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FEATURED IN THIS ISSUE:

1. A 2022 Guide to Key Dates for Retirees
2. Boost Your Retirement Savings for 2022
3. How to Balance Saving for Retirement and Your Kids' Education
4. Nearing Retirement? Ditch 'Hidden' 401(k) Fees

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A 2022 Guide to Key Dates for Retirees

Missing an important deadline can sometimes mean a financial hit. Here is a checklist of what you need to do and when to avoid any potential issues.

Deadlines are relentless, whether for tax filings, health plan open enrollments or required distributions from retirement savings. The clock is always ticking, even in retirement, and the consequences for missing a financial deadline can be painful.

This guide to key dates in 2022 serves as both a reminder and a checklist of what you need to do and when. Post it on your refrigerator or thumbtack it to a bulletin board and use it to manage your finances better and on time.

JAN. 1. A new year is a clean slate, a chance to pare down your spending and beef up your savings. In 2022, you have a bigger incentive to do both because the maximum amount that can be contributed to an employer's retirement savings plan jumps to $20,500, up from $19,500 for the past two years. People age 50 and older can sock away an additional $6,500.

The contribution limits for IRAs remain unchanged at $6,000, with an additional $1,000 allowed for someone 50 or older. Although there is no age limit for contributing to an IRA, you will need enough earned income to cover the contributed amount. Note that IRA contributions phase out for high earners (see IRS Publication 590-A).

The start of the new year also marks the beginning of traditional Medicare's general enrollment period, which lasts until March 31. During this window, individuals who missed signing up for Medicare when they turned 65 or during a special enrollment period get another chance, with coverage beginning July 1. The same window also serves as Medicare Advantage's open enrollment period, when those already enrolled in an Advantage plan can elect a different one or switch to traditional Medicare.

JAN. 18. The calendar and the Martin Luther King holiday give you three extra days to pay fourth-quarter 2021 estimated taxes. You can skip this deadline, however, if you file your taxes for the year and pay any remaining balance by Jan. 31.

MARCH 31. General enrollment for traditional Medicare and open enrollment for Medicare Advantage end.

APRIL 1. This deadline only matters to those who turned 72 in 2021 and didn't take a required minimum distribution last year. Age 72 is when you must begin taking distributions from tax-deferred retirement savings accounts, but first-timers can delay taking an initial RMD until April 1 of the year following their 72nd birthday. Thereafter, the deadline for taking RMDs is every Dec. 31. If you delay taking your first RMD, you will need to take a second distribution in the same year, which will jack up your overall taxable income and possibly tip you into a higher tax bracket.

Although Roth IRAs have no required minimum distributions, Roth 401(k)s do. You can skip taking an RMD from your current employer's plan if you continue working there and don't own 5% or more of the company. But you must take RMDs from traditional IRAs and the 401(k)s of previous employers.

To calculate your RMD, take the value of the account balance on Dec. 31, 2021, and divide it by the corresponding life expectancy factor for your age based on your birthday in 2021. Use the tables in IRS Publication 590-B to determine your life expectancy factor.

APRIL 18. A regional holiday is responsible for the extra three days you have to file your 2021 taxes this year. In 2022, the District of Columbia celebrates Emancipation Day on April 15, pushing the filing deadline to Monday April 18. On this day, your 2021 taxes are due, along with any money owed, even if you file for a six-month extension. Today is also your last chance to make your 2021 contribution to an IRA. If you file quarterly, this is also the deadline for the first estimated tax payment for 2022.

JUNE 15. Your second-quarter estimated tax payment is due.

JULY 1. Use this midyear point to assess your 2022 tax tab. Are your estimated tax payments on track to avoid underpayment penalties? You can dodge them if you pay at least 90% of the current year tax bill or 100% of last year's payment (110% if your income is high). You should also consider other tax-saving moves for the year.

SEPT. 15. Third-quarter estimated taxes are due.

SEPT. 30. By now, you should have Medicare's annual notice of changes to formularies, benefits and premiums for either a Medicare Advantage or Part D prescription drug plan. Changes take effect in 2023. Review these changes carefully.

OCT. 15. Time's up for all you extension filers. Today is the deadline for turning in your 2021 tax return. Also, Medicare open enrollment begins today. You have from now until Dec. 7 to switch between traditional Medicare and Medicare Advantage or choose new Advantage or Part D prescription drug plans, with coverage beginning next year.

NOV. 1. In most states, early retirees can begin shopping today for a 2023 health plan on the Affordable Care Act exchanges. You have until Dec. 15 to select coverage.

