

# CRITICAL TRANSITIONS WEALTH ADVISORS

## Retirement Plans

This month, we are going to focus on the importance of retirement plans. Americans are living longer, healthier, and more active lives than past generations, and they want to ensure their healthcare and domestic needs are met. That means saving for a longer retirement is critical.

As a business owner, choosing a retirement plan may be one of the most important decisions that you will make concerning the financial future of yourself and your employees. Providing the right retirement plan can not only make a difference in your and your current employees' retirement lifestyle, but also help you attract and retain talented new employees. With a retirement plan, you and your employees can begin to build retirement income, and manage your income tax bills.



IRAs - Traditional, Roth, and rollover IRAs each have their own advantages, as well as certain restrictions. While traditional IRAs often allow tax-deductible contributions and offer tax-deferred earnings, Roth IRAs are funded with after-tax dollars and allow earnings to be withdrawn tax free after age 59½, provided the account has been open for at least five years. Both allow annual contributions of \$6,000 (up to \$7,000 if 50 or older) and make available a broad range of investment vehicle choices.

Employer-Sponsored Plans - Whether it's a simplified employee pension (SEP) or savings incentive match plan for employees (SIMPLE) IRA, a 401(k), or a defined benefit plan, many employers offer a qualified retirement plan. Contributing to these plans can be a great way to set aside pre-tax dollars for retirement. Even if you're the sole proprietor in your own business, an Individual(k) is a cost-effective 401(k)/profit sharing plan for small business owners that may be a useful way to save for the future while taking advantage of tax benefits today.

Start planning today. How would you like to live? When should you retire? How much should you save? Start thinking about retirement by assessing what you think you'll need and what you want. We can help facilitate conversations and decisions surrounding your retirement.

## Women Need to Save More

Why is it vital for women to build retirement savings? They face a heightened retirement savings challenge. How critical is it for women to build retirement savings? At least as critical as it is for men, perhaps more so because of two factors.

**Women have a longer life expectancy than men.** That fact alone underlines the need for comparatively greater retirement savings. One research study projects that a woman will require a nest egg equivalent to 11.5 times her final salary to have an adequately funded retirement starting at age 65 (a man will need 10.6 times his final pay). It's estimated that only 17% of women will have that much in retirement assets by that age.

**A woman may spend much of her retirement alone.** A quarter of American women aged 65-74 are widows, while others are alone by choice. Household expenses are rarely halved after a divorce or a spouse's death, and a woman's financial survival may depend entirely on her degree of retirement planning. Social Security survivor benefits may prove insufficient: if a spouse files for Social Security at 62, the survivor's benefit for the longer-lived spouse will be up to 30% smaller than if the claiming decision was made at Full Retirement Age.

Women should save consistently, and save as much as possible. Their retirement may last longer than they anticipate, and their money ought to last as long as they do.

*(Sources - [marketwatch.com/story/8-ways-women-can-improve-their-retirement-security-2016-06-30](https://www.marketwatch.com/story/8-ways-women-can-improve-their-retirement-security-2016-06-30) [6/30/16] and [nytimes.com/2015/09/05/your-money/new-widows-have-another-concern-their-finances.html](https://www.nytimes.com/2015/09/05/your-money/new-widows-have-another-concern-their-finances.html) [9/5/15])*

## Managing Your Retirement Plan When Switching Jobs



Changing jobs can impact your retirement plan. To minimize disruptions to your contributions and the vested portion of your previous employer's contributions, it's important to understand the choices you may have when you make a career transition. We offer the following key considerations:

**Option 1: Stay** - Your previous employer may allow you to keep the money in your plan, an attractive option that keeps things undisturbed while allowing you to accumulate tax-deferred earnings potential. While you cannot make further contributions, you still maintain control of how the money is invested. Typically, annual distributions must begin after you reach age 70 1/2.

Option 2: Let 'Er Roll - You can transfer the money into your new employer's plan, which continues your tax-deferred growth potential. However, there may be rules associated with rolling over your money. Review your new plan and restrictions carefully before selecting this option. If you take money out, withdrawals will be taxed at current rates, with those made before you reach age 59 1/2 subject to a 10% additional federal tax.

Option 3: Cash Out - You may elect to withdraw your money in cash either in a lump sum or in installments, though you'll face tax consequences: Distributions incur a 20% federal withholding as well as standard income tax. And if you're under age 59.5, you'll pay an additional 10% federal tax. State and local taxes may also apply, which collectively could sharply reduce the amount you retain.

Option 4: Transfer into an IRA - You can also roll all or part of your money into an Individual Retirement Account (IRA). If you do so within 60 days, you'll avoid both penalties and withholding taxes. An IRA offers continued tax deferral for retirement, though check whether fees or commissions will be assessed.

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## Family Fun Month!

Did you know that August is family fun month? Take advantage of this time with your family and try some of these ideas:



- Order pizza and watch a movie in the backyard
- Go camping
- Take a vacation
- Go out for ice cream
- Enjoy a backyard campfire
- Build a backyard fort
- Family bike ride
- Fishing
- Hiking
- A trip to the zoo
- Day at the park
- Make a talent show
- Cook meals together
- Have a karaoke night

However you choose to celebrate this month, have fun with your loved ones!



## Happy First day of School!

CTWA wishes all children and teachers a wonderful start to the new school year!

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## Football Season is Back!!

It's that time of year again - everyone is getting excited for college football! We are looking forward to tailgating, cheering on our favorite teams, and most importantly spending quality time with our friends and families!!

For the Carolina Gamecocks'  
schedule [Click here](#)

For the Clemson Tigers'  
schedule [Click here](#)





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