RETIREMENT
INVESTMENT ADVISORS, INC.

3001 United Founders Blvd.
Oklahoma City, OK 73112
(405) 842-3443
(800) 725-4530

2952 Via Esperanza
Edmond, OK 73013
(405) 246-0404

9300 John Hickman Pkwy.
Suite 504
Frisco, TX 75035
(972) 377-2850

www.TheRetirementPath.com

Investment Advisory Services offered through Investment Advisory Representatives of Retirement Investment Advisors, Inc., a Registered Investment Advisor.

left to right: Joe Bowie, Andrew Flinton, Brenda C. Bolander, Carol Ringrose Alexander, Randy Thurman, and Chad Rudy

Financial Briefs

DECEMBER 2017

Pump Up Your Retirement Savings

Don't just give up on your retirement goals if you find you've entered middle age with little to no retirement savings. Sure, it may be harder to reach your retirement goals than if you had started in your 20s or 30s, but here are some strategies to consider:

- **Reanalyze your retirement goals.** First, thoroughly analyze your situation, calculating how much you need for retirement, what income sources will be available, how much you have saved, and how much you'll need to save annually to reach your goals. If you can't save that amount, it may be time to change your goals. Consider postponing retirement for a few years so you have more time to accumulate savings as well as delay withdrawals from those savings. Think about working after retirement on at least a part-time basis. Even a modest amount of income after retirement can substantially reduce the amount you'll need to save. Look at lowering your expectations, possibly traveling less or moving to a less-expensive city or smaller home.
- **Contribute the maximum to your 401(k) plan.** Your contributions, up to a maximum of $18,000 in 2017, are deducted from your current-year gross income. If you are age 50 or older, your plan may allow an additional $6,000 catch-up contribution, bringing your maximum annual contribution to $24,000. Find out if your employer offers a Roth 401(k) option. Even though you won't get a current-year tax deduction for your contributions, qualified withdrawals can be taken free of income taxes. If your employer matches contributions, you are essentially losing money when you do not contribute enough to receive the maximum matching contribution. Matching contributions can help significantly with your retirement savings. For example, assume your employer matches 50 cents on every dollar you contribute, up to a maximum of 6% of your pay. If you earn $75,000 and contribute 6% of your pay, you would contribute $4,500 and your employer would put in an additional $2,250.
- **Look into individual retirement accounts (IRAs).** In 2017, you can contribute a maximum of $5,500 to an IRA, plus an additional $1,000 catch-up contribution if you are age 50 or older.

Continued on page 2

Challenges to Your Retirement

We all know saving for retirement is becoming more and more challenging. Longer life expectancies, fewer traditional pensions, and lower investment portfolios are the most obvious challenges. But there are other threats to your retirement:

- **Even if you have a traditional pension plan, those benefits can change.** Your employer can't take away benefits you've already earned, but benefits going forward can be reduced. Keep an eye on your pension plan so you know if your employer makes changes.
- **Switching jobs can affect your retirement benefits.** If you have a traditional pension plan, don't change jobs without considering your pension benefits. The same applies to 401(k) plans with matching employer contributions. You may find staying at your job a while longer will significantly increase your benefits.
- **Don't forget about pension benefits at previous employers.** Many employees leave a company without realizing they are

Continued on page 3

Pump Up

Continued from page 1

Even if you participate in a company-sponsored retirement plan, you can make contributions to an IRA, provided your adjusted gross income does not exceed certain limits.

- **Reduce your preretirement expenses.** Typically, you'll want a retirement lifestyle similar to your lifestyle before retirement. Become a big saver now and you enjoy two advantages. First, you save significant sums for your retirement. Second, you're living on much less than you're earning, so you'll need less for retirement. For instance, if you live on 100% of your income, you'll have nothing left to save toward retirement. At retirement, you'll probably need close to 100% of your income to continue your current lifestyle. With saving 10% of your income, you're living on 90%. At retirement, you'll probably be able to maintain your standard of living with 90% of your current income.
- **Move to a smaller home.** As part of your efforts to reduce your preretirement lifestyle, consider selling your home and moving to a smaller one, especially if you have significant equity in your home. If you've lived in your home for at least two of the previous five years, you can exclude $250,000 of gains if you are a single taxpayer and $500,000 of gains if you are married filing jointly. At a minimum, this strategy will reduce your living expenses so you can save more. If you have significant equity in your home, you may be able to use some of the proceeds for savings.
- **Substantially increase your savings as you approach retirement.** Typically, your last years of employment are your peak earning years. Instead of increasing your lifestyle as your pay increases, save all pay raises. Anytime you pay off a major bill, such as an auto loan or your child's college tuition, take the money that was going toward that bill and put it in your retirement savings.
- **Restructure your debt.** Check whether refinancing will reduce your monthly mortgage payment. Find less-costly options for consumer debts including credit cards with high interest rates. Systematically pay down your debts, and most important — don't incur any new debt. If you can't pay cash for something, don't buy it.
- **Stay committed to your goals.** At this age, it's imperative to maintain your commitment to saving. Please call if you'd like to discuss this in more detail.

