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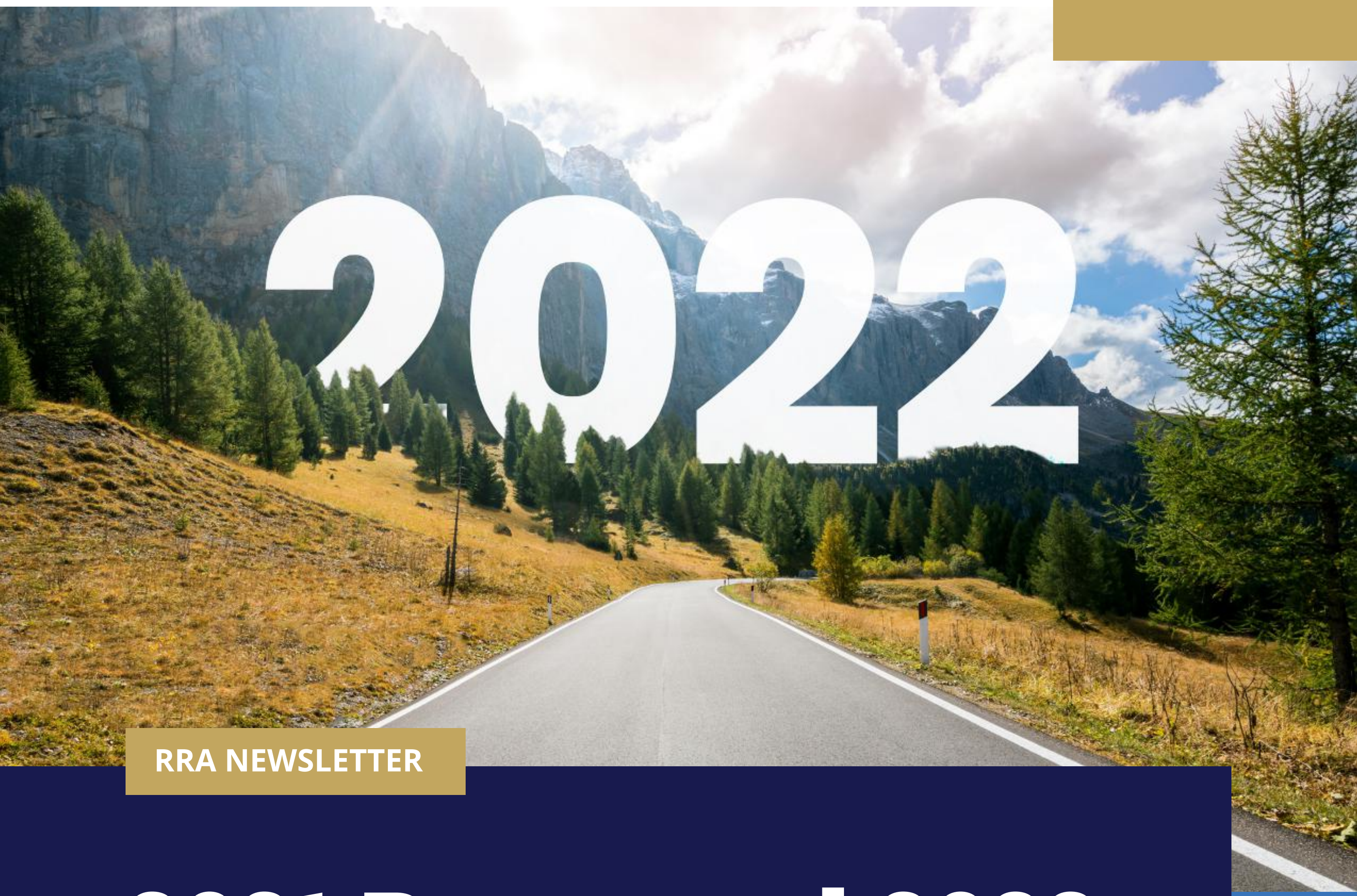

RRA NEWSLETTER

2021 Recap and 2022 Predictions

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In 2021, inflation reached a 40- year high from gas, lumber, the housing market, and even groceries. It was reported in October that the U.S. experienced an increase by 6% for the consumer price index. By November, a 7% increase was noted—the largest increase in such a short time since late 1982. Unfortunately, Americans, on average, brought more money home in their paychecks, but were not able to reap the benefits due to the inflation.

What does this mean for inflation in 2022? Economists have a gloom outlook. With the unexpected, but impending price increases, it is important to allocate more in the budget for groceries and gas. To offset inflation, add more money to your emergency funds as you can. This will keep your retirement funds more secure.

Required minimum distributions, RMDs, had major changes in 2021 (and in 2020 when the Covid-19 pandemic started). As withdrawals for qualified retirement accounts—401(k)s, traditional IRAs, or 403(b)s—RMDS experienced a recent change that affects the age for when you can withdraw. Now it is 72 for those born after July 1st, 1949, and 70 ½ if born before then.

In 2020, RMDs were suspended under the CARES Act. This was in response to the 30% market drop that March. The hopes were to let the retirement money stay in the market and recover, but the 2020 change was short lived. RMDs resumed in 2021.

