



Beyond the Basics

Customized Wealth Strategies

Tips for Targeting Your Retirement Savings Goal



What if you're saving as much as you can, but still feel that your retirement savings goal is out of reach? As with many of life's toughest challenges, it may help to focus less on the big picture and more on the details.

gap of, say, a few hundred dollars a month than a few hundred thousand dollars over the duration of your retirement.

Stash extra cash

While every stage of life brings financial challenges, each stage also brings opportunities. Whenever possible — for example, when you pay off a credit card or school loan, receive a tax refund, get a raise or promotion, celebrate your child's college graduation (and the end of tuition payments), or receive an unexpected windfall — put some of that extra money toward retirement.

Reimagine retirement

When people dream about retirement, they often picture exotic travel, endless rounds of golf, and fancy restaurants. Yet people often derive happiness from ordinary, everyday experiences such as socializing with friends, reading a good book, taking a scenic drive, and playing board games with grandchildren.

While your dream may include days filled with extravagant leisure activities, your retirement reality may turn out to be much different, and that actually may be a matter of choice.

Do your best

Setting a goal is a very important first step in putting together your retirement savings strategy, but don't let the number scare you. As long as you have an estimate in mind, review it regularly, break it down to a monthly need, and increase your savings whenever possible, you can take heart knowing that you're doing your best to prepare for whatever the future may bring.

Regularly review your assumptions

Whether you use a simple online calculator or run a detailed analysis, your retirement savings goal is based on certain assumptions that will, in all likelihood, change. Inflation, rates of return, life expectancies, salary adjustments, retirement expenses, Social Security benefits — all of these factors are estimates.

That's why it's important to review your retirement savings goal and its underlying assumptions regularly — at least once per year and when life events occur. This will help ensure that your goal continues to reflect your changing life circumstances as well as market and economic conditions.

Break down your goal

Instead of viewing your goal as ONE BIG NUMBER, try to break it down into an anticipated monthly income need. That way you can view this monthly need alongside your estimated monthly Social Security benefit, income from your retirement savings, and any pension or other income you expect.

This can help the planning process seem less daunting, more realistic, and most important, more manageable. It can be far less overwhelming to brainstorm ways to close a

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Key Retirement and Tax Numbers for 2020



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2020.

Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$19,500 in compensation in 2020 (up from \$19,000 in 2019); employees age 50 and older can defer up to an additional \$6,500 in 2020 (up from \$6,000 in 2019).
- Employees participating in a SIMPLE retirement plan can defer up to \$13,500 in 2020 (up from \$13,000 in 2019), and employees age 50 and older can defer up to an additional \$3,000 in 2020 (the same as in 2019).

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is \$6,000 in 2020 (the same as in 2019), with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA phases out for the following modified adjusted gross income (MAGI) ranges:

	2019	2020
Single/head of household (HOH)	\$64,000 - \$74,000	\$65,000 - \$75,000
Married filing jointly (MFJ)	\$103,000 - \$123,000	\$104,000 - \$124,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2020 phaseout range is \$196,000 - \$206,000 (up from \$193,000 - \$203,000 in 2019) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified adjusted gross income phaseout ranges for individuals to make contributions to a Roth IRA are:

	2019	2020
Single/HOH	\$122,000 - \$137,000	\$124,000 - \$139,000
MFJ	\$193,000 - \$203,000	\$196,000 - \$206,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion for 2020 is \$15,000, the same as in 2019.
- The gift and estate tax basic exclusion amount for 2020 is \$11,580,000, up from \$11,400,000 in 2019.

Standard deduction

	2019	2020
Single	\$12,200	\$12,400
HOH	\$18,350	\$18,650
MFJ	\$24,400	\$24,800
MFS	\$12,200	\$12,400

Note: The additional standard deduction amount for the blind or aged (age 65 or older) in 2020 is \$1,650 (the same as in 2019) for single/HOH or \$1,300 (the same as in 2019) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

Alternative minimum tax (AMT)

	2019	2020
Maximum AMT exemption amount		
Single/HOH	\$71,700	\$72,900
MFJ	\$111,700	\$113,400
MFS	\$55,850	\$56,700
Exemption phaseout threshold		
Single/HOH	\$510,300	\$518,400
MFJ	\$1,020,600	\$1,036,800
MFS	\$510,300	\$518,400
26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount		
MFS	\$97,400	\$98,950
All others	\$194,800	\$197,900
*Alternative minimum taxable income		



Hindsight Is 2020: What Will You Do Differently This Year?



Live within your means
It's easy to want what your friends, colleagues, or neighbors have — and spend money to get those things. That's a mistake. Live within your means, not someone else's.

According to a recent survey, 76% of Americans reported having at least one financial regret. Over half of this group said it had to do with savings: 27% didn't start saving for retirement soon enough, 19% didn't contribute enough to an emergency fund, and 10% wish they had saved more for college.¹

The saving conundrum

What's preventing Americans from saving more? It's a confluence of factors: stagnant wages over many years; the high cost of housing and college; meeting everyday expenses for food, utilities, and child care; and squeezing in unpredictable expenses for things like health care, car maintenance, and home repairs. When expenses are too high, people can't save, and they often must borrow to buy what they need or want, which can lead to a never-ending cycle of debt.

People make financial decisions all the time, and sometimes these decisions don't pan out as intended. Hindsight is 20/20, of course. Looking back, would you change anything?

Paying too much for housing

Are housing costs straining your budget? A standard lender guideline is to allocate no more than 28% of your income toward housing expenses, including your monthly mortgage payment, real estate taxes, homeowners insurance, and association dues (the "front-end" ratio), and no more than 36% of your income to cover *all* your monthly debt obligations, including housing expenses plus credit card bills, student loans, car loans, child support, and any other debt that shows on your credit report and requires monthly payments (the "back-end" ratio).

