Life Income Management™

Creating income for life.

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FINANCIAL OUTLOOK

MARCH 2024

YOUR 401(K) PLAN WHEN CHANGING JOBS

If you are considering changing jobs, make sure you fully understand the impact it may have on your retirement plan. If you are not aware of your employer's retirement plan rules, you could lose thousands of dollars in matching funds, taxes, and potentially a large penalty.

Here is what you need to know about your 401(k) plan if you are thinking of changing jobs.

YOUR VESTING SCHEDULE AND STATUS

Assuming your company offers an employer match to your 401(k) as part of your employee benefits, it can significantly increase the size of your retirement account. The money you contribute to the account is always yours, even if you leave the company. The money your employer contributes to the account, however, will have a vesting schedule that defines when those contributions legally become yours.

Companies can have an immediate vesting schedule, a cliff schedule, or a gradual vesting schedule. Make sure you understand your company's vesting schedule. Sometimes, staying an extra month or a year can make a big difference in what you get to take with you when you leave the company. If you leave the company before you are completely vested, you are aware you will lose a portion of the matching funds, but the timing could make a big difference.

YOUR RETIREMENT ACCOUNT OPTIONS

Once you have decided to change jobs, you will need to decide what to do with your 401(k). Understanding your options is critical because you don't want to make the costly mistake of losing a portion of your retirement savings. When you leave your employer, you have four options for your 401(k), which are

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HOW TO TALK FINANCES WITH YOUR PARENTS

There comes a time when even the most independent of parents will need to start relying on their children, especially when it comes to money. Here are a few signs that you may need to get involved in your parents' financial dealings, even if it's uncomfortable to do so:

❍ If they can no longer handle day-to-day details of balancing their budget or paying bills.
❍ If they have begun making very large purchases or withdrawing large sums of cash.
❍ If they express grandiose thoughts of spending money.
❍ If they are reluctant to spend money, even to meet their bare necessities.
❍ If they begin writing more checks than usual.
❍ If they begin to open and close multiple accounts.
❍ If they stop meeting long-term obligations or neglect bill payment.

If your parents are exhibiting more than one of these behaviors, it is important for their financial security for you to step in.

HOW TO APPROACH YOUR PARENTS

Control is a big deal — no one likes to give it up, especially those who have been taking care of themselves for decades. One strategy to avoid this is by appealing to their desire to help and protect you. You can ask them for tips and guidance on your own financial planning, opening a discussion about how they have set things up in their own lives.

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Your 401(k) Plan

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cashing it out, leaving the money in the plan, rolling the money over to your new employer's qualified retirement plan, or rolling it over to an IRA.

Cashing Out Your 401(k)

If you plan on rolling over the funds into another retirement account, but you have the money directly paid to you, you have 60 days to put the money into a qualified retirement account or you will have to pay income taxes and a penalty. If you intend on putting the money into a retirement account, it is better to set up a direct rollover to the new plan administrator to avoid this.

If your intention is to cash out the account and keep the money, it is important to understand the financial impact. For example, let's say you have $50,000 in your 401(k) account. The plan administrator is required by law to take out 20% for taxes; now your account is valued at $40,000. If you are under the age of 59½, you'll also have to pay a 10% penalty on the original amount in the account, which is another $5,000. Now you have $35,000.

It doesn't end there. The $50,000 distribution will most likely put you in a higher tax bracket than the 20% that your administrator withheld. Let's say you are in a 31% tax bracket; you will have to come up with the difference, which is an additional 11% or $5,500. Your original $50,000 in retirement savings is now down to $29,500. Now you have to deduct any state and local taxes, which could take another $5,000 or so depending on where you live. You could be giving up almost half of your retirement savings in income taxes and penalties.

Leave the Money in the Plan

If you have at least $5,000 in your 401(k) plan, most employers will allow you to leave the funds in their plan. This can be a good option if your new employer doesn't offer a 401(k) plan.

Rollover to the New Employer's Plan

Most employers will allow rollovers from other qualified retirement plans. You will want to understand when you will be eligible to participate in your new employer's plan, because there is typically a waiting period for participation. You should consider leaving the money in your old employer's plan until you are eligible to participate in the new plan.

To ensure you will not have to pay any taxes or a penalty, the rollover should be a trustee-to-trustee transfer, so make sure the rollover check is made out to the new plan administrator and not to you. If it is not a direct rollover, you could be in jeopardy of having to pay the taxes as well as the penalty.

Rollover the 401(k) to an IRA

If you can't or don't want to leave your retirement funds in your old employer's plan or if your new employer doesn't offer a retirement plan, you can open a rollover individual retirement account (IRA) at most financial institutions.

Rolling your 401(k) into an IRA is a great option because you will have more investment options. Most employer retirement plans offer limited investment options to keep down costs; however, they often have higher administrative fees that impact the value of your account.

