Reinventing RETIREMENT

Your Retirement Planning Newsletter

1st Quarter 2025

Financial Fitness

The Key to Making Your Money Last

To live a long life, you'll need a healthy supply of money to go the distance with you. The risk of outliving your money is called "longevity risk." Begin early and follow the following good financial habits, and you'll increase the likelihood that your money will last as long as you will.

Set clear short-term and long-term goals. And create a financial plan to pursue each goal. The plan needn't be long or formal, just a written plan of action. Try to stick with the plan, even though the market sometimes provides a rocky ride.

Eliminate debt. Maintain a healthy balance sheet and a clean bill of financial health. If you accumulate debt, especially high-interest rate credit card debt, pay it off as soon as you can.

Live within your means. Pay off all monthly bills. Don't overspend. One healthy way is to track all your spending for a month, evaluate which expenses are truly necessary and then cut out needless spending.

Save diligently, invest wisely. Start saving early and keep putting time and the power of compounding on your side as you build long-term financial strength. Understand that longevity risk and inflation risk (having your purchasing power erode over time) are bigger threats to your long-term well-being than short-term market movements.

Pay yourself first. Make it your top priority to save for the future throughout your working years.

Grow your net worth. Over time, as you save more and pay off debt, your net worth—your assets minus your liabilities—will grow. Review your net worth each year and track your progress.

Monitor your asset allocation. Set and maintain an appropriate mix of investments throughout your life. Your needs, goals and risk tolerance may shift gradually as you age, but you may benefit from broad diversification.[1]

Conduct an annual financial check-up. Review your overall financial well-being, with a particular focus on your investments. Evaluate how well they perform compared with similar investments. And review your asset allocation, rebalancing it as needed.

Protect your family in case anything happens to you. This includes life, health and disability insurance, as well as keeping a will up to date.

Withdraw prudently. To give your money a good chance of lasting as long as you will, consider limiting annual withdrawals to a reasonable percentage when you retire. Then adjust for the rate of inflation. This may give your nest egg a better chance of lasting 30 years or longer.

Protect against long-term care costs. Being ill for a long period can be a big financial burden. With healthcare costs tending to rise faster than overall inflation, it can be worthwhile to investigate long-term care insurance. It can protect your assets and spare your loved ones from having to be your full-time caregivers.

Annuitize some money. To create a lifetime stream of income, you may wish to consider purchasing a fixed annuity with some of your savings. Calculate your fixed monthly costs. Subtract your Social Security benefits. Then, purchase an annuity to cover the difference. Use the rest of your savings to pay for more discretionary and variable items.[2]

1 Asset allocation does not ensure a profit or protect against a loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

2 Fixed annuities are long-term investment vehicles designed for retirement purposes. Guarantees are based on the claims paying ability of the issuing company. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Withdrawals made prior to age 59 are subject to a 10% IRS penalty tax and surrender charges may apply.

Source: www.cdc.gov/nchs/data/hus/hus07.pdf#027

KATHMERE CAPITAL MANAGEMENT

Will Power

Understanding the Typical Components of an Estate Plan

The topic of estate planning can be difficult to think about, but is so important to achieving financial wellness. Besides designating how you want your assets distributed, an estate plan provides your health care directives, simplifies the probate process and helps minimize taxes. It also helps protect your loved ones by minimizing conflicts and ensuring their financial security. Typical components of a comprehensive estate plan include the following:

Last will and testament

This document outlines how you want your assets distributed after your death. It allows you to name an executor who will manage your estate, pay debts and distribute your assets. You can also designate guardians for minor children.

Revocable living trust

A trust is a legal entity that can "own" assets. The document looks much like a will. And, like a will, a trust includes instructions for who is to handle final affairs and who is to receive the deceased's assets. Today, many people use a revocable living trust instead of a will in their estate plan because it avoids court interference at death (probate) and at incapacity. To create a basic living trust, you make a document called a declaration of trust, which is similar to a will. You name yourself as trustee — the person in charge of the trust property. If you and your spouse create a trust together, you will be co-trustees. As long as you are alive and competent, you can change the trust document, add or remove assets or even cancel it.

For a revocable living trust to work properly, you must transfer your assets into it. Titles must be changed from your individual name (or joint name with a spouse or partner) to the name of your trust. Because your living trust legally holds title to the assets it holds, these assets aren't considered a part of your estate, and therefore do not need to go through the probate process upon death or incapacitation. This makes it very easy for someone (a co-trustee or successor trustee) to step in and manage your financial affairs.

Durable power of attorney

This document designates someone to make financial decisions on your behalf if you are unable to do so. The chosen individual can manage your assets, pay bills and handle other financial matters.

Healthcare power of attorney

Also known as a medical power of attorney, this document appoints someone to make medical decisions for you if you are incapacitated. This document ensures that your healthcare preferences are respected even when you cannot communicate them.

Living will

A living will, or advance healthcare directive, specifies your wishes regarding medical treatments and end-of-life care. It can include instructions on life support, resuscitation and other critical care decisions.

