Beyond the Basics

Customized Wealth Strategies

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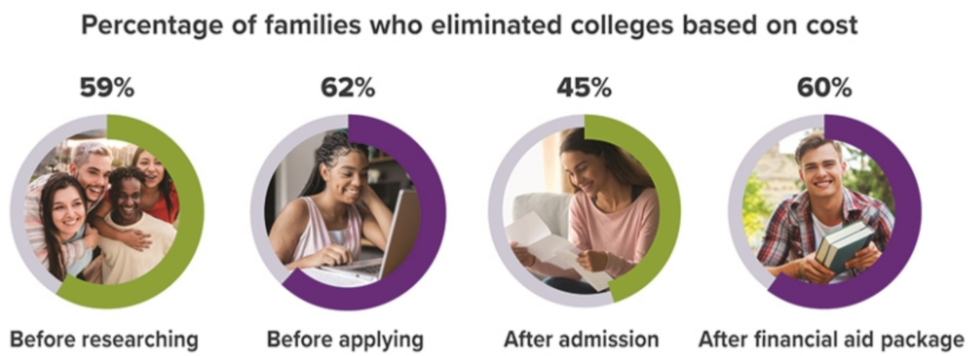
29%

Families who appealed to their college for more financial aid due to the pandemic. Of the families who appealed for more aid, 71% received additional aid, with 52% receiving a higher grant amount.

Source: *How America Pays for College,* 2021, Sallie Mae

Cost Is a Big Factor in College Decisions

For many high school seniors and their families, the period of time from receiving college acceptances to officially committing to a single school can be intense, as they analyze and weigh various factors to arrive at a final decision. In this analysis, cost is a significant factor. But cost often comes into play earlier too, influencing what colleges a student even researches or applies to. At every step of the college process, families crossed schools off their list based on cost.



Source: *How America Pays for College,* 2021, Sallie Mae

June 2022

Working While Receiving Social Security Benefits

The COVID-19 recession and the continuing pandemic pushed many older workers into retirement earlier than they had anticipated. A little more than 50% of Americans age 55 and older said they were retired in Q3 2021, up from about 48% two years earlier, before the pandemic.[1]

For people age 62 and older, retiring from the workforce often means claiming Social Security benefits. But what happens if you decide to go back to work? With the job market heating up, there are opportunities for people of all ages to return to the workforce. Or to look at it another way: What happens if you are working and want to claim Social Security benefits while staying on your job?

Retirement Earnings Test

Some people may think they can't work — or shouldn't work — while collecting Social Security benefits. But that's not the case. However, it's important to understand how the retirement earnings test (RET) could affect your benefits.

- The RET applies only if you are working and receiving Social Security benefits *before* reaching full retirement age (FRA). Any earnings after reaching full retirement age do not affect your Social Security benefit. Your FRA is based on your birth year: age 66 if born in 1943 to 1954; age 66 & 2 months to 66 & 10 months if born in 1955 to 1959; age 67 if born in 1960 or later.
- If you are under full retirement age for the entire year in which you work, $1 in benefits will be deducted for every $2 in gross wages or net self-employment income above the annual *exempt amount* ($19,560 in 2022). The RET does not apply to income from investments, pensions, or retirement accounts.
- A monthly limit applies during the year you file for benefits ($1,630 in 2022), unless you are self-employed and work more than 45 hours per month in your business (15 hours in a highly skilled business). For example, if you file for benefits starting in July, you could earn more than the annual limit from January to June and still receive full benefits if you do not earn more than the monthly limit from July through December.
- In the year you reach full retirement age, the reduction in benefits is $1 for every $3 earned above a higher annual exempt amount ($51,960 in 2022 or $4,330 per month if the monthly limit applies). Starting in the month you reach full retirement age, there is no limit on earnings or reduction in benefits.
- The Social Security Administration may withhold benefits as soon as it determines that your earnings are on track to surpass the exempt amount. The estimated amount will typically be deducted from your monthly benefit in full. *(See example.)*
- The RET also applies to spousal, dependent, and survivor benefits if the spouse, dependent, or survivor works before full retirement age. Regardless of a spouse's or dependent's age, the RET may reduce a spousal or dependent benefit that is based on the benefit of a worker who is subject to the RET.

Back to Work

In this hypothetical example, Fred claimed Social Security in 2021 at age 62, and he was entitled to a $1,500 monthly benefit as of January 2022. Fred returned to work in April 2022 and is on track to earn $31,560 for the year — $12,000 above the $19,560 RET exempt amount. Thus, $6,000 ($1 for every $2 above the exempt amount) in benefits will be deducted. Assuming that the Social Security Administration (SSA) became aware of Fred's expected earnings before he returned to work, benefits might be paid as illustrated below.

In practice, benefits may be withheld earlier in the year or retroactively, depending on when the SSA becomes aware of earnings.

The RET might seem like a stiff penalty, but the deducted benefits are not really lost. Your Social Security benefit amount is recalculated after you reach full retirement age. For example, if you claimed benefits at age 62 and forfeited the equivalent of 12 months' worth of benefits by the time you reached full retirement age, your benefit would be recalculated as if you had claimed it at age 63 instead of 62. You would receive this higher benefit for the rest of your life, so you could end up receiving substantially more than the amount that was withheld. There is no adjustment for lost spousal benefits or for lost survivor benefits that are based on having a dependent child.