2022 Lookout

Based on inflation rates, the IRS does make changes to tax brackets. Due to the 2021 inflation increase, the tax thresholds will drastically change. This means more money can be earned before an individual or couple is bumped into the next tax bracket. Using tax-planning tactics during your working years and having a retirement plan in place allows for this potential risk to be easily managed during retirement.

Another major change happening this 2022 year is 401(k) contributions. The IRS is changing the max contribution for taxpayers. The increase is $1000 to $20,500. If you are age 50+, you get an additional $6500 as catchup. Unfortunately, traditional and Roth IRAs contributions are staying the same as 2021. However, high-income earners may be able to contribute to a Roth IRA. Income phase-out ranges were increased by the IRS to allow this. Ranging from $129,000 to $144,000 for single taxpayers and $204,000 to $214,000 for married and jointly filing.

New Year, New Social Security Changes

Social Security is the foundation to many retirement plans. With 2022 has a lot in store for Social Security and the 55 million Americans who currently rely on it.

1. Payment increases of 5.9%

The annual cost-of-living adjustments allows existing Social Security receivers to have this increase to their gross benefits. Sadly, even as the highest COL adjustment, this will not cover the overall inflation increase witnessed in 2021.

Many recipients will not see this increase in their net benefits due to Medicare Part B premiums scheduled to increase by 14%. Since Part B premiums come out of most SS checks, retirees' take-home amount is much less than the anticipated 5.9% increase.

2. High-income earners will be paying more taxes. More funding for the program!

This year the wage base for SS taxes will increase from $142,800 to $147,000. With this additional income exposure, the SS tax rate of 12.4% can bring more money in. Those bearing this burden will add approximately $500 each.

3. Tick, tick, bomb. 2034 is approaching

The Social Security program is projected to last until 2034. While the higher income tax burden will add funds to the program, the trust funds are emptying. Inflation is not helping this; it is only speeding up the process. Experts say this because Social Security's trust funds are invested only in the U.S. Treasuries, which are bonds only earning 2.4%. A rate nowhere near the inflation rate. Since the COL adjustment is double the bonds' rate, the longevity of the Social Security program is at risk.

4. Historically, Congress barely touches or talks about the SS program

A certain reputation formed around the SS program that has discouraged Congress from touching it. Neither controlling political party wants to reform the program until the funds are almost emptied. Realistically leaving no option BUT to reform. The last time the trust funds were emptying in 1983 was when the last funding reform happened.

Overall, only three options can be proposed to reform the program: raise taxes, reduce benefits, or change means of investment. However, for example, if one side proposes raising taxes the opposing side calls it a job killer. The pushback gotten is what has led Congress members to wait always until the last minute for the Social Security program.

Prepare in 2022

Use this year to prepare and plan for those changes because there is a good chance your retirement will be impacted one way or another.

If future taxes rise to fund the program, cutting back on spending or dabbling into your savings will help maintain the lifestyle you have and offset those increased taxes you will fork over. Opposite this, assuming benefits get reduced, spending down a nest egg will be best. Thirdly, if Social Security is invested differently, having that larger nest egg will help manage uncertainties—and may yield higher, long-term returns.

Upcoming October Webinars

Monday, January 10, 2022
Evolving Retirement Law: The Challenges, The Changes & Your Choices
Getting Safely Through Retirement: A New Paradigm in Retirement Planning

Tuesday, January 11, 2022
Taking Control of Your Retirement with A Self-Directed Plan
The Changing World of Retirement

Wednesday, January 12, 2022
How to Retire in the 0% Tax Bracket

Thursday January 13, 2022
Choosing the Right Life Insurance for Your Retirement
The Changing World of Retirement

Friday, January 14, 2022
The Volatility Shield: How to Make Your Retirement Income Last 15 Years Longer

Tuesday, January 18, 2022
Tax-Free Income for Life: How to Eliminate Risk in Retirement
The Truth About Reverse Mortgages: Everything You Need to Know

Wednesday, January 19, 2022
Getting Safely Through Retirement: A New Paradigm in Retirement Planning

Friday, January 21, 2022
The Foundation for a Secure Retirement

Monday, January 24, 2022
Evolving Retirement Law: The Challenges, The Changes & Your Choices

Tuesday, January 25, 2022
The Changing World of Retirement

Wednesday, January 26, 2022
Getting Safely Through Retirement: A New Paradigm in Retirement Planning

Thursday, January 27, 2022
The Changing World of Retirement

Monday, January 31, 2022
How to Retire in the 0% Tax Bracket

Find all Webinars at RetirementRiskAdvisors.com/events

Greetings!

Wow, we made it. Here is 2022 at our doorsteps! We hope you had a safe and happy holiday season. And are readying for whatever this winter season may throw your way!

This year is already bringing forth so many changes that will impact your retirement. Analyzing 2021 and keeping up with public policy, this month's newsletter will help you plan for your retirement accordingly in 2022. Changes are happening to Social Security, and with the inflation in 2021 being at an all time high, 2022 will be the best year to prepare for the impact these will have.

We are excited to journey on this path with you and happy that you are letting us help you plan for your safest and securest retirement. From our Retirement Risk Advisors family to you and yours, we look forward to what this year will bring!

Contact us now

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