RETIREMENT RISK ADVISORS

Make Your Move Count

JANUARY 2023

Your #1 Source for Retirement Education

Tips and Tricks to Make 2023 Your Best Retirement Planning Year Yet

The foundation and landscape for your retirement is changing drastically as you jumpstart this new year. Knowing and understanding these changes can help make your retirement planning and retirement easier this 2023 year.

2022 Recap, 2023 Snapshot

2022 Recap:

Inflation took an all-time high record in 2022, leaving retirement accounts more quickly diminished than years before. Retirees were left with higher monthly expenses for food, gas, and other daily living costs. And to top it off, the market entered a bear market, impacting the savings and investments of many retirees and pre-retirees.

2023 Snapshot:

In between all the winter holidays, Congress passed a federal spending bill that brings about many retirement reforms. Starting this January, required minimum distributions (RMDs) from tax-advantaged retirement accounts will see an increase in the mandatory age for these distributions to begin. Now for 2023, instead of 72 RMDs need to begin at 73. And are to be bumped to 75 come 2033.

Small business owners will see a small tax credit of $500 if they meet a few requirements:

1. Allow military spouse employees to enroll in the employer's retirement plan within two months of beginning job
2. Permit worker-employer matches before 2-years of service
3. Make these workers fully vested right off the bat in employer contributions

Medicare also has some changes this new year. Premiums and deductibles for Medicare Part B went down for the first time in almost a decade. This 3% decrease of the Part B premium brings the new premium to $164.90 instead of 2022's $170.10. The deductible decreased from $233 to $226. Another amazing change seen this year for Medicare Part D beneficiaries is a cap on copays for insulin. Thanks to the Inflation Reduction Act, 3.3 million Part D policy holders with diabetes will benefit and only pay $35 for monthly supplies.

More preventive vaccines will be covered under Part D as well this 2023 year—pricey vaccines such as the one for shingles will come at no cost, no copay, and no deductible for Part D beneficiaries.
The Inflation Reduction Act produced other significant Medicare changes. Prescription drug price negotiations are allowed now with Medicare and will slowly roll out over the years to come. Beneficiaries will see lower prices and less out-of-pocket expenses when it comes to their prescriptions.

As the foundation for many Americans retirements, the Social Security program has a grand 8.7% increase for their cost-of-living adjustment. On average, retirees receiving these benefits will see approximately $140 extra per month.

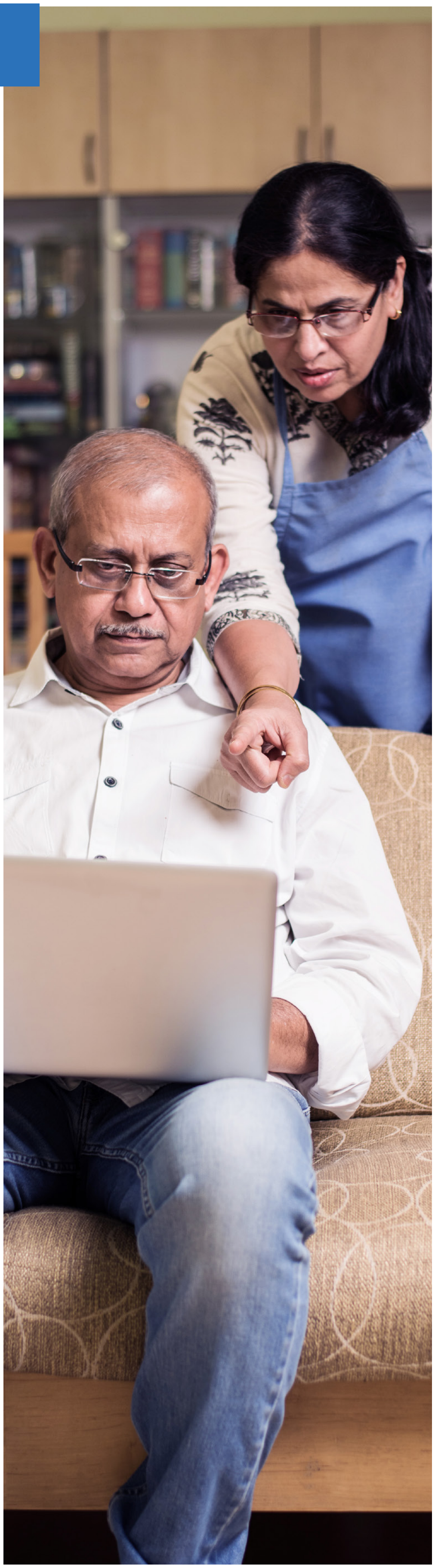
Moreover, the IRS announced an increase for contribution limits for retirement accounts such as IRAs and 401(k)s. For those with 401(k)s, most 457 plans, 403(b)s, and Thrift Savings Plans contribution limits were increased roughly 10% to a maximum contribution of $22,500 for 2023.
Age 50 and over can contribute an extra $7500 in catch-up—coming to a total of $30,000 contribution limit for those over 50 years-old for 2023.

IRAs also are seeing contribution limit increases. Up $500 from 2022, the annual contribution limit for IRAs in 2023 is $6500. Workers over age 50 can contribute a catch-up limit of $1000, which remains unchanged from 2022.

