Joe Ciaramitaro - Summer 2023

Coaching Your Financial Future

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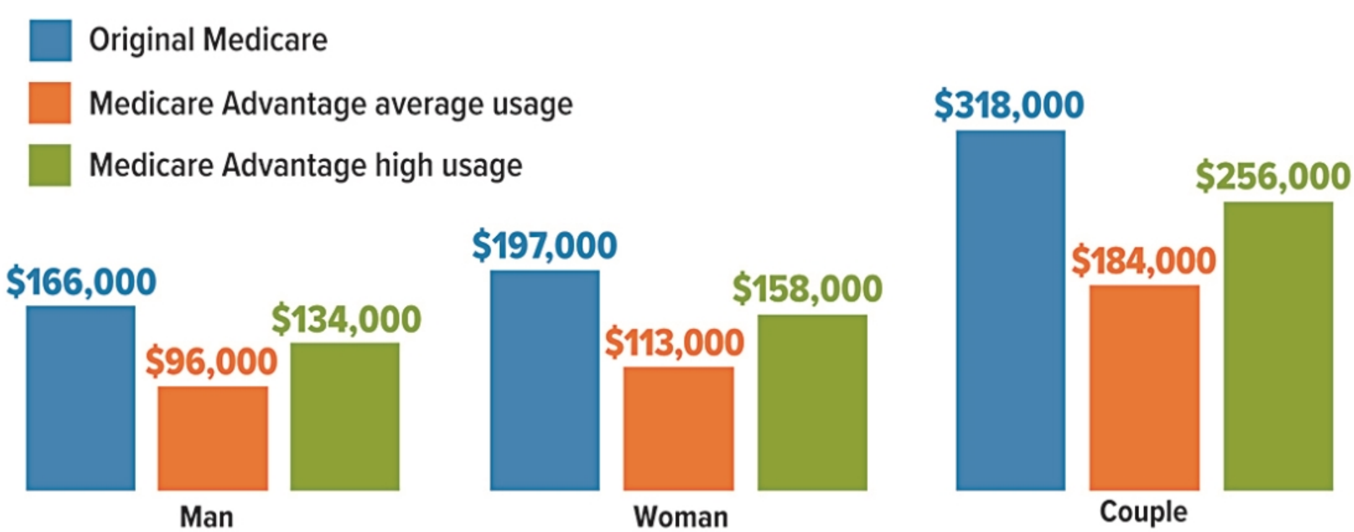
Saving for Retirement Health-Care Costs

The chart below shows the savings that a man, a woman, and a couple who retired at age 65 in 2022 might need to meet retirement health-care expenses, assuming median prescription drug expenses. The Original Medicare estimate includes premiums for Medicare Parts B and D, the Part B deductible, out-of-pocket prescription drug spending, and premiums for Medigap Plan G, which would pay most other out-of-pocket costs.

Medicare Advantage Plans — offered by private companies under Medicare oversight — require the Medicare Part B premium and typically combine hospital, medical, and prescription drug coverage. They often have limited networks and may require approval to cover certain medications and services.



Source: Employee Benefit Research Institute, 2023. Projections are based on a 90% chance of meeting expenses and assume savings earn a return of 7.32% from age 65 until expenditures are made. Does not include vision, hearing, dental, or long-term care expenses. Some Medicare Advantage Plans require additional premiums, which are not included.

Coming in 2024: New 529 Plan-to-Roth IRA Rollover Option

In December 2022, Congress passed the SECURE 2.0 Act. It introduced two new rules relating to 529 plans and student debt that will take effect in 2024.

The first provision allows for tax- and penalty-free rollovers from a 529 plan to a Roth IRA. The second provision allows student loan payments made by employees to qualify for employer retirement matching contributions.