DEC. 1. Act by today if you plan to make a qualified charitable distribution from your IRA so that the charity receives the money by the end of the year. Traditional IRA owners who are at least age 70½ can transfer up to $100,000 directly to charity in 2022. A QCD still counts as an RMD but is excluded from your taxable income.

DEC. 7. Medicare's open enrollment ends today.

DEC. 15. The ACA's open enrollment ends. Ideally, your RMD should be taken by this date too. Brokerages get busy at the end of the year, and any delay on their part could result in you missing the Dec. 31 deadline for taking an RMD, an expensive error that comes with a 50% penalty on the missed amount.

DEC. 31. Here's your last chance to trim your 2022 tax bill. Charitable gifts, 401(k) contributions, Roth conversions and the sale of a losing investment to offset market gains elsewhere must all be completed by today to count for 2022.

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Boost Your Retirement Savings for 2022

The time is now to maximize contributions. Also, if you've got required minimum or charitable distributions to make, that deadline is coming up.

You have until December 31 to stash the maximum $19,500—or up to $26,000 if you're 50 or older by the end of the year—in a 401(k) and until April 15, 2022, to contribute the maximum $6,000 (or $7,000 if you're 50 or older) for 2021 to your IRA. Contributions to 401(k) accounts aren't included in your taxable income. If you're not eligible for a workplace retirement plan, or your income falls below specific thresholds, you can deduct contributions to a traditional IRA. In both cases, your contributions will lower your 2021 tax bill.

If you were self-employed or had a side hustle in 2021, you can save even more in a tax-advantaged account. As both employee and employer, for 2021, you can contribute up to $58,000 ($64,500 if you're 50 or older) to a solo 401(k) plan, which is available to anyone with self-employment or freelance income. Your contributions can't exceed your self-employment income for the year. You have until December 31 to make the employee share of your contribution and until April 15, 2022, to contribute as an employer.

Alternatively, you could contribute to a SEP IRA, which allows individuals to put away up to 20% of net self-employment earnings, with a $58,000 maximum. The deadline to both establish and fund a SEP IRA for the 2021 tax year is April 15, 2022.

Usually, withdrawing money from a traditional IRA before age 59½ results in a 10% penalty (the penalty also applies if you withdraw earnings early from a Roth IRA, but contributions can be withdrawn anytime without repercussions). The 2020 Coronavirus Aid, Relief and Economic Security (CARES) Act, however, permitted penalty-free withdrawals of up to $100,000 from an IRA or 401(k) in 2020 regardless of your age. You owe no federal income tax on the withdrawal if you put the money back into your account within three years of the date you received the distribution. (You may file an amended tax return to reclaim any tax you've already paid.) Consider repaying at least a chunk of the withdrawal amount this year. Or you can spread income tax on the distribution evenly over three years. If you took advantage of this provision, make sure that you account for the portion of tax you owe for 2021.

Consider a Roth Conversion

Especially if you think that your income tax rate will go up next year, you may want to convert your traditional IRA to a Roth IRA now. You'll pay tax on the deductible traditional IRA contributions that you convert, but all withdrawals from the Roth are tax-free once you reach age 59½ and have owned the account for at least five years. Plus, you don't have to take required minimum distributions from a Roth.

Don't Forget to Take RMDs

Thanks to pandemic-related relief measures, retirees didn't have to make their 2020 annual required minimum distributions from 401(k)s and traditional IRAs. But you're back on the hook for 2021. If you were born on or after July 1, 1949, RMDs start at age 72, and you have until April 1 of the year after you turn 72 to take your first RMD; after that, yearly withdrawals are due by December 31. (Those born before July 1, 1949, had to take their first RMD at age 70½.)

Transfer IRA Money to Charity

If you're 70½ or older, you can direct up to $100,000 each year from your IRA to an eligible charity through a qualified charitable distribution (QCD). The amount you transfer is excluded from your taxable income, and it counts toward all or part of your RMD for the year. For a QCD to be eligible as an RMD, you must make the QCD by your RMD deadline, which is usually December 31.

Note that changes in the law now allow those 70½ or older who have earned income to contribute to a traditional IRA. If you make tax-deductible contributions to an IRA at age 70½ or later, the tax-free amount of a subsequent QCD is reduced by the amount of the contributions.

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How to Balance Saving for Retirement and Your Kid's Education

Achieving your goals takes patience and time – but starting early will give you a big edge. And while it may feel unnatural, put yourself (and your retirement) first.

Let's face it: Setting