Beneficiary designations

For assets like life insurance policies, retirement accounts and payable-on-death accounts, beneficiary designations are crucial. These designations override the instructions in your will, ensuring that these assets go directly to the named beneficiaries.

Creating an estate plan involves careful consideration and documentation to ensure your wishes are honored and your loved ones are taken care of after your death. Consulting with an estate planning attorney can help you navigate the complexities and create a comprehensive plan that meets your needs.

Informational Sources: Investopedia: "What is Estate Planning? Definition, Meaning, and Key Components" (April 22, 2024); Empower: "5 Essential Estate Planning Documents" (June 11, 2024); Legal Zoom: "A Smart Way to Avoid Probate: The Living Trust" (September 17, 2024).

Dear Diary

Consider the Benefits of Journaling To Boost Your Mind and Spirit

Journaling is the practice of writing down your thoughts, feelings and experiences—a pen, pencil, keyboard or any other writing tool you have available will do. It serves as a personal outlet for self-expression and reflection, allowing individuals to explore their inner self. There are many types of journaling, each with its unique benefits. Here are three popular types:

- **Freewriting** involves writing whatever comes to your mind by just letting the thoughts come and putting them onto the page without any filters or concern about grammar, spelling or storyline.
- **Gratitude journaling** is writing down things you feel thankful for. This can be as simple as a sunny day, a good meal or a smile from a stranger. The key is to focus on the positives — the things that bring you joy and comfort.
- **Reflective journaling** is a process of recording and analyzing personal experiences, thoughts and feelings. It can serve as a tool for self-exploration, helping you to uncover insights into your own motivations, values and beliefs that you may not have been consciously aware of.

Growth and Popularity of Journaling

Journaling has seen a significant rise in popularity over the past few decades. This growth can be attributed to increased awareness of mental health and the benefits of self-care practices. Studies have shown that journaling can reduce stress, improve mood and enhance overall well-being. The digital age has also contributed to its popularity, with numerous apps and online platforms making it easier for people to start and maintain a journaling habit.

5 Best Practices

To help maximize the benefits of journaling, here are five best practices to consider:

1. **Consistency.** Make journaling a regular habit. Whether it's daily or weekly, consistency helps reinforce the practice and its benefits.
2. **Honesty.** Be truthful in your entries. A journal is a private space, so allow yourself to be vulnerable and authentic.
3. **Focus on positivity.** Incorporating elements like gratitude or positive affirmations can shift your mindset and promote well-being.
4. **Don't overthink.** There's no right or wrong way to journal. Allow your thoughts to flow freely without judgment.
5. **Review and reflect.** Periodically reviewing past entries can provide insights into your growth and patterns in your thinking.

Informational Sources: University of Rochester Medical Center: "Journaling For Emotional Wellness" (accessed September 17, 2024); BetterUp: "How to Start Journaling and Ideas For What to Write About" (June 26, 2024); Indeed: "10 Types of Journaling (With How-To Steps and Tips)" (August 17, 2024).

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Knowledge Is Retirement Power

For nearly 60 years, Medicare has been the program that retired Americans turn to for their health care coverage. In 2023, it helped more than 65 million people pay for everything from hospital stays to doctor visits to prescription drugs. You become eligible for the program at age 65. However, prior to enrolling, you'll need to set aside time to review the many options offered and sign up for the coverage that best meets your health needs and budget. You can start signing up three months before you turn 65, and you'll have until three months after your birthday month to complete your enrollment. If you miss that deadline, you may end up paying higher premiums. If you are still working and have employer-sponsored health coverage, you can likely wait to sign up. For more information, check out AARP's Medicare Enrollment Guide, a step-by-step tool for first-time Medicare enrollees.

Tools & Techniques

According to a survey by U.S. News & World Report, nearly half of Americans believe that carrying a credit card balance improves your credit score. Unfortunately, carrying a balance will likely lower your score — and cost you money in interest payments. That's because an important factor in your credit score is how much of your available credit you use (known as your credit utilization ratio). Aim to use less than 30% of your available credit. For example, if you have a $5,000 credit limit, try to keep your balance under $1,500. It's a sign to creditors that you aren't stretching yourself too thin.

Q&A

What is the most I can save this year in my workplace retirement plan?

401(k) savers can contribute up to $23,500 in 2025 (an increase from $23,000 in 2024). The annual catch-up contribution for savers age 50 and older remains at $7,500 in 2025, for a potential total contribution of $31,000. Under a change made in SECURE ACT 2.0, a higher catch-up contribution limit applies for employees aged 60-63. For 2025, this higher catch-up contribution limit is $11,250 instead of $7,500, for a potential total contribution of $34,750. These limits also apply to savers with a 403(b) plan and most 457 plans.

Quarterly Reminder

When was the last time you reviewed your beneficiary designations for your major assets—including your retirement plan? The start of each new year is a good time for some financial housekeeping. Make sure your current designations still match your wishes, especially if you have had any major life changes such as marriage, divorce or the birth or adoption of any children.

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