But just because a lender determines how much you can afford to borrow doesn't mean you should. Why not set your ratios lower? Many things can throw off your ability to pay your monthly mortgage bill down the road — a job loss, one spouse giving up a job to take care of children, an unexpected medical expense, tuition bills for you or your child.

Potential solutions: To lower your housing costs, consider downsizing to a smaller home (or apartment) in the same area, researching and moving to a less expensive town or state, or renting out a portion of your current home. In addition, watch interest rates and refinance when the numbers make sense.

Paying too much for college

Outstanding student debt levels in the United States are off the charts, and it's not just students who are borrowing. Approximately 15

million student loan borrowers are age 40 and older, and this demographic accounts for almost 40% of all student loan debt.²

Potential solutions: If you have a child in college now, ask the financial aid office about the availability of college-sponsored scholarships for current students, or consider having your child transfer to a less expensive school. If you have a child who is about to go to college, run the net price calculator that's available on every college's website to get an estimate of what your out-of-pocket costs will be at that school. Look at state universities or community colleges, which tend to be the most affordable. For any school, understand *exactly* how much you and/or your child will need to borrow — and what the monthly loan payment will be after graduation — before signing any loan documents.

Paying too much for your car

Automobile prices have grown rapidly in the last decade, and most drivers borrow to pay for their cars, with seven-year loans becoming more common.³ As a result, a growing number of buyers won't pay off their auto loans before they trade in their cars for a new one, creating a cycle of debt.

Potential solutions: Consider buying a used car instead of a new one, be proactive with maintenance and tuneups, and try to use public transportation when possible to prolong the life of your car. As with your home, watch interest rates and refinance when the numbers make sense.

Keeping up with the Joneses

It's easy to want what your friends, colleagues, or neighbors have — nice cars, trips, home amenities, memberships — and spend money (and possibly go into debt) to get them. That's a mistake. Live within *your* means, not someone else's.

Potential solutions: Aim to save at least 10% of your current income for retirement and try to set aside a few thousand dollars for an emergency fund (three to six months' worth of monthly expenses is a common guideline). If you can't do that, cut back on discretionary items, look for ways to lower your fixed costs, or explore ways to increase your current income.

¹ Bankrate's Financial Security Index, May 2019

² Federal Reserve Bank of New York, Student Loan Data and Demographics, September 2018

³ *The Wall Street Journal*, The Seven-Year Auto Loan: America's Middle Class Can't Afford Their Cars, October 1, 2019

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Could you survive a no-spend month?

Would you take on a 30-day challenge to spend money only on necessities such as rent, utilities, and groceries? During a no-spend month, many common activities — including dining out, buying movie or concert tickets, and shopping for clothes — are avoided at all costs.

The idea behind a 30-day challenge is that the time period is just long enough to help change bad habits without seeming intolerable. If frugality isn't normally your forte, closely scrutinizing your spending could reap hundreds of dollars in savings. More important, it could help identify ways you might be wasting money on a regular basis.

Start by setting a positive goal for the money. Will you use the extra savings to pay down credit card debt or build up your emergency fund?

Here are some other ways to prepare for a successful challenge.

Time it right. Periods that include major holidays, planned vacations from work, and family birthdays are probably not the best for taking on this type of household experiment.

On the other hand, it could be ideal to begin the new year with a "fiscal fast."

Establish rules. Take your fixed expenses (i.e., rent/mortgage, utilities, phone bill, insurance payments) into account when planning your no-spend month. Evaluate your typical monthly discretionary spending to figure out where you can reduce or eliminate your spending for the month.

Plan to break patterns. Fill up your freezer and pantry with groceries and collect ideas for easy homemade meals. Steer clear of your personal spending triggers, which could mean staying off the Internet or waiting until later to meet up with friends who are big spenders.

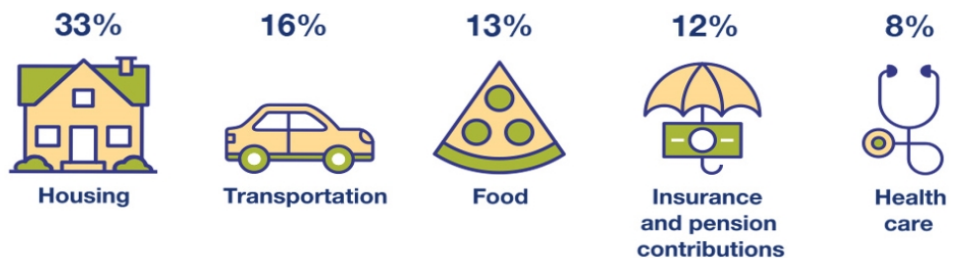
Seek out free and fun entertainment. You don't have to stay home for an entire month. Spend the day visiting a public park or beach, or look for free concerts, outdoor movies, art festivals, workshops, and other special events hosted by community groups.

Stay focused. When you get tempted to spend, remember your goal for the money you've saved. Keep a record of your progress to have a tangible reminder that your efforts will pay off.

How Consumers Spend Their Money

Each year, the Bureau of Labor Statistics reports on consumer spending patterns. According to the 2019 report, consumers spent an average of \$61,224 in 2018.*

Share of total spending for the top five categories



*Average annual expenditures per consumer unit. Consumer units include families, single persons living alone or sharing a household with others but who are financially independent, and two or more persons living together who share major expenses.

U.S. Bureau of Labor Statistics, Consumer Expenditures 2018, released September 2019