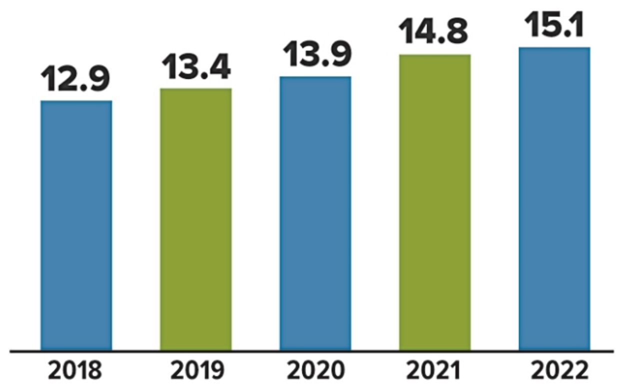
529 Plan to Roth IRA Rollover

529 plans are tax-advantaged savings accounts specifically geared to saving for college. In an effort to broaden their flexibility in situations where families have extra funds in an account, Congress created a new rollover option. Starting in 2024, 529 plan beneficiaries can roll over up to $35,000 to a Roth IRA over their lifetime. Here are the specific rules:

- Any rollover is subject to annual Roth IRA contribution limits, so a beneficiary can't roll over $35,000 all at once. For example, in 2023, the Roth IRA contribution limit is $6,500 (for people under age 50) or earned income, whichever is less. If the limit remains the same in 2024, a beneficiary would be able to roll over up to $6,500.
- In order for the rollover to be tax- and penalty-free, the 529 plan must have been open for at least 15 years. If the 529 account owner (typically a parent) changes the beneficiary of the 529 plan at any point, this could potentially restart the 15-year clock.
- Contributions to a 529 plan made within five years of the rollover date can't be rolled over — only 529 contributions made outside of the five-year window can be rolled over to the Roth IRA. For more information on determining the date of contributions, contact the 529 plan manager.

Example: Kate opens a 529 account for her son Joe when he is three years old. Kate contributes to the account for 15 years. At age 18, Joe enters college. Kate continues to contribute to the account while Joe is in college. Joe graduates, and there is money left over in the 529 account. Because the account has been open for at least 15 years, Joe is eligible to roll over funds from the 529 account to a Roth IRA in his name. He can roll over an amount up to the annual Roth IRA contribution limit, provided he doesn't transfer any contributions made to the 529 account in the past five years. Joe can continue rolling over funds from the 529 plan to the Roth IRA (consecutive years or intermittent years) until he has reached the $35,000 lifetime limit.

Number of 529 college savings plan accounts, 2018–2022, in millions



Source: ISS Market Intelligence, 529 Market Highlights, 4Q 2019–2023

Student Loan Payments Can Qualify for Employer Retirement Match

Employees with student debt often have to prioritize repaying their loans over contributing to their workplace retirement plan, which can mean missing out on any potential employer retirement matching contributions. Starting in 2024, the SECURE 2.0 Act gives employers the option to treat an employee's student loan payments as payments made to a qualified retirement plan (student loan payments will be considered an "elective deferral"), which would make those contributions eligible for an employer retirement match (if an employer offers this benefit).

There are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional.

Could Your Living Situation Change as You Grow Older?

Recent research from the U.S. Department of Health and Human Services suggests that most Americans turning age 65 will need long-term care support during their lifetimes.[1]

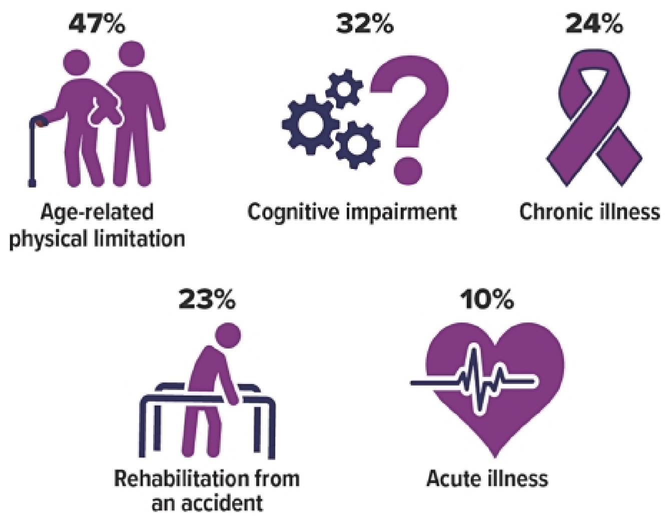
If the need arises, how will you handle potential long-term care for yourself or a loved one? Planning for the consequences of aging in general, and long-term care in particular, will depend on your preferences and circumstances. A long-term care plan should account for the different types of care you may need and the different settings in which you might receive that care. These are the most common options.