If you regret taking your Social Security benefit before reaching full retirement age, you can apply to withdraw benefits within 12 months of the original claim. You must repay all benefits received on your claim, including any spousal or dependent benefits. This option is available only once in your lifetime.

1) Pew Research Center, November 4, 2021

A Wealth of Information: How to Read a Mutual Fund Prospectus

With more than 7,400 mutual funds to consider in the United States alone, some investors may feel overwhelmed by the thought of deciding which ones to select for their portfolios. At the same time, most mutual fund-owning households base their purchase decisions on these measures: historical performance (94%), investment objectives and risk potential (91%), and fees and expenses (90%).[1]

Fortunately, reading a mutual fund prospectus is a key way to learn important details about your investment options while learning more about how they may help you pursue your financial goals.

What's in a Prospectus

A prospectus is a document containing specific details about the fund's unique characteristics, designed to help investors better understand their options and make well-informed decisions. The Securities and Exchange Commission requires investment companies to provide prospective investors with a free, up-to-date prospectus for each fund they offer. Although the exact content of each prospectus varies from fund to fund, all prospectuses must include the same general information. (A shorter version, called a summary prospectus, contains much of the same information discussed here in an abbreviated format.)

Here's an overview of what you'll find in a fund prospectus — and why you should care.

Types of Mutual Fund Risk

Business or issuer risk: The risk that a company in which a fund invests will go out of business or suffer another significant financial setback.

Concentration risk: The risk that a fund's holdings may not be well diversified.

Credit risk: The risk that a debt investment's issuer will not be able to make interest payments or repay the principal.

Inflation risk: The risk that the value of investments will not increase in step with rising prices.

Interest-rate risk: The risk that a fund's holdings will lose value if interest rates rise.

Market risk: The risk of loss arising from overall price declines in the broader market.

Investment Objective, Strategies, and Risks

A fund's investment objective describes the financial goal it targets on behalf of shareholders. For example, the objective could be capital appreciation (i.e., providing asset growth), income (providing interest or dividend payments), or a combination of the two.

The section of a prospectus highlighting a fund's investment strategies, on the other hand, explains how the fund will invest its holdings to attempt to pursue its objectives. It typically identifies the geographic regions, industries, and types of securities the fund focuses on. It also lets you know whether the fund is actively managed or passively tracks the performance of a market index.

In addition, a prospectus lists the types of risk a particular fund or group of funds may entail, such as market risk, credit risk, inflation risk, and business or issuer risk. (See table for definitions.) This information clarifies exactly what types of risk you may encounter by adding a fund to your portfolio. All investments are subject to market fluctuations, risk, and loss of principal. Investments, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk.

Fees, Performance, and Management

The fees you pay to invest in mutual funds, such as sales charges and operating expenses, can have a direct impact on your net investment returns. To offer insight into how they may influence your portfolio's bottom-line performance, a fund's prospectus specifies the types and amount of fees the fund charges. Each prospectus must include a table illustrating the effect of those fees on a hypothetical investment over different time periods. You can also find details about a fund's management team, rules for buying and selling shares, dividend payment policies, and other helpful information.

A prospectus is required to disclose the fund's performance during the past 10 years (or since inception) and to compare its performance with that of a relevant market index. Keep in mind, however, that the performance of an index is not indicative of the performance of any particular investment, individuals cannot invest directly in an index, and past performance is not a guarantee of future results.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional.

1) Investment Company Institute, 2021-2022

Naming a Trusted Contact

When you open an account or update an existing account at a brokerage or a financial firm, you may be asked you if you want to designate a "trusted contact." This individual may be contacted in certain situations such as when financial exploitation is suspected or there are other concerns about your health, welfare, or whereabouts. Naming a trusted contact is optional, but may help protect your account assets.

The person you name as a trusted contact must be at least 18 years old. You'll want to choose someone who can handle the responsibility and who will always act in your best interest — this might be a family member, close friend, attorney, or third-party professional. You may also name more than one trusted contact.

Understandably, you might be concerned that the person you name could make transactions in your account but that's not the case. Your trusted contact will not be able to access your account or make financial decisions on your behalf (unless you previously authorized that person to do so). You are simply giving the financial firm permission to contact the person you have named.

To help protect investors against financial fraud or exploitation, The Financial Industry Regulatory Authority (FINRA) requires that investment firms make a reasonable effort to obtain trusted contact information.

Here are some examples of times when a financial firm might need to reach out to your trusted contact.

- To confirm current contact information when you can't be reached
- If financial exploitation or fraud is suspected
- To validate your health status if the firm suspects you're sick or showing signs of cognitive decline
- To identify any legal guardian, executor, trustee, or holder of a power of attorney on your account

A firm may only share reasonable types of information with your trusted contact. U.S. broker-dealers are required to provide a written disclosure that includes details about when information might be shared. Ask your financial firm or professional if you have any questions about the trusted contact agreement.

You may add, remove, or change your trusted contact at any time, and you'll need to keep your contact's information up-to-date. It's also a good idea to let the person you've chosen know so that he or she is prepared to help if necessary.