With Roth IRAs the income phase-out for contributions for singles and head of households is being increased, too. For those filing as single the phase-out is being increased from $138,000 to $153,000. Head of household income phase-out is being increased from $129,000 to $144,000. Married couples who are filing jointly will see an increase of $10,000 for their phase-out income limit.

Health savings accounts just got better in 2023! For individuals, contribution limits have increased by $200. For family it has increased by $450.

Retirement Tips for 2023



Pre-retiree CPAs are entering a retirement planning period that is uncertain right now. With a bear market lingering, inflation still at record levels, and rising interest rates, not knowing how to combat these or approach your retirement planning this year can be challenging. This environment leads to more questions than answers. Here is a list of things to keep in mind moving forward to help get closer to a safer retirement.

1. Understand Market Risk

There is not doubt that you will live to see more than one market downturn. Your finances will take a hit before retirement and even during retirement, but that doesn't mean you can't prepare. The sooner you can save for retirement, the better off you are for those golden years. If you are able, begin moving your money into principal-protected investments and accounts as you near retirement to protect your hard-earned money. Mitigating sequence of return risk is not an easy task but limiting the risk exposure earlier in the game is a great strategy.

2. Inflation, the silent killer

Impacting your spending and buying power, inflation is known to take even a well-planned retirement and turn it upside down. Everything you saved during your working years becomes less in retirement—increasing daily expenses such as food and transportation. You burn through your money faster than planned. There may be ways to offset the impact inflation may have to some extent such as cutting back on other expenses or fun activities but rising prices on daily expenses are not the only things that inflation impacts. With age comes more health and medical issues, and healthcare costs are predicted to outpace inflation. Inflation adjusted products are your best bet to combat the silent killer of retirement.

3. Do you have a healthcare plan?

With medical and healthcare costs predicted to rise over the next several decades, it is important to plan accordingly. And again, with age comes more health issues typically. Medicare may only cover so much for long-term care should you need it, and you may need more than just one policy or way to pay for medical, health, and long-term care during your retirement years. The average couple in the coming years is expected to pay well over $300,000 alone between out-of-pocket costs, premiums, copays, and even prescriptions. This does not factor long-term care.

4. Plan for the unexpected

As a CPA you are familiar with how things never go as planned, and the same can be said for retirement. There are events in life that cannot be controled but they can be planned for just in case those what-ifs do arise. Retirees are staying longer in the workplace, but many are being forced to retire early due to unforeseen events. If you are planning to retire later in life, it is still a good idea to have a plan in place for if you must retire much earlier than expected. This way you can account for if it does happen.

5. Risk-Based Approach

The bear market, inflation, rising health care costs, and even longevity still on the up and up has many CPAs and their clients worried that retirement funds will not last. Understanding what risks you will face during retirement is the best way you can ensure that you will not outlive your own retirement savings. A Risk-Based Retirement Plan provides trajectories that are custom-made to your retirement goals and needs so you are able to live a long retirement without worrying about your money, providing a peace of mind for how your money will work for you during retirement and even after you are gone.

Making Your Money Work Better for You

Here are a few quick tips to help you prepare for better savings this year and better retirement planning, too!

Begin this year by tracking your spending and formulate a budget. Not only is budgeting an effective way to understand where your money goes but it helps you see what you have coming through. In other words, you may see areas where you can immediately reduce spending such as eating out or places where you splurge, or impulse spend.

If you can, automate your savings. Each pay period transfer part of your income into an account or investment you have limited accessibility to. This also means perhaps contribute more to your employer-matched 401(k) if you have one or other retirement accounts that you may have. Since a lot of contribution limits increased for 2023, there is no better time than now to take advantage of that!

Self-investment is another great area to help yourself in. Invest in furthering your career so later you may make more money or take up a side-gig that could turn into a business. Take online courses if going back to college is not in the cards. Additional certifications can go a long way.

January Webinars

1-4-23 Take Control of Your Retirement with a Self-Directed Plan

1-5-23 Roth IRAs: A Great Option for Most Retirees

1-7-23 Getting Safely Through Retirement – A New Paradigm in Retirement Planning

1-9-23 Tax-Free Income for Life: How to Eliminate Risk in Retirement

1-9-23 Shopping for Long-Term Care Insurance & Your Nursing Home

1-11-23 Getting Safely Through Retirement – A New Paradigm in Retirement Planning

1-12-23 The Truth About Reverse Mortgages: Everything You Need to Know

1-12-23 Evolving Retirement Law: The Challenges, The Changes, & Your Choices

1-16-23 Medicare & You

1-17-23 Inflation and the Rising Cost of Health Care in Retirement

1-17-23 Getting Safely Through Retirement – A New Paradigm in Retirement Planning

1-23-23 How to Recession-Proof Your Retirement

1-25-23 Getting Safely Through Retirement – A New Paradigm in Retirement Planning

1-26-23 How to Protect Your Retirement Assets Before the Next Crash

1-30-23 Evolving Retirement Law; The Challenges, The Changes & Your Choices

RetirementRiskAdvisors.com/events

RETIREMENT RISK ADVISORS

Contact

(855) 491-0400

support@retirementriskadvisors.com
www.retirementriskadvisors.com

1309 Coffeen Avenue, Suite 3851
Sheridan, WY 82801