VWG WEALTH MANAGEMENT
A Hightower Company

September 2022 Ponderings and Musings - Back to work

"The privilege to work is a gift,
the power to work is a blessing,
and the love of work is after success!"
– David O. McKay

"Life is like a grindstone;
whether it grinds you down or polishes you up
depends on what you're made of."
– Jacob M. Braude

"Opportunities are usually disguised as hard work,
so most people don't recognize them."
– Ann Landers

Back to…

As flip flops switch to boots and backpacks switch to briefcases, the end of summer is becoming a reality. This September, as the Great Resignation bleeds into the Great Reshuffle, workplaces will be experiencing another wave of change. Last year, employers focused on where people would work, while this year's challenge will be integrating new hires into their organizations. Job hopping will continue to trend as talented Zoomers and Millennials seek jobs that offer the benefits, work environments, and pay they desire. According to Pew Research[1], 53% of employed U.S. adults who quit their job in 2021 changed their occupation or field of work at some point last year.

Like most life changes, new jobs have financial impact. Beyond your compensation, a new employer might offer health care plans, retirement savings, stock options and other benefits that have income and tax implications. New employees enrolling in benefits for the first time may feel overwhelmed by confusing forms, acronyms, and elections. As you return to work, school, or whatever else this fall, please take comfort in knowing that you can rely on VWG for sound education and thoughtful advice.

Maximizing Your Workplace Benefits by Michelle Kuzma Kempf

Workplace benefits likely represent a significant portion of your overall financial picture, yet most of us often "set it and forget it" when it comes to making changes to our retirement and healthcare plans. The decisions you make today, whether at the beginning of your career or as retirement nears, can have a significant impact on your total savings. With Open Enrollment taking place in the Fall for most employers, September is a good time to think through any changes for the coming year. Here are some highlights to focus on during your Open Enrollment. Of course, you can always consult your VWG advisor for additional guidance.

Here is guidance for two categories of employees:

- Part 1: Tips for newer employees. Please feel free to forward to your children or grandchildren who may be new to the workforce or a new job!
- Part 2: Tips for tenured employees who have been working and enrolled in their company's plan for some time. These may include some benefits you haven't thought to explore in the past.

Part I: Tips for New Employees

401(k): Your company's 401(k) will likely be the backbone of your retirement savings strategy. You should always contribute the maximum your budget allows. The earlier you start saving, the more you may benefit from compounding earnings over time. Should you contribute to a Roth or a Traditional 401(k)? This depends on when it is better to pay taxes- now or later. The younger you are, the more benefit you get from investing in a Roth account (paying taxes now). Not only are you more likely to be in a lower tax bracket, but you also have a long time horizon for tax-free growth. If your company offers a Roth 401(k), take advantage. If not, always contribute to your Traditional 401(k) up to the company match (that's free money!). Also consider maxing out a Roth IRA (subject to income limits). The chart below explains the tax differences between the two types of 401(k) plans:

	Contributions	Growth	Distributions
Traditional	Pre-Tax	Tax-Deferred	Taxed as Ordinary Income **Pay taxes later!**
Roth	After-Tax **Pay Taxes Now!**	Tax-Free	Tax-Free

What to Look For:
Check to see if your employer matches your 401(k) contributions and try to at least save the amount of the match each year. For example, if an employer matches up to 6% of your salary, aim to contribute 6% or more. Remember, these are pre-tax dollars so make sure to calculate the after-tax impact of different contributions.

HSA: A Health Savings Account is a tax-favorable way to save for future healthcare expenses. These are highly tax advantageous accounts and should be used if your budget allows. They have triple tax-free benefits: pre-tax contributions, tax-deferred growth, and tax-free withdrawals for qualified medical expenses.

HSA funds can be used anytime to pay for qualified healthcare expenses (including deductibles, copayments, coinsurance, prescription drugs and out-of- network provider visits for eligible medical, dental and vision needs). Unlike Flexible Spending Accounts (FSAs), funds roll over from year to year so to maximize the benefits. They can even be used to pay for future healthcare costs in retirement.

What to Look For:
HSA accounts are associated with high-deductible health plans (HDHP). Younger employees with lower health care costs often opt for these accounts because they likely have lower monthly costs. Employers often incentivize higher deductible plans by contributing to an employee's HSA which over time add up to create savings for future health care expenses.

Part II: Tips for Tenured Employees

Catch-up contributions: If you have been an employee of the same company for many years, you may not notice that you are now eligible for additional 401K contributions. Make sure you are taking advantage of additional 'catch-up' contribution limits to your 401(k) (if you are 50 or older) and to your HSA (if you are 55 or older).

Mega Back Door 401(k) Strategy: This is a very powerful strategy if offered by your employer and you have the disposable income to be able to fund it. This strategy essentially allows you to fund a Roth IRA when you are over the income limit, and at a much higher amount than the annual $6,000 Roth IRA contribution limit. To take advantage, your employer must allow you to make after-tax contributions and must allow in-service distributions of those after-tax funds.

The annual contribution limit to a 401(k) is the lesser of 100% of compensation or $61,000 ($67,500 if age 50 or older). For someone under 50, an employee can defer $20,500 of salary and then choose to do an after-tax contribution of $40,500 (this example assumes no company contributions). The employee then requests an in-service withdrawal of the $40,500 to his or her Roth IRA. Because the $40,500 was an after-tax contribution to the 401(k), the conversion does not create any tax liability. However, if the $40,500 earned income, dividends, or capital gains before it is converted to the Roth IRA, then that income would be taxable.