Your Home

Given a choice, you might prefer to receive long-term care support in your own home. Family caregivers, friends, or trained homemakers could provide assistance with everyday tasks, and professionals such as nurses and home health aides could provide home health care. In addition, a variety of community support services may be available, including adult day-care centers and transportation services. In any case, receiving care at home offers a measure of independence in a familiar environment.

Reasons for Care

A 65-year-old has a nearly 70% chance of needing long-term care support and services at some point. The average length of long-term care in 2021 was 3.5 years, up from 3 years in 2018. People need care for a variety of reasons, but the most common is simply the physical limitations of aging.



Source: Genworth, 2021 (multiple responses allowed)

Community Care Retirement Communities (CCRCs)

Also known as life plan communities, CCRCs provide a range of services — from independent living to full-time skilled nursing care — all in the same location, allowing you to age in place. Most CCRCs combine housing options at one location and may include townhouses or cottages for independent living, assisted living apartments, and nursing home accommodations.

Assisted Living Facilities

If you want to remain independent but need some assistance with activities of daily living, you might choose to live in an assisted living facility. These home-like facilities offer housing, meals, and personal care services, but generally not medical or nursing services.

Nursing Homes

People who enter a nursing home usually have a disabling condition or cognitive disorder and can no longer take care of themselves. State-licensed nursing facilities offer more specialized skilled care, intermediate care, and custodial care. This is the most expensive way to receive long-term care.

Take some time to think about what the future might hold. Planning ahead can help ensure that you receive the type of care you need, in the setting that you prefer, as you grow older.

1) U.S. Department of Health and Human Services, 2021

As Your Parents Age, Help Them Protect Their Finances

It's heartbreaking to hear stories of people losing money (even their life savings) as a result of fraud or financial exploitation, especially if they are older and financially vulnerable. In fact, it's quite common. People age 70 and older reported losses of $567 million in 2022.[1] You know your parents could be at risk, and you want to protect them, but how?

One place to start is by looking for warning signs that your parents have been victimized, or are at risk of being influenced, manipulated, or coerced by a stranger or someone they know.

- Unusual bank account activity, including large or unexplained withdrawals, and nonsufficient fund notices
- Missing checks, credit cards, or financial statements
- Unpaid bills
- Lost money or valuables that can't be located after a thorough search
- Relationships with people who seem to have undue influence
- Unexplained changes to legal documents
- Declining memory and decision-making skills

Regularly checking in with your parents may help you spot issues that need to be addressed. If your parents have fallen victim to a financial scam or are being pressured for money from someone they know, they may be embarrassed or reluctant to tell you, even if you ask. Do your best to remain objective and nonjudgmental, and patiently listen to their views while expressing your own concern for their well-being.

Laying some groundwork to help prevent future incidents is also important. For example, talk to your parents about how they might handle common scams. Let them know it's a good idea to get a second opinion from you before acting on any request for information or money, even if it seems to come from their financial institution, a well-known company, law enforcement, a government agency such as the IRS or Social Security Administration, or even a grandchild in trouble.

Encourage them to set up appointments with their elder law attorney or financial professional to talk about concerns and legal and financial safeguards. They might also want to add layers of protection to their financial accounts, such as naming a trusted contact or setting up account alerts.

People are often reluctant to report financial fraud or exploitation, either out of embarrassment or fear of being wrong. But if you suspect your parents have been victimized, you can get help from many sources, including the National Elder Fraud Hotline, sponsored by the U.S. Department of Justice. You can call (833) 372-8311 to be connected with case managers who will assist you and direct you to additional resources.

1) Federal Trade Commission, 2022