care includes annual check-ups, vaccinations, flea and tick prevention and heartworm medication. Depending on your location and the services required, budget around \$300 to \$600 annually.
- **Grooming.** Costs for grooming services can range from \$30 to \$90 per session or you can choose to do it yourself with the purchase of grooming supplies.
- **Training classes.** Basic obedience classes or specialized training can range from \$50 to \$200 per session or course.
- **Licensing fees.** Costs for licensing your dog with your local municipality vary but generally fall between \$10 to \$50 per year.

Don't forget that unexpected expenses, such as accidents and sudden illnesses, can result in significant veterinary bills. Emergency visits can cost hundreds to thousands of dollars, depending on the severity of the issue. Planning to travel without your dog? You'll need to budget for boarding fees or pet-sitting services, which can range from \$20 to \$70 per day.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Knowledge Is Retirement Power

The longer you wait to start collecting money after you become eligible for Social Security, the more you will receive. As an example, assume you were born in 1960. If you claim Social Security upon turning 62, you'll get 70% of the benefit amount calculated from your lifetime earnings. If you wait until full retirement age — in this case, 67 — you'll get 100%. Delay past full retirement age and Social Security increases your benefit 8% a year until you hit 70. There's no financial incentive to delay past age 70.

Q&A

How much can I contribute to my Health Savings Account (HSA) next year?

For calendar year 2025, the annual HSA contribution limit for an individual with self-only coverage under a high-deductible health plan will be \$4,300, up from \$4,150 in 2024. For an individual with family coverage, the amount will be \$8,550, up from \$8,300. Those who are age 55 or older by the end of the year can contribute an additional \$1,000 to their HSA.

Quarterly Reminder

When it comes to your retirement account, your recordkeeper likely prompts you to change your password every quarter. But is it as strong and unique as it should be? To make creating and managing passwords easier, many people subscribe to password manager services.

Check out the [U.S. Cybersecurity & Infrastructure Security Agency](https://www.cisa.gov) ([cisa.gov](https://www.cisa.gov)) for tips on choosing a service provider, as well as more password tips. In addition, you should use unique passwords for different accounts, never write them down and never type passwords on devices or networks that you do not control.

Tools & Techniques

As life expectancy continues to increase, so does the likelihood of your parents needing some kind of help as the years pass — whether that's long-term care, transportation, paying bills or assistance with the daily activities of life. Consider discussing their wishes and plans early and often, while they're in great health. This approach can avoid surprises and stress if help is needed after an unexpected health event or accident occurs. In addition, find out your loved one's preference for long-term care and any plans they may have put in place ahead of time. Estimating costs and understanding your options can offer peace of mind and help you plan for any possibility.

Corner on the Market

Basic Financial Terms To Know

Macroeconomics. The study of large-scale economic issues, such as inflation, interest rates, gross domestic product (GDP) and unemployment. It helps form the basis of a large part of government economic policy.

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