Encourage Your Child to Fund an IRA

Once your child starts working, help him/her develop good savings habits by encouraging him/her to fund an individual retirement account (IRA). Even if your child only contributes for a few years, an IRA can provide significant funds for retirement.

Your child must have earned income to contribute to an IRA and may only contribute the lesser of earned income or the maximum IRA contribution. The maximum limit is $5,500 in 2017.

Assume your 16-year-old daughter starts working part-time. If she contributes $2,000 to an IRA from the ages of 16 to 22, she will contribute $14,000 over seven years. With no further contributions, the IRA could potentially grow to $527,437 on a tax-deferred or tax-free basis by age 65. That assumes earnings of 8% compounded annually, but does not include any income taxes that might be due.

If your child continues $2,000 IRA contributions until age 65, she would make total contributions of $98,000 and may accumulate investments of $1,145,540. *(These examples are provided for illustrative purposes only and are not intended to project the performance of a specific investment vehicle.)*

Although most children will be eligible to contribute to both a traditional deductible IRA and a Roth IRA, you should probably encourage your child to fund a Roth IRA, which has several advantages:

- **Roth IRAs are more flexible.** Your child can withdraw all or part of his/her contributions at any time without paying federal income taxes or penalties. Thus, if your child later decides to use contributions for college, a car, a down payment on a home, or for some other purpose, contributions can be withdrawn with no tax consequences.
- **Earnings accumulate tax free, plus qualified distributions can be withdrawn tax free.** A qualified distribution is one made at least five years after the first contribution and after age 59½. There are also certain circumstances where earnings can be withdrawn without paying income taxes and/or the 10% federal income-tax penalty. If your child allows the funds to grow until at least age 59½, all contributions and earnings can be withdrawn without paying any federal income taxes.
- **A traditional deductible IRA offers little tax benefit to a child.** When your child first starts working, he/she will typically pay a low marginal tax rate on his/her income. So even though the Roth IRA contribution is not tax deductible, your child typically receives little or no tax benefit from deducting the traditional IRA contribution anyway.

If you can't convince your child to use his/her own money to fund the IRA, consider reimbursing him/her as part of your annual gift tax exclusion for any IRA contributions.

Challenges

Continued from page 1

entitled to pension benefits. Before changing jobs, check with your employer to find out what benefits you are entitled to. Then keep track of the company so you can claim benefits when you retire.

- **Early retirement can significantly reduce your retirement benefits.** Sure, it sounds great to retire before age 65 with company pension benefits. But don't just look at how much you'll receive when you retire early. Also consider what you would receive if you wait until normal retirement age. Retiring early can dramatically lower your monthly pension benefits for several reasons — you won't have as many years of service, salary increases you would have earned aren't considered, and those extra years of benefits cause a large actuarial deduction in benefit calculations.
- **You may not be able to count on health insurance benefits after retirement.** Due to rapidly increasing costs for health insurance, many companies are either phasing out health insurance benefits for retirees or increasing retirees' share of the cost. While Medicare is still available once you turn age 65, those benefits don't cover all medical costs. Whether or not you can count on health insurance benefits is often a significant factor in deciding whether you can retire before age 65.
- **Social Security benefits are changing.** Normal retirement age is gradually increasing from age 65 to age 67, a change affecting anyone born in 1938 or later. You can still receive reduced benefits at age 62, but the permanent reduction in benefits is increasing from 20% to 30% depending on your year of birth. These changes are meant to encourage you to retire at a later date.
- **Decide carefully before taking a lump-sum distribution.** Some traditional pension plans allow lump-sum distributions instead of monthly pension benefits. Use that option with care. While the amount of money might seem large, are you sure you can invest it and earn more than the monthly pension option?

There are many challenges to saving for retirement. If you'd like to discuss your retirement plans in more detail, please call.

Don't Touch Your 401(k) Plan

If you leave your employer, be careful about what you do with your 401(k) funds. Your worst option is to take a distribution, pay taxes and a penalty on it, and then spend the money on something other than retirement. By doing so, you use retirement funds and forego any further tax-deferred growth on those assets. In addition, you may incur a large tax bill, since withdrawals are subject to ordinary income taxes and a 10% federal income tax penalty if you are under age 59½ (55 if you are retiring).

Don't think it's just a small amount and won't make much difference for your retirement. Over the long term, even a modest sum can grow to a significant amount.

