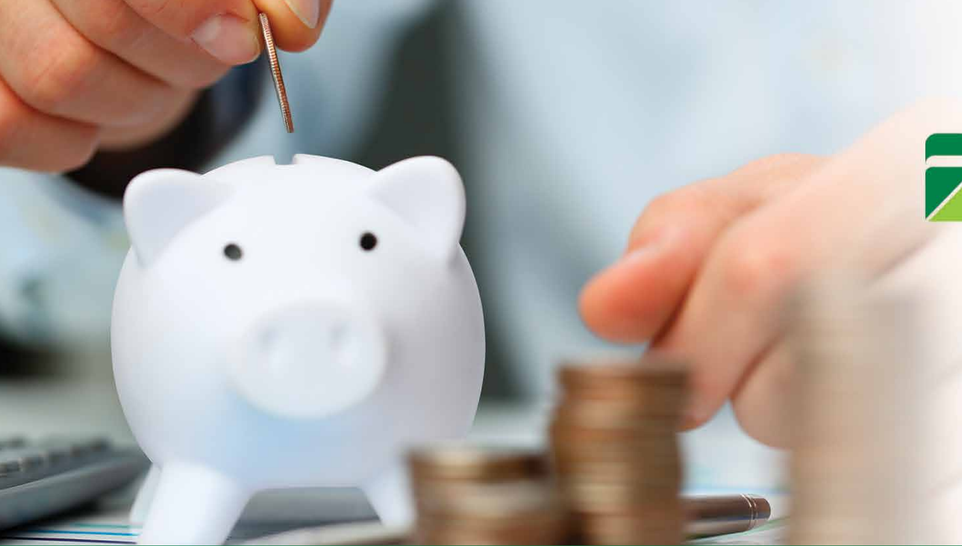

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Winter '19 - '20

IRA Newsletter...*keeping you informed.*

Helping you plan for retirement.

How Much Retirement Savings Is Enough?

The best way to find out how much you will need to save for retirement is to create a budget plan and to run a basic retirement calculation to see if you are on the right track. Determining how much you'll need all boils down to what you want your future lifestyle to look like and how much it will cost to fund it.

There isn't a one-size-fits-all answer to the "How much should I save?" question of retirement. However, there is one rule of thumb. After you've determined what you think you'll need to live on during retirement, multiply it by 25.

For example, if you think you'll need $40,000 a year, one rule of thumb says that you'll need 25 times that amount or $1,000,000 in order to retire comfortably. On the other hand, if you'd receive $15,000 in Social Security benefits each year and a $5,000 annual pension, you'd only need half of the $40,000 each year from your savings. Since you'll only plan on pulling out about $20,000 each year, you'd need about $500,000 saved by your retirement date.

Once you have a number in mind, you can start working towards reaching that goal.

The simplest starting point is to invest in your employer's 401(k) plan, a tax-advantaged retirement savings account, or other retirement savings accounts, such as a Roth IRA or traditional IRA.

Benefit of Matching Funds and Tax-Advantaged Retirement Accounts

Look into all your retirement savings options at work, which may come with matching contributions from your employer. Chances are your retirement savings will hardly reduce your take-home pay because of what you'll save in income taxes, and the sooner you start in your career, the more you can take advantage of compound growth.

If you've contributed the maximum at work or if your employer doesn't have a retirement savings program, consider establishing your own IRA (Individual Retirement Account) and then make regular transfers into it.

You can set up an automatic transfer from a checking account into savings for retirement. If a change of beneficiaries is warranted for your IRA, we would be happy to provide a new beneficiary designation form. *Call or stop in today!*

The SECURE Act Repeals the Age Restriction on Traditional IRA Contributions

With President Trump signing the SECURE Act into law, one major provision eliminates the age in which you can contribute to your traditional IRA.

