Registered Investment Advisor Firm

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Important Retirement Planning Ages

I recently ran across an older issue of a US News & World Report article about the 9 important ages for retirement planning. I liked how it was presented and after updating I thought it was still relevant and would help anyone with their retirement planning.

To make the most of your retirement planning, 401(k)s, individual retirement accounts (IRAs), Social Security and Medicare, you need to meet deadlines. If you don't take action within the cutoffs, you could miss out on benefits or trigger penalties and fees.

AGE 50 Workers age 50 and older can defer taxes on as much as $25,000 in 401(k) plans, 403(b) plans and federal government Thrift Savings Plan and $7,000 in IRAs in 2019.

AGE 55 If you leave your job in the calendar year you turn 55 or later, you can take 401(k) withdrawals from the retirement account associated with the job you recently left without having to pay the 10 percent early withdrawal penalty. This is referred to as the "Rule of 55". However, if you roll the money into an IRA, you'll have to wait until age 59 ½ to avoid the penalty.

AGE 59 ½ Investors no longer have to pay 10 percent early withdrawal penalty on traditional 401(k) and IRA account distributions after age 59 ½. However, income tax will still be due on the distributions.

AGE 62 Workers can sign up for Social Security beginning at age 62, but payments are permanently reduced by as much as 30 percent if you sign up at this age. Also, if you work and collect Social Security benefits simultaneously at 62, part or all of your payments could be temporarily withheld.

AGE 65 You can sign up for Medicare beginning three months before your 65th birthday, and coverage can start as early as the month you turn 65. If you don't sign up on time (or within eight months of leaving a job with group health coverage), your Medicare Part B and D premiums could permanently increase, and you could even be denied supplemental coverage.

AGE 66 Baby boomers born between 1943 and 1954 are first eligible to collect unreduced Social Security payments at age 66. After that, the full retirement age gradually increases from 66 and 2 months for people born in 1954 to age 66 and 10 months for workers born in 1959. Once people hit their individual full retirement age, benefits are no longer withheld for working and collecting Social Security benefits at the same time.

AGE 70 Social Security payments will increase by about 8 percent per year if you delay starting benefits up until age 70. After age 70, there is no additional benefit to waiting to claim Social Security.

AGE 70 ½ Distributions from traditional IRAs and 401(k)s are required after age 70 ½, and income tax is generally due on the withdrawals. Employed individuals can delay distributions from their current 401(k) until April 1 of the year after they retire (unless they own 5 percent or more of the company sponsoring the plan). And people age 70 ½ and older are no longer eligible to get a tax deduction for traditional IRA contributions.

If you need help with retirement planning or any other financial questions, contact me at (707) 648-2024.

Debt in Retirement Planning

Downsizing is a common feature of retirement planning. But two trends could be making it hard to accomplish: First, older Americans are carrying debt, typically mortgages, into retirement. The other is the problem boomers looking to sell large, suburban homes to pay off their mortgage and add to their retirement savings.

Baby boomers are more comfortable holding debt than the prior generation, which sought to pay everything off before retiring. According to a 2016 University of Wisconsin study, about 70% of 65 –to 74 –year-olds held some debt, up from 52% in 1998; among those 75 or older, almost half held debt, double the ’98 level.

Low interest rates over the past decade have made borrowing less painful – even savvy, given the returns delivered by the decade long bull market in US stocks. Higher fixed payments in the early part of retirement to cover the mortgage, creates added strain if there is a portfolio downturn.

And those planning on selling their home could also run into trouble. Already, there are signs that large homes are not selling as quickly as before and that a big home in a good school district might not be as appealing to home buyers who are having children later, or not at all.

From now until 2040, nearly 30 million boomer households will want to sell their homes. Only a fifth of US homes are in the kind of walkable, mixed-use neighborhoods that millennials and the next generation prefer. There are many boomers that could end up selling their homes for less than they paid for them.

Many people got carried away with the thinking of their homes as an asset they could use as a liquid investment. Ideally, your retirement plan – and your investment portfolio – will have enough flexibility so that you won't be stuck if home prices don't break your way.

Retirees with mortgages at rates of 3.5% or below might want to hang on to the loan. But for those with debt, and without cash elsewhere to pay it off, consider changing your investment asset allocation to more conservative to generate more income. You may also want to sell your home before more boomers flood the market.

For retirement planning, debt-free should be the goal when you reach and into your golden years.

FED Watch

The Federal Reserve left its key interest rates unchanged at their June meeting, but signaled that it's prepared to start cutting rates if needed to protect the US economy from trade conflicts and other threats. It issued a statement saying that because "uncertainties" have increased, it would "act as appropriate to sustain the expansion". The Fed also removed a reference to being "patient" about adjusting rates. That suggested that it's now inclined to begin cutting rates for the first time in more than a decade. It remains unclear when that might happen.

The FED is still continuing the process of reversing the quantitative easing by allowing assets to mature off their balance sheets, rather than re-investing them and plan to taper this process and plan to complete by October of this year

Next meeting:
July 30th and 31st.

Castle Rock Wealth Management

Castle Rock Wealth Management is a Hybrid Advisory firm servicing the needs of clients across the United States.

Castle Rock Wealth Management custodies some client assets at Charles Schwab & Co. Bob's office is located at 714 Marin Street, Suite #C, Vallejo, CA 94590. The telephone number is (707) 648-2024.

If you have questions or would like further information on this month's topics or any other financial or investment related subjects, please contact me by phone or through my email address at:
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