

# CRITICAL TRANSITIONS WEALTH ADVISORS

## Happy New Year!

We hope everyone had a great holiday season! Thank you for a wonderful 2022 and we look forward to working with you throughout the coming year. Wishing everyone a happy and healthy 2023!



## Setting a Budget - A Great New Year's Resolution!

If you're among those of us who just can't seem to save, it might be time to create a budget. Not only does a budget provide relief to your financial stress, but it also enables you to reach important goals such as college savings, retirement, or even just being able to buy a new car!



Setting up a budget will require some work, but the benefits more than offset the time invested. How you create your budget is up to you. You may choose a piece of financial planning software such as Quicken, Dave Ramsey, or you may choose the paper and pencil route. The first element of any budget is your income, or how much money you receive each month. This can include paychecks, alimony, royalties, fees, and dividends from investments that you do not reinvest. Once you know what your monthly income is, you can use a budget to make sure you don't spend more than you earn, thus helping to reduce debt and freeing up cash for savings.

Next, look at how you spend your money. Start by tracking your spending for a month. Collect bills and receipts, and don't forget to include newspapers you buy from the

corner store and trips to the soda machine. No expense is too small to record. Write down your expenses and break them into categories.

- Fixed Committed Expenses -- mortgage, loan, and insurance payments that stay the same from month to month
- Other Committed Expenses -- the other items in your life that you cannot live without: Food, utilities, gas, toiletries, etc.
- Discretionary Expenses -- things you like but don't necessarily need: fine dining, alcohol, jewelry, etc.

Less Spending = More Savings - Once you know where your money is going it's time to analyze your expenses. There probably isn't much you can do about Fixed Committed Expenses without moving or getting rid of the family car. However, if these expenses are greater than your monthly income, you are probably carrying too much debt to effectively save. You may find some room to economize in Other Committed Expenses, but look at Discretionary Expenses first. This is typically the easiest place to reduce spending. Begin by canceling magazine subscriptions to titles you don't read. Eat fewer meals out, or choose less expensive restaurants. Rent a movie and pop some popcorn at home instead of taking a trip to the movie theatre.



Now, dig deeper and look at those Other Committed Expenses. Can you reduce the grocery bill with coupons or more economical meals? Maybe shopping in bulk at stores such as Sams Club or Costco would benefit you, especially if you have a bigger family! One area to closely examine is credit card debt. If a high balance is keeping you from saving, you need to find ways to trim those monthly payments. Call your credit card company and ask them for an interest rate reduction, or shop around for a card with a lower rate. You may also consider a home equity loan or a consolidation loan. Make sure that you'll be able to afford the monthly payments before you take the loan. Once you start paying off your credit cards, the extra money can be used to build savings.

Goal: More Savings - By setting aside a certain amount each month for savings, you can build toward your goal without missing the money. You may be able to set up a payroll savings plan through your bank or credit union. Also look into any employer-sponsored retirement plans you may have at work, which potentially offer tax benefits along with savings for the future. It might also help to set a savings goal, both for short- and long-term needs. Studies have revealed that families with savings goals tend to save more. Remember that your budget is a living document. As your circumstances change, so will your goals and needs. Review your budget every few months to make sure it reflects your goals and to see if you are saving as much as you possibly can.

## Tax Form Mailing Schedule

- 1/20/2023 - 1099-R Form Mailing/First Wave of 1099-C Consolidated Forms Mailing
- 1/27/2023 - Second Wave of 1099-C Consolidated Forms Mailing
- 2/3/2023 - Third Wave of 1099-C Consolidated Forms Mailing
- 2/10/2023 - Fourth Wave of 1099-C Consolidated Forms Mailing
- 02/17/2023 - Fifth Wave of 1099-C Consolidated Forms Mailing
- 4/17/2023 - IRS Tax Filing or Extension Request Deadline
- 10/16/2023 - IRS Extension Tax Filing Deadline



## Retirement Plan Contribution Limits for 2023

The IRS announced cost of living increases to the contribution limits for retirement plans in 2023. We have listed a few of the new limit amounts below:

- 401(k), 403(b) and most 457 Plans - \$22,500
- Catch-up for 401(k), 403(b) and most 457 Plans - \$7,500
- IRA - \$6,500 with \$1,000 catch-up
- SIMPLE IRA - \$15,500 with \$3,500 catch-up

For specific tax information regarding Retirement Plan contributions and limits, please refer to <https://www.irs.gov/newsroom/taxpayers-should-review-the-401k-and-ira-limit-increases-for-2023> or your qualified tax advisor.

## Office Hours

- January 2nd - Office closed for New Year's
- January 16th - Office closed for Martin Luther King Day



“Winter is a season of preparation.”  
-Paul Theroux



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