

Beyond the Basics

Customized Wealth Strategies



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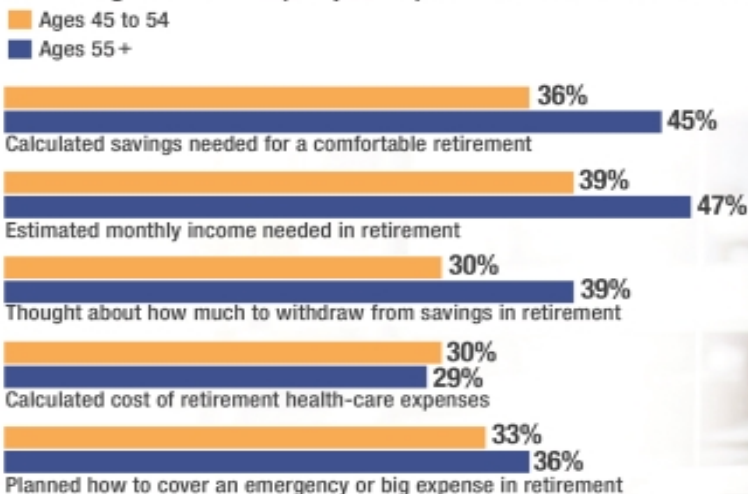
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How Much Have You Thought About Retirement?

It's difficult to achieve positive results without planning, yet less than half of workers ages 55 and older have actively planned for retirement. Planning is even less common for those ages 45 to 54.

Percentage of workers (or spouses) who have done the following, by age group



Source: Employee Benefit Research Institute, 2019

Managing Your Workplace Retirement Plans

About 80 million Americans actively participate in employer-sponsored defined contribution plans such as 401(k), 403(b), and 457(b) plans.¹ If you are among this group, you've taken a big step on the road to retirement, but as with any investment, it's important that you understand your plan and what it can do for you. Here are a few ways to make the most of this workplace benefit.

Take the free money. Many companies match a percentage of employee contributions, so at a minimum you may want to save enough to receive a full company match and any available profit sharing. Some workplace plans have a vesting policy, requiring that workers be employed by the company for a certain period of time before they can keep the matching funds. Even if you meet the basic vesting period, funds contributed by your employer during a given year might not be vested unless you work until the end of that year. Be sure you understand these rules if you decide to leave your current employer.

Reasons to Contribute

Percentage of households with assets in defined contribution plans who agreed with the following statements



Payroll deduction makes it easier for me to save

92%



My employer-sponsored retirement plan helps me think about the long term, not just my current needs

91%



My employer-sponsored retirement plan offers me a good lineup of investment options

83%



The tax treatment of my retirement plan is a big incentive to contribute

82%

Source: Investment Company Institute, 2018

Bump up your contributions. Saving at least 10% to 15% of your salary for retirement (including any matching funds) is a typical guideline, but your personal target could be more or less depending on your income and expenses. A traditional employer-sponsored plan lets you defer income taxes

on the money you save for retirement, which could enable you to save more. In 2020, the maximum employee contribution to a 401(k), 403(b), or 457(b) plan is \$19,500 (\$26,000 for those age 50 and older).² Some plans offer an automatic escalation feature that increases contributions by 1% each year, up to a certain percentage.

Rebalance periodically. Your asset allocation — the percentage of your portfolio dedicated to certain types of investments — should generally be based on your risk tolerance and your planned retirement timeline. But the allocation of your investments can drift over time due to market performance. Rebalancing (selling some investments to buy others) returns a portfolio to its original risk profile and does not incur a tax liability when done inside a retirement plan. Consider reviewing your portfolio at least annually. Some workplace plans offer automatic rebalancing.

Know your investments. Examine your investment options and choose according to your personal situation and preferences; some employer-sponsored plans may automatically set up new employees in default investments. Many plans have a limited number of options that may not suit all of your needs and objectives, so you might want to invest additional funds outside of your workplace plan. If you do, consider the risk and overall balance of your portfolio, including investments inside and outside your plan.

Keep your portfolio working. Some employer plans allow you to borrow from your account. It is generally not wise to use this option, but if you must do so, try to pay back your loan as soon as possible in order to give your investments the potential to grow. Plans typically have a five-year maximum repayment period.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. Distributions from employer-sponsored retirement plans are generally taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

1) American Benefits Council, 2019

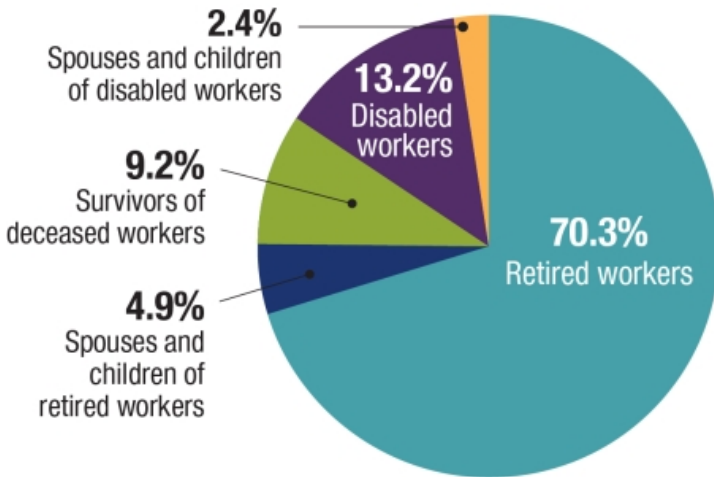
2) Employer contributions are not included in these annual employee limits for 401(k) and 403(b) plans. Employers typically do not contribute to 457(b) plans, but any such contributions will count toward the employee limit. There may be additional catch-up contribution opportunities for 403(b) and 457(b) plans.