You have three options to keep your 401(k) funds in a tax-deferred vehicle until retirement:

- **Leave the funds in your former employer's 401(k) plan.** Generally, you can leave the funds in your former employer's plan if your balance is at least $5,000. However, most plans will not allow you to borrow from your account once you leave the company. Until you consider all your options, you might want to at least temporarily leave the funds with your former employer's plan.
- **Transfer your funds to your new employer's plan.** Find out if your new employer's plan accepts rollovers. If so, you can typically make the rollover even before you are eligible to make contributions. However, first check out the investment options to make sure the new plan has options that will fit your investment goals. Once the funds are in your new employer's plan, you'll be able to take loans, if permitted by the plan. Also, if you work past the age of 70½, you won't be required to take distributions from the 401(k) plan until you retire. With traditional individual retirement accounts (IRAs), you must take withdrawals once you turn age 70½, even if you are still working. If you decide to transfer the funds to your new employer's plan, get the appropriate paperwork from your new employer so the funds can be transferred directly to the new plan's trustee. Otherwise, if the funds go directly to you, your former employer will be required to withhold 20% for taxes. You must then replace the 20% with your own funds within 60 days, or the 20% withholding will be considered a distribution subject to income taxes and the 10% federal income-tax penalty.
- **Roll the funds over to a traditional IRA.** Again, you should have your former employer transfer the funds directly to the IRA trustee to avoid the 20% withholding described above. Once the funds are rolled over to an IRA, you can invest in a wide variety of investment alternatives. With a 401(k) plan, you typically have a limited number of options. If you plan on leaving part of your 401(k) balance to your heirs, an IRA usually has more flexible options than a 401(k) plan. After the funds are transferred to a traditional IRA, you can then convert the balance to a Roth IRA.

News and Announcements

From the Alexander Household

People in the Sandwich Generation care for aging parents while supporting their own children. According to the Pew Research Center, more than one of every eight Americans aged 40 to 60 is both raising a child and caring for a parent, in addition to an estimated seven to 10 million adults caring for their aging parents from long distance and many more with full-time responsibility for their parents. Responsibilities can include helping their loved ones with daily functioning, medical services and supervision, giving medications, and aiding with financial, legal, and emotional difficulties.

The demands of caregiving can result in mental stress and depression, physical illnesses, and financial burdens. The University of Central Oklahoma Sandwich Generation Conference connected participants to resources to help manage these competing demands and find work/life balance.

My presentation, *Financial Planning for Caregivers*, provided a road map to organize financial, legal, and medical documents and resources for end-of-life planning. Brenda Bolander's presentation, *What Happens When…How to Protect Your Family and Your Finances*, gave an overview of employer benefits, Social Security, tax returns, and how to utilize professionals.

Brenda and I appreciated the opportunity to participate in this unique conference. If you would like a copy of our presentations, just call the office to request them.

Carol Ringrose Alexander,
CFP®, AIF®, CDFA™

From the Bolander Household

Hope you all are enjoying this holiday season. We had a great Thanksgiving with immediate and extended family. My cousin Bobby's birthday fell on Thanksgiving Day this year as it sometimes does, and we had a surprise party to mark a big milestone for him. He endured a lot of good-natured kidding, and the birthday cards were so funny that I think I saw a few tears from more than one person in the room. It was a great day.

For the rest of the long weekend, we worked on a Christmas Nativity set for our front yard. A few weeks earlier I had found a website offering patterns for wood projects of all kinds. Our son Jake and his friend, Destiny, (who is an art major) helped me select one that is large enough to be easily seen but not too ambitious for our first woodworking project. It took us about five hours to read the pattern and cut it out and three hours to paint. The assembly was challenging to create the 3-D effect; but we finally got it all together, and I am thrilled at the outcome. I know our family will enjoy it for many years to come.

May all your Christmas wishes come true!

Brenda C. Bolander,
CFP®, CPA/PFS

From the Wallis Household

Season's Greetings! This time of year we put up festive decorations at home, attend school programs for the kids, and go to several events for work and boards on which my husband and I serve. This season also comes with multiple gatherings with family and friends.

While these should be fun events (and they are!) sometimes I find myself feeling overscheduled. I enjoy spending time with others, but sometimes I just want to curl up with a good book when it's chilly outside. My friend, Tracey, calls this feeling "overwhelmedness." It's times like these when I choose to refocus. It is a blessing to have so many places to be. It is not happy people who are grateful, but grateful people who are happy.

This season, I will manage my stress by being grateful for the people in our lives who want us in theirs. I'll choose to not stress over what I'll bake for the next holiday party. I'll be thankful that I have a holiday party to attend. I will adjust my view to remind myself that the hustle and bustle of the holiday season will not last forever. I will embrace the busy times as much as I enjoy the quiet ones. We all know that it goes by too fast.

From our families to yours, we wish you a very happy holidays!

Jennifer Wallis
Marketing Vice President

Holiday Hours: We will be closed Monday, December 25 for Christmas and Monday, January 1 for New Year's Day