New law: **For tax years beginning after 2019, the SECURE Act repeals the 70½ age restriction on contributions to traditional IRAs. So, for tax years beginning in 2020 and beyond, you can make contributions after reaching age 70½.**

Key note: **The CARES Act was signed into law March 27, 2020 – the Treasury extended the April 15th deadline for making a contribution for your 2019 tax year to July 15, 2020, but you cannot make a contribution for 2019 if you were age 70½ or older as of Dec. 31, 2019.**

Dear IRA,

What is the deadline for contribution to a Roth IRA or traditional IRA?

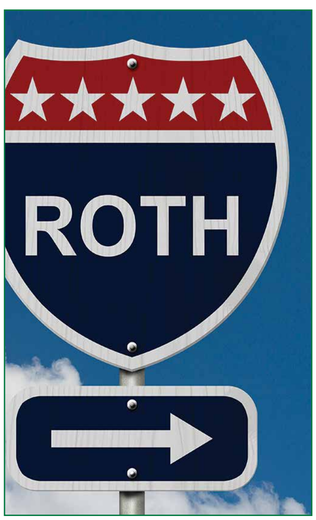
You can open or make contributions to your Roth IRA or Traditional IRA any time up to and including the due date of your tax return for the previous tax year.

Does a transfer or rollover affect current contributions to An IRA?

Transferring or rolling over funds from one account to another does NOT affect the amount of your annual IRA contribution. You may still contribute the full amount allowed by law.

Time Is Your Ally

Among all of the factors that influence your retirment savings, you often have the most control over how much you invest and when you start investing. Even modest investments can grow significantly over time with consistency. Your earnings accumulate and compound on a tax-free basis in a Roth IRA or tax-deferred basis in a traditional IRA. Although you may contribute to your IRA until the due date of your tax return for the previous tax year (generally April 15th, but due to the CARES Act, the Treasury has extended 2019 federal tax filing to July 15, 2020), you will earn more on your invested dollars by making your contribution as early in the tax year as possible.



Key Takeaways for Roth IRAs

A Roth IRA can be a flexible way to save for the future.

If you're in a low tax bracket now and expect to be in a higher bracket later, a Roth may be right for you.

- Roth contributions are made after taxes have been paid.
- Investments offer tax-free growth potential.
- If you need to access your contributions, you can withdraw them at any time with no income taxes or penalties. There are some rules around withdrawing earnings.

Roth IRAs offer the potential for tax-free growth and tax-free withdrawals in retirement. But that's not all—if you need money before retirement you can withdraw the money you contribute to the account at any time, with no income tax or penalty tax.

IRA Fast Fact

You can deduct 100% of your contributions to a Traditional IRA regardless of your income level if neither you or your spouse is an active participant in an employer-sponsored retirement plan.

AT-A-GLANCE
TRADITIONAL & ROTH IRA CONTRIBUTION LIMITS

INDIVIDUAL* Tax Year	Annual Contribution Limit	Annual Catch-Up Contribution Age Age 50 or Older	Maximum Annual Contribution Limit Age 50 or Older (Including Catch-Up)
2019	$ 6,000	$ 1,000	$ 7,000
2020	$ 6,000	$ 1,000	$ 7,000

MARRIED/SPOUSAL Tax Year	Annual Contribution Limit	Annual Catch-Up Contribution Age Age 50 or Older	Maximum Annual Contribution Limit Age 50 or Older (Including Catch-Up)
2019	$ 12,000 ($6,000 each)	$ 2,000 ($1,000 each)	$ 14,000 ($7,000 each)
2020	$ 12,000 ($6,000 each)	$ 2,000 ($1,000 each)	$ 14,000 ($7,000 each)

2019* Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth) is $6,000 ($7,000 if age 50 or older).
2020* Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth) is $6,000 ($7,000 if age 50 or older).