Social Security May Offer a Lifetime of Protection

Social Security is much more than a retirement program. Most Americans are protected by the Old-Age, Survivors, and Disability Insurance (OASDI) program — the official name of Social Security — from birth through old age. Here are four times in your life when Social Security might matter to you or the people you care about.

A Wide Safety Net

Current Social Security beneficiaries



Source: Social Security Administration, 2019

When You Start Your Career

Your first experience with Social Security might be noticing that your paycheck is smaller than you expected due to FICA (Federal Insurance Contributions Act) taxes. Most jobs are covered by Social Security, and your employer is required to withhold payroll taxes to help fund Social Security and Medicare.

Although no one likes to pay taxes, when you work and pay FICA taxes, you earn Social Security credits, which enable you (and your eligible family members) to qualify for Social Security retirement, disability, and survivor benefits. Most people need 40 credits (10 years of work) to be eligible for Social Security retirement benefits, but fewer credits may be needed to receive disability benefits or for family members to receive survivor benefits.

If You Become Disabled

Disability can strike anyone at any time. Research shows that one in four of today's 20-year-olds will become disabled before reaching full retirement age.¹

Social Security disability benefits can replace part of your income if you have a severe physical or mental

impairment that prevents you from working. Your disability generally must be expected to last at least a year or result in death.

When You Marry...or Divorce

Married couples may be eligible for Social Security benefits based on their own earnings or on a spouse's earnings.

When you receive or are eligible for retirement or disability benefits, your spouse who is age 62 or older may also be able to receive benefits based on your earnings if you've been married at least a year. A younger spouse may be able to receive benefits if he or she is caring for a child under age 16 or disabled before age 22 who is receiving benefits based on your earnings.

If you were to die, your spouse may be eligible for survivor benefits based on your earnings. Regardless of age, your spouse who has not remarried may receive benefits if caring for your child who is under age 16 or disabled before age 22 and entitled to receive benefits based on your earnings. At age 60 or older (50 or older if disabled), your spouse may be able to receive a survivor benefit even if not caring for a child.

If you divorce and your marriage lasted at least 10 years, your former unmarried spouse may be entitled to retirement, disability, or survivor benefits based on your earnings.

When You Welcome a Child

Your child may be eligible for Social Security if you are receiving retirement or disability benefits, and may receive survivor benefits in the event of your death. In fact, according to the Social Security Administration, 98% of children could get benefits if a working parent dies.² Your child must be unmarried and under age 18 (19 if a full-time student) or age 18 or older with a disability that began before age 22.

In certain cases, grandchildren and stepchildren may also be eligible for benefits based on your earnings.

Know the Rules

To receive any type of Social Security benefit, you must meet specific eligibility requirements, only some of which are covered here. For more information, visit ssa.gov.

1-2) Social Security Administration, 2019

How Long Should You Keep Financial Records?

Once tax season is over, you may want to file your most recent records and discard older records to make room for the new ones. According to the IRS, personal tax records should be kept for three years after filing your return or two years after the taxes were paid, whichever is later.* (Different rules apply to business taxes.) It might be helpful to keep your actual tax returns, W-2 forms, and other income statements until you begin receiving Social Security benefits.

The rules for tax records apply to other records you use for deductions on your return, such as credit card statements, utility bills, auto mileage records, and medical bills. Here are some other guidelines if you don't use these records for tax purposes.

Financial statements. You generally have 60 days to dispute charges with banks and credit card companies, so you could discard statements after two months. Once you receive your annual statement, throw out prior monthly statements.

Retirement plan statements. Keep quarterly statements until you receive your annual statement; keep annual statements until you close the account. Keep records of nondeductible IRA contributions indefinitely to prove you paid taxes on the funds.

Real estate and investment records. Keep these at least until you sell the asset. If the sale is reported on your tax return, follow the rules for tax records.

Loan documents. Keep documents and proof of payment until the loan is paid off. After that, keep proof of final payment.

Auto records. Keep registration and title information until the car is sold. You might keep maintenance records for reference and to document services to a new buyer.

Medical records. Keep records indefinitely for surgeries, major illnesses, lab tests, and vaccinations. Keep payment records until you have proof of a zero balance.

Other documents you should keep indefinitely include birth, marriage, and death certificates; divorce decrees; citizenship and military discharge papers; and Social Security cards. Use a shredder if you discard records containing confidential information such as Social Security numbers and financial account numbers.

*Keep tax records for at least six years if you underreported gross income by more than 25% (not a wise decision) and for seven years if you claimed a deduction for worthless securities or bad debt.

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