FRANKLY FINANCIAL.COM

119 Cedar Street
East Hanover, NJ 07936

973-515-5184 • Fax: 973-515-5190
FranklyFinancial@nationwideplanning.com

Frank McKinley
Financial Wellness Coach

financial $UCCESS

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Pump Up Your Retirement Savings

Don't give up on your retirement goals if you find you've entered middle age with little to no retirement savings. Sure, it may be harder to reach your retirement goals than if you had started in your 20s or 30s, but here are some strategies to consider:

✔ **Reanalyze your retirement goals.** First, thoroughly analyze your situation. Calculate how much you need for retirement, what income sources will be available, how much you have saved, and how much you need to save annually to reach your goals. If you can't save that amount, it may be time to change your goals. Consider postponing retirement for a few years so you have more time to accumulate savings as well as delay withdrawals from those savings. Think about working after retirement on at least a part-time basis. Even a modest amount of income after retirement can substantially reduce the amount you need to save. Look at lowering your expectations, possibly traveling less, or moving to a less expensive city or smaller home.

✔ **Contribute the maximum to your 401(k) plan.** Your contributions, up to a maximum of $22,500 in 2023, are deducted from your current year gross income. If you are age 50 or older, your plan may allow an additional $7,500 catch-up contribution, bringing your maximum contribution to $30,000. Find out if your employer offers a Roth 401(k) option. Even though you won't get a current-year tax deduction for your contributions, qualified withdrawals can be taken free of income taxes. If your employer matches contributions, you are essentially losing money when you don't contribute enough to receive the maximum match. Matching contributions can help significantly with your retirement savings. For example, assume your employer matches 50 cents on every dollar you contribute, up to a maximum of 6% of your pay. If you earn $75,000 and contribute 6% of your pay, you would contribute $4,500 and your employer would put in an additional $2,250.

✔ **Look into individual retirement accounts (IRAs).** In 2023, you can contribute a maxi-

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Frankly Speaking

May You Live in Uncertain Times

As we navigate through these uncertain times, it's easy to get caught up in the worries of the world. From rising inflation rates, Moscow's activities in Ukraine, to choices we make regarding ESG investing, it's no wonder we feel a little anxious. And let's not forget about the ever-present concern of funding our retirement or our child's college education. Question- do you live on a written budget?

But fear not, because we're here to help alleviate those worries. With Nationwide Planning's expert advice and guidance, you can rest assured that your financial future is well cared for. Don't let the stresses of the world inflate your worries - let us be your solution. Call Frank today to help guide your financial future! And feel free to request a budget template in Excel.

Any fool can spend money. But to earn it and save it and defer gratification - then you learn to value it differently. — Malcolm Gladwell

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Pump Up

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mum of $6,500 to an IRA, plus an additional $1,000 catch-up contribution if you are age 50 or older. Even if you participate in a company-sponsored retirement plan, you can make contributions to an IRA, provided your adjusted gross income does not exceed certain limits.

✔ **Reduce your preretirement expenses.** Typically, you'll want a retirement lifestyle similar to your lifestyle before retirement. Become a big saver now and you enjoy two advantages. First, you save significant sums for your retirement. Second, you're living on much less than you're earning, so you'll need less for retirement. For instance, if you live on 100% of your income, you'll have nothing left to save toward retirement. At retirement, you'll probably need close to 100% of your income to continue your current lifestyle. With savings of 10% of your income, you're living on 90% of your income. At retirement, you'll probably be able to maintain your standard of living with 90% of your current income.

✔ **Move to a smaller home.** As part of your efforts to reduce your preretirement lifestyle, consider selling your home and moving to a smaller one, especially if you have significant equity in your home. If you've lived in your home for at least two of the previous five years, you can exclude $250,000 of gain if you are a single taxpayer and $500,000 of gain if you are married filing jointly. At a minimum, this strategy will reduce your living expenses so you can save more. If you have significant equity in your home, you may be able to use some of the proceeds for savings.

✔ **Substantially increase your savings as you approach retirement.** Typically, your last years of employment are your peak earning years. Instead of increasing your lifestyle as your pay increases, save all pay raises. Anytime you pay off a major bill, such as an auto loan or your child's college tuition, take the money that was going toward that bill and put it in your retirement savings.