TRADITIONAL vs. ROTH IRA COMPARISON CHART

Feature	Traditional IRA	Roth IRA
Deductibility of Contributions	**SINGLE TAXPAYER:** • Full deduction if you are not a participant in an employer-sponsored retirement plan, regardless of income. • Full deduction if you are a participant in an employer-sponsored retirement plan and modified adjusted gross income (MAGI) is less than $64,000 (2019) & $65,000 (2020) *Deduction is phased out for MAGI between $64,000 and $74,000 (2019) & $65,000 and $75,000 (2020).* **MARRIED TAXPAYER:** • Full deduction if neither person participates in an employer-sponsored retirement plan, regardless of income. • Full deduction if you and your spouse are participants in an employer-sponsored retirement plan and your joint tax return MAGI is less than $103,000 (2019) & $104,000 (2020). *Deduction is phased out for MAGI between $103,000 and $123,000 (2019) & $104,000 and $124,000 (2020).* • Full deduction for non-active individuals (not a member of an employer-sponsored retirement plan) married to an active participant (a member of an employer-sponsored retirement plan) and your joint tax return MAGI is less than $193,000 (2019) & is less than $196,000 (2020). *Deduction is phased out for MAGI between $193,000 and $203,000 (2019) & between $196,000 and $206,000 (2020).* **MARRIED FILLING SEPARATE TAX RETURNS:** *MAGI of $0-$10,000 a partial deduction, MAGI of $10,000 or more no deduction (2019 and 2020).*	• Contributions are **not tax-deductible** and must be made with after-tax dollars.
Eligibility	• **Year 2019** - Anyone under the age of 70½ with earned income equal to or greater than their IRA contribution amount can contribute. • **Year 2020** - No age restrictions.	• No age restrictions; however, there are income requirements and limits.
Income Limits For Participation	• No limit for participation.	• **Year 2019** - Married filling jointly with joint MAGI of up to $193,000 & singles with MAGI up to $122,000. *Contributions are phased out for couples between $193,000 and $203,000 & $122,000 and $137,000 for singles.* • **Year 2020** - Married filling jointly with joint MAGI of up to $196,000 & singles with MAGI up to $124,000. *Contributions are phased out for couples between $196,000 and $206,000 & $124,000 and $139,000 for singles.*
Contribution Limits	• **Year 2019 – $6,000;** Age 50 or over = **$7,000** • **Year 2020 – $6,000;** Age 50 or over = **$7,000**	• **Year 2019 – $6,000;** Age 50 or over = **$7,000** • **Year 2020 – $6,000;** Age 50 or over = **$7,000**
Taxability of Earnings	• Earnings are tax-deferred. (See taxability of withdrawals)	• Earnings may be tax-free. (See taxability of withdrawals)
Age Limit For Contributions	• **Year 2019** - Contributions may not be made for or after the year in which you reach age 70½. • **Year 2020** - No age limit for contributions. (You can make contributions after reaching age 70½.)	• No age limit for contributions.
Mandatory Distributions	• (See page 4 for changes to required distributions.)	• No required minimum distribution at any age.
Taxability of Withdrawals	• Earnings and any deductible contributions are taxable. • Earnings are taxable and contributions are tax-free for nondeductible contributions. • When withdrawing a combination of both deductible and nondeductible contributions, that portion that was nondeductible is tax-free.	• Tax-free withdrawals of your contributions are permitted at any time. Tax-free withdrawals of earnings are permitted after age 59½ or in the event of death or total disability, or as a qualified first-time home buyer (up to $10,000). Earnings must have remained in the account for a period of five successive tax years to be tax-free.
Penalty For Early Withdrawal	• Penalty tax applied for withdrawing all or any part of the account before age 59½, unless exception applies. The 10% early penalty tax does not apply if the individual is deceased, disabled, for higher education expenses, first-time home purchase up to $10,000, certain medical expenses, and for qualified birth or adoption up to $5,000.	• Penalty tax-free withdrawals of your contributions are permitted at any time. Earnings are subject to a 10% penalty prior to age 59½, unless exception applies. The 10% early penalty tax does not apply if the individual is deceased, disabled, for higher education expenses, first-time home purchase ($10,000 lifetime limit), qualified military reservists, and certain medical expenses.
	Key note: Under the CARES Act, investors infected by the coronavirus may be able to take distributions in 2020 of up to $100,000 from an IRA. These distributions won't be subject to the normal 10% early withdrawal penalty. Consult your tax adviser for details.	