Please call if you'd like to discuss this in more detail. ❍❍❍

Encourage the Importance of Saving

Though it's typical for parents to underscore the value of a college education from the time their children are in grade school, what's more commonly overlooked are the benefits of encouraging them to save for their education from a young age. Contributing a small percentage of their allowance, cash gifts, and job income can have a huge impact on their outlook toward both college and their future.

While it's one thing to stress to your children the innumerable advantages of attending college, requiring them to set aside a portion of their childhood earnings can instill the value of college because of the small, yet personal investment you're asking them to make. Not only does it teach them the commitment and patience required to save toward a long-term goal, but it also encourages them to take ownership of their own education. Moreover, as they grow, so does the sum of their contributions, affording them with a sense of pride in knowing they've subsidized a part of their college education.

Before you begin putting away a portion of their allowance or cash gifts, sit down with your child and explain the reasoning behind your decision, so they fully understand why you're setting aside some of their money for the future. You might even consider showing them the growing balance of their savings from time to time and even explaining what these figures mean in terms of tuition and other expenses. Stay committed and you'll likely raise a more responsible and devoted student. ❍❍❍

How to Talk

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Sometimes the best route to take is involving a third party. Using a financial planner, tax advisor, or elder law attorney can remove their feelings of damaged pride or worries that you might think less of them. It will probably also help that your parents don't have memories of that outside professional making the kind of money mistakes you may have made in your youth.

Organizing Your Parents' Finances

When the time comes to get everything in order for them, you will need a lot of paperwork. This includes:

- **Sources of retirement income.** If they don't have the records readily available, you may need to check the mail or their online bank accounts to determine what income they have coming in through investments, retirement plans, social security, etc.
- **Residential preference.** Your parents may want to live in the family house forever, but it is unlikely they will be able to remain independent indefinitely. If one or both of them becomes ill, they may need 24-hour care that you will not be able to provide. This means you will need to know what they can afford and where they would prefer to stay.
- **Last will and testament.** Make sure your parents have an updated will so their surviving loved ones do not end up in a legal battle upon their passing. The best way to make sure their wishes are followed is to have them record it in their will, not rely on spoken agreements.
- **Durable power of attorney.** The legal authorization to take over your parents' finances and make decisions on their behalf is an important matter to have settled. You will also need to determine who will have durable power of attorney for healthcare to make healthcare-related decisions for them.
- **Living will.** This is similar to a durable power of attorney for healthcare, but is also a reflection of the direct wishes of the incapacitated person, such as if they would prefer to not be resuscitated or what life-saving measures they want.
- **Funeral arrangements.** Your parents may have already sorted out some of these issues, such as where they would prefer to be buried or have their ashes spread, but seniors often forget to tell their children about this. It may seem morbid, but it is important to know their wishes beforehand.
- **Update beneficiary forms.** Your parents will need up-to-date beneficiaries for everything from insurance policies to insurance payouts.
- **Plan for estate taxes.** The larger the estate, the more prudent it may be to seek advice from an estate attorney or financial advisor. ❍❍❍

Give Yourself a Money Makeover

A new haircut or wardrobe overhaul can work wonders in terms of giving someone a fresh outlook on life and a self-esteem boost. The same can be said for a money makeover.

Step 1: Identify your flaws. Any makeover begins with identifying the things that you want to change. Sit down, make an honest assessment of your current financial state, and then list a few things that you wish were different.

Be honest at this stage. You need to face up to things you want to change. At the same time, if your list is a mile long, don't beat yourself up over it.

Step 2: Decide what you want to change. If you're like most people, your list of potential financial fixes is a bit overwhelming. Since you won't be able to tackle everything at once, you need to prioritize.

Look at your list and highlight a few items that you think would make the biggest difference in your life and that you can actually do something about. Say you want to buy a house so you can stop renting, but reckless spending has left you with poor credit. Rather than focusing on changing your living situation, you might be better off by focusing on improving your credit score, so that one day you can buy that dream house.

Step 3: Take action. The next step is to actually implement your makeover. Take the steps you need to make the necessary changes in your life.

For example, if you're looking to improve your credit score, you might make a list of specific things you need to do to make that happen, with deadlines for each one. If it's your spending that's the problem, you might start by simply tracking how and when you spend for a week or two. Once you know where you money is going, you can make an effort to stop or reduce some spending.

Step 4: Get help if needed. You don't necessarily need fancy tools to give yourself a financial makeover. But it often helps when someone has your back. If you're worried about your ability to turn your makeover dreams into reality, you may want to seek the help of an expert on issues related to taxes, retirement, college planning, debt repayment, and more. They'll also be a coach who can help you stay on track.