> ***What to Look For:***
> *If you have excess savings, check to see if your employer allows after-tax contributions & in-service distributions.*

Investing your HSA: More and more employers are allowing HSA accounts to be invested. If your budget allows, consider maxing out your HSA annually to save the funds for use in retirement. You are essentially creating a "Roth Retirement Healthcare Account" or an account that will grow tax-free if distributions are taken for healthcare expenses. By investing those funds, you can maximize growth over the long-term.

> ***What to Look For:***
> *Check to see if your employer allows you to invest your HSA. If so, most will offer investment options similar to your 401(k).*

These are just a few key benefits to consider during Open Enrollment. Since there are many benefit options and decisions to make, always feel free to reach out to your VWG advisor with any questions.

REGISTER NOW

VWG's Ponderings and Musings LIVE webinar series continues Friday, September 23rd at noon. Please mark your calendars for **What You Need to Know about Social Security (but were afraid to ask)**

In 1935, President Franklin D. Roosevelt signed the Social Security Act to pay retired workers 65 or older (and their beneficiaries), a continuing income after requirement. The goal of Social Security is to provide economic security to our country's elderly, victims of work-related accidents and those with physical disabilities. Unfortunately, Social Security eligibility requirements, calculation of benefits, and strategies to maximize benefits can be complicated and confusing. VWG believes that understanding the amount and timing of your benefits is an important component of your retirement planning.

If you are turning 65 within the next year, if you or your spouse are planning to retire in the next couple years, or you have been recently widowed or divorced, join our webinar featuring Lynette Jones, VWG Wealth Advisor and Life Transitions Specialist, for a deep dive into Social Security benefits. During this session, Lynette will cover:

- Definition of Full Retirement Age
- Timeline for claiming benefits
- Strategies to maximize benefits
- Case studies for various family situations
- Steps for filing for benefits

Lynette Jones *is a Certified Financial Planner™ practitioner with more than 25 years experience in the financial services industry. She coaches clients as they plan for and transition into retirement and educates them along with their heirs on proper planning strategies, including incapacity and estate planning. Lynette is VWG's Life Transitions Specialist advising on planning issues including social security, health insurance coverage, Medicare and long-term care.*

Join us via Zoom for this virtual event on Friday, September 23rd 12:00 pm EST. You can register via this link.

Did You Know?

- The Biden Administration announced plans for a student loan relief program. The Department of Education will forgive loans up to $10,000 for borrowers with income less than $125,000 ($250,000 for married couples) and up to $20,000 for Pell Grant recipients. Eligible borrowers can sign up at https://studentaid.gov/debt-relief-announcement/ to be notified when the application is available.

- The IRS has yet to finalize required minimum distribution (RMD) regulations relating to legislative changes enacted by the SECURE Act, which Congress passed in 2020. Meaning, although the legislation has been passed, the specific rules and guidance have been proposed but not yet finalized by the IRS. If you have inherited an IRA after January 1, 2020, please reach out to your advisor to confirm your timeline for RMDs.
- If your house or other real or personal property is titled in a trust or LLC, and also insured under your property and casualty insurance policy (i.e. boat, vehicle, etc), then the trust or LLC should be added as an "additional insured" on your policy.
- Hightower recently received a national charter for Hightower Trust Company. Following this launch, Hightower will be able to offer corporate and administrative trust services to VWG Wealth Management clients. Please reach out to your VWG advisor if you have a need for these services.
- Each week VWG posts timely articles to our blog, VWG Makes Cents. This past month we have posted the following:
    - Alleviating Stress as a Sandwiched Adult
    - Bridging Generational Divides: Estate Planning Strategies for Family Unity
    - The Economic Impact of Climate Change and How to Protect Against It

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If you'd like to hear market news and financial planning tips more frequently, VWG Wealth Management posts articles daily on Facebook, Twitter and LinkedIn. Select topics include financial literacy, financial planning, women in business and tips for retirement. For those interested in more frequent market updates, every Monday we post a Market Note that highlights market trends and indicators for the week. In addition to these platforms, check out our blog, VWG Makes Cents, for more detailed tips from our advisors. To access this information, go to our website, or follow us on Facebook @VWGWealthManagement, Twitter @VWGWealthMgmt and on LinkedIn.

Please accept our best wishes for an enjoyable end to summer, and for your energetic engagement in getting back to work, school, or your next project or endeavor. We look forward to speaking to many of you in the coming weeks

Take care, stay safe!

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WASHINGTON BUSINESS JOURNAL
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2022 BEST PLACES TO WORK
VWG Wealth Management, LLC

Suzanne, Ashley, Lynette, Michelle, Rashmi, Kay, Ona, Brandi, Justin, Ryan V., Ryan T., Ryan B., Patricia, Elana, Susan, Marnie, John, Rick, and Jeff

Who we are

[1] https://www.pewresearch.org/fact-tank/2022/03/09/majority-of-workers-who-quit-a-job-in-2021-cite-low-pay-no-opportunities-for-advancement-feeling-disrespected/

Please reach out to us if you have any questions or comments.

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Disclosures

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