Collecting Social Security Benefits Before Full Retirement Age?

The Social Security Administration assigns each of us a "full" retirement age at which we can start collecting our full benefits. For those born in 1937 or earlier, it's 65, for those born in 1960 or later, it's 67, and for those born between 1937 and 1960, it's somewhere in between.

You can start your Social Security retirement benefits as early as age 62, but the benefit amount you receive will be less than your full retirement benefit amount.

If you start your benefits early, they will be reduced based on the number of months you receive benefits before you reach your full retirement age.

Benefits Reductions for Early Retirement at Age 62

(Based on Primary Insurance Amount of $2,000/month at Full Retirement Age)

Year of Birth[1]	Early Retirement Years	Normal (Full) Retirement Age	Months Between Age 62 and Full Retirement Age[2]	Primary Insured at Age 62 Amount	Primary Retirement Benefit Is Reduced By[3]	Spouse at 62 Benefit Would Be Reduced To	Spouse Benefit Is Reduced by[4]
1943-1954	2005-2016	66	48	$1500	25.00%	$700	30.00%
1955	2017	66 and 2 months	50	$482	25.83%	$690	30.83%
1956	2018	66 and 4 months	52	$1482	26.67%	$682	31.67%
1957	2019	66 and 6 months	54	$1450	27.50%	$674	32.50%
1958	2020	66 and 8 months	56	$1432	28.33%	$666	33.33%
1959	2021	66 and 10 months	58	$1416	29.17%	$658	34.17%
1960 and later	2022 or later	67	60	$1400	30.00%	$650	35.00%

Source: U.S. Social Security Administration (2014b).

1. If you were born on January 1st, you should refer to the previous year.
2. If you were born on the 1st of the month, we figure the benefit as if your birthday was in the previous month. You must be at least 62 for the entire month to receive benefits.
3. Percentages are approximate due to rounding.
4. The maximum benefit for the spouse should be applied after the automatic 50% reduction. Percentages are approximate due to rounding.

Savings Tips

1 The 1% Secret To Getting Richer

Increase your savings rate by 1% this year, then do the same thing next year, and the year after that. If you start when you get your first job, you'll be saving at a good pace well before the peak earning years of your career.

2 Start Tracking Every Dollar You Spend

By consistently tracking your spending – every dollar – this becomes the starting point for other good financial habits, such as setting and adhering to a budget, regular savings and maximizing efficiency in your spending.

3 The Savings Plan You Won't Even Notice

When you get a raise, set aside half of it to fund your retirement savings, create a rainy-day fund or contribute to your children's 529 plan. Because it's money you don't have today, you probably won't even notice.

4 Make It Easy On Yourself

Put every bill you can on autopay, including the bill for your own retirement. Log on to your retirement-savings website and bump up your pension contributions enough to receive your full employer match.

The CARES Act Drastically Changes the Required Minimum Distribution (RMD) for 2020

The coronavirus stimulus bill (CARES Act) that became law March 27,2020 suspended required minimum distributions for 2020.

Key note: **Since the SECURE Act was enacted in January, 2020 is the first year in which the required beginning date switched from 70½ to 72 years of age – unless someone turned age 70½ in 2019, in which case they owe an RMD by April 1, 2020. However, the CARES Act allows account owners to skip both their 2019 RMD if it was their first year and had not yet made an RMD by April 1, 2020 and their 2020 RMD.**

IMPORTANT NOTE: The information contained in this newsletter is not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, tax or financial advisor with regard to your personal situation.