As you take steps to change your financial life, be sure to stop and celebrate your successes. Give yourself a pat on the back — and perhaps a small reward — when you achieve a goal. ❍❍❍

FINANCIAL DATA

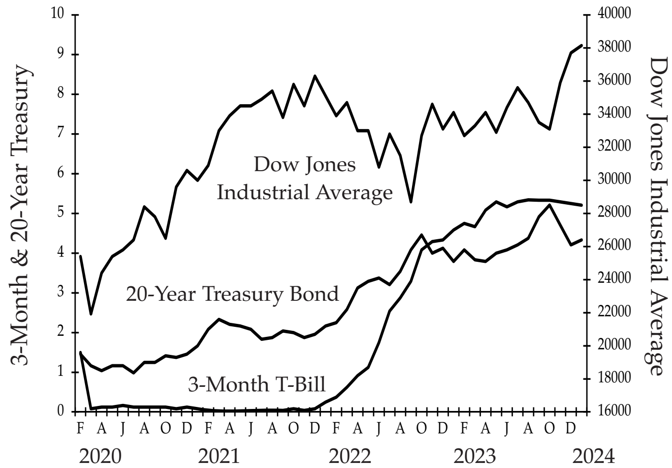
	Month-end				
Indicator	**Nov-23**	**Dec-23**	**Jan-24**	**Dec-23**	**Jan-23**
Prime rate	8.50	8.50	8.50	8.50	7.50
Money market rate	0.47	0.48	0.50	0.48	0.35
3-month T-bill yield	5.28	5.26	5.21	5.26	4.60
10-year T-bond yield	4.37	3.88	3.99	3.88	3.52
20-year T-bond yield	4.72	4.20	4.34	4.20	3.78
Dow Jones Corp.	5.83	5.17	5.31	5.17	5.09
30-year fixed mortgage	7.75	7.09	7.14	7.09	6.51
GDP (adj. annual rate)#	+2.10	+4.90	+3.30	+3.30	+2.60

	Month-end			% Change	
Indicator	**Nov-23**	**Dec-23**	**Jan-24**	**YTD**	**12-Mon.**
Dow Jones Industrials	35950.89	37689.54	38150.30	1.2%	11.9%
Standard & Poor's 500	4567.80	4769.83	4845.65	1.6%	18.9%
Nasdaq Composite	14226.22	15011.35	15164.01	1.0%	30.9%
Gold	2035.45	2068.67	2053.25	-0.7%	6.7%
Consumer price index@	307.67	307.05	306.75	-0.1%	3.4%
Unemployment rate@	3.80	3.70	3.70	0.0%	5.7%

— 2nd, 3rd, 4th quarter @ — Oct, Nov, Dec Sources: *Barron's, Wall Street Journal*

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD

FEBRUARY 2020 TO JANUARY 2024



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

MARKETING TIMING VS. BUY AND HOLD

Market timing involves making market buy and sell decisions based on your prediction of the future performance of the market. A buy-and-hold investment strategy, in contrast, involves buying in to the market on a regular basis and holding your investments over time.

WHY MARKET TIMING IS DIFFICULT

The fact is that the market is an incredibly complex system. Economists suggest that stock price changes exhibit what they call random walk behavior, meaning future performance cannot be predicted based on past performance.

Market timers retort they have built complex models that analyze all factors affecting a stock's price. Sometimes, these models do accurately predict the movement of a stock price, but too often, unforeseen factors can quickly send a stock's price up or down. Also, market timing is a more time-intensive strategy. You need to monitor your investments closely to stay on top of all the factors that can affect them.

BUY AND HOLD

For the average investor, a buy-and-hold strategy is much more practical. While buy-and-hold investors will suffer in market downturns, by staying invested in the market your investments will recover when the market recovers. Although there is no guarantee that will happen, historically, the general direction of the market has been upward. The benefits of a buy-and-hold strategy over a market timing strategy include:

- ❍ It doesn't require constant monitoring of the market or the news.
- ❍ It's less complex. You'll typically make far fewer trades with a buy-and-hold strategy.
- ❍ There are fewer tax consequences. Since you have fewer trades, you'll have fewer taxable transactions. ❍❍❍

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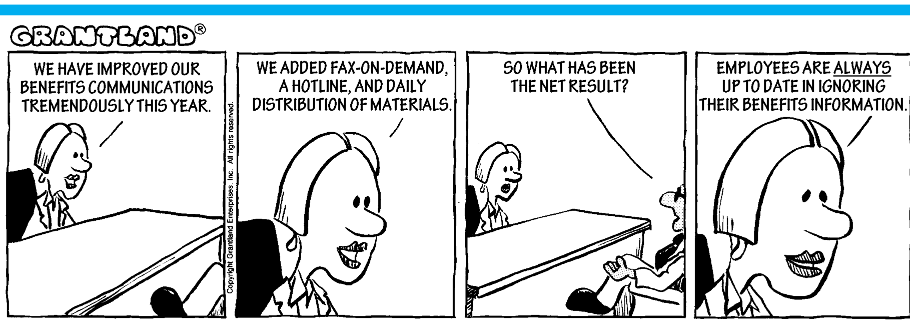

Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices do not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.
The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The components, which change from time to time, represent between 15% and 20% of the market value of NYSE stocks.
The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.
The Nasdaq Composite Index is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.
The Consumer Price Index (CPI) is a measure of inflation compiled by the US Bureau of Labor Studies