✔ **Restructure your debt.** Check whether refinancing will reduce your monthly mortgage payment. Find less costly options for consumer debts, including credit cards with high interest rates. Systematically pay down your debts. And most important — don't incur any new debt. If you can't pay cash for something, don't buy it.

✔ **Stay committed to your goals.** At this age, it's imperative to maintain your commitment to saving. Please call if you'd like help reviewing your retirement savings

How to Finance a Graduate Degree

Research Employer-Sponsored Tuition Reimbursement — If you're employed full time, check with your human resources department to determine whether any tuition reimbursement benefits are applicable to your chosen post-baccalaureate degree. Depending on your long-term goals, you might even consider pursuing a degree that qualifies for reimbursement, which can cover 50% or more of your tuition.

Take Out Student Loans — Student loans such as the Graduate-Plus or Stafford can be an ideal way to pay for your higher-ed degree, assuming your opportunities and salary will increase enough to manage the debt once you graduate.

Pay As You Go — If you're trying to avoid student loans, review your current budget and scrutinize your flexible and discretionary expenses to decide what you can do without in exchange for newfound tuition money.

Because much of your free time will likely be spent attending class and studying, what you currently spend on entertainment is a good place to start. If you currently have a savings budget, you might also decide to redirect at least a portion of it to your college tuition. Just make sure you aren't dipping into your emergency funds or putting yourself at financial risk.

Take Advantage of University Opportunities — There are numerous ways to finance your advanced degree right through the very place you'll be earning that degree. Beyond grants and scholarships, inquire if your department offers fellowship and assistantship opportunities that cover tuition in exchange for part-time research or teaching roles. Some even offer stipends to help with living expenses, so it might make sense to attend graduate school full time while taking advantage of these perks. Or you might consider working in your chosen career field at the university and taking advantage of the often generous tuition benefits.

Ask Family Members for Help — Though you probably don't want to negatively impact your parents' retirement plans, if you sit down with them and/or other family members such as grandparents, you might be able to negotiate an early inheritance to help with your college costs. Each family member can gift you up to $14,000 per year without tax implications, which could help them avoid estate taxes later on. Moreover, family members can even make direct tuition payments to your university, which won't count toward their annual gift exclusions. ❍❍❍

Financial Planning for Every Stage of Life

Financial planning is a lifelong process. And just as your life evolves, so should your financial plan. While everyone's financial plan needs to be customized to their personal situation, below are some financial planning tips for some major life stages.

Recent college graduate

New college graduates aren't usually thinking much about financial planning. They're likely to be more worried about getting that dream job, paying down student loans, and moving out of mom and dad's basement. But that's exactly the reason why young people need a financial roadmap. Once you score that first job, a financial plan can help make sure you're sticking to a budget, on track to pay off your student loans, saving for big goals, and even setting aside enough for retirement. While some people may think your early 20s is too early to start thinking about saving for your golden years, setting aside even small amounts now will mean you have to save a whole lot less when you're older.

Just married

You've just tied the knot, which means you've also officially merged your finances. Even if you were living together and sharing financial details and responsibilities pre-marriage, a wedding is a good reason to take stock of your financial situation as a married couple. A clear financial plan will help ensure that you're on track for your biggest shared goals, whether that's buying a house, retiring at 55, or sending your kids to a private college. It will also help you tie up any financial loose ends, like changing the beneficiary designations on retirement accounts and insurance policies. In fact, it may be a good idea to start your financial planning before the wedding. Sitting down to talk about your finances and your goals can help make sure you're on the same page and avoid surprises after you tie the knot.

New parents

If you've just welcomed a bundle of joy into your home, you have a lot on your plate. It's easy to let financial planning fall by the wayside. But as your family composition changes, so should your financial plan. If you already have a plan in place, it may need a reset. And if you don't have one at all, you need to get one. Issues your plan needs to consider after you have children include making sure you have adequate life insurance coverage, getting started saving for college, and updating your estate plan to make sure your child will be provided for should the worst happen.

Big promotion

When you finally earn that big promotion, it will hopefully come with a corresponding bump in salary and other perks. You need a plan for what to do with that extra cash. If your promotion came with benefits like stock options or deferred compensation, you need a plan for dealing with those as well. A financial plan will help you avoid the problem of lifestyle creep and make sure the money you're earning is helping to pursue your financial goals.

Ready to retire

As your retirement date nears, you'll also need to do a financial check up. Even if you've been saving for years, a financial advisor can help you estimate how long your savings will last and what kind of income you can expect in retirement. Your retirement financial plan should also include suggestions about reducing risk in your investment portfolio as well as a plan for increasing your savings if necessary (such as working longer or delaying Social Security benefits). Your retirement plan may also address issues such as where you'll live (you may downsize or move to a less expensive location to stretch your budget) as well as issues such as how you'll pay for healthcare or long-term care as you age.

The bottom line: as your life changes, so should your financial plan. If it's time to update your financial plan — or to get started with planning for the first time — please call. ❍❍❍

Making Progress Toward Financial Goals

Having trouble making much progress toward your financial goals? Consider these five basic tips:

✔ **Set exciting financial goals.** Putting money aside for a distant goal, rather than spending that money now, is a difficult habit for most people to acquire. To help, set exciting goals that will motivate you to achieve them. Then quantify your ultimate goal and interim goals so you'll have a way to track your progress.

✔ **Spend less than you earn.** The amount of money left over for saving is a direct result of your lifestyle. Since you will typically want a similar lifestyle after retirement, your lifestyle decisions will impact you now and in the future. To get a grip on your spending, take time to analyze your expenses and to set a budget. Try reducing nonessential expenditures. Another strategy is to find ways to spend less money on the same things.

✔ **Save the money before you see it.** If you have to find money to save every month, you'll probably find there isn't much left after paying all the bills. Typically, a better strategy is to set up an automatic savings program where money is automatically deducted from your bank account every month and deposited directly in an investment account. Another good alternative is to sign up for your company's 401(k) plan, having funds withdrawn every paycheck. *(Remember that an automatic investing program, such as dollar cost averaging, does not assure a profit or protect against loss in declining markets. Since such a strategy involves periodic investment, consider your financial ability and willingness to continue purchases through periods of low price levels.)*

✔ **Don't let debt sabotage your goals.** If a significant portion of your income is going to pay interest on loans, that leaves less available for saving. Pay cash for all purchases so you don't incur additional debt.

✔ **Invest, don't just save.** The ultimate value of your investment portfolio is a function of two factors — how much you save and how much you earn on those savings. Become comfortable with various investment alternatives, so you'll feel more comfortable investing in more aggressive alternatives that offer potentially higher rates of return. ❍❍❍

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Avoid These 5 Investing Mistakes

Make sure to avoid these five investing mistakes:

✔ **Putting all your investment eggs in one basket.** Investing in a variety of investment alternatives helps to decrease risk. By diversifying your portfolio, your overall return will not be as drastically impacted by the poor performance of one company.

✔ **Spreading your investments too thin.** While there is value in diversification, overdiversification can be problematic. With too many investments in your portfolio, each investment has little impact on your total return.

✔ **Expecting instant gratification.** Investing takes patience. When investors jump into an investment seeking to get rich quick, they often find themselves giving up on an investment too quickly.

✔ **Neglecting risk level assessment.** When you understand the risk an investment faces, you are less likely to sell on emotion.

✔ **Skipping out on an investment education.** You need a solid understanding of invest basics. ❍❍❍

Financial Thoughts

As of year-end 2020, 38% of participants in 401(k) retirement plans were in their 20s or 30s. However, participants age 50 and older held 63% of all assets in these plans. Younger participants tend to have more aggressive asset allocations, with more than 80% invested in equities. This compares with 56% of 401(k) plan assets in equities among participants in their 60s. Overall, 42% of participants are invested in equities and another 35% invest in balanced funds, largely target-date funds. Target-date funds remain common offerings, available in 86% of 401(k) plans. Approximately 68% of participants offered target-date funds invest in them (Source: *AAII Journal*, January 2023).

Equal-weight portfolios invest an equal amount of money in each company's stock in the portfolio. In value-weighted portfolios, individual components of the portfolio are included based on their total market capitalization, so that larger-company stocks receive a higher weight. Between 1963 and 2021, an equal-weight portfolio comprising the entire universe of stocks outperformed similar value-weight portfolios by 3.5%; an equal-weight portfolio of S&P 500 index stocks outperformed by 2.2% (Source: *AAII Journal*, January 2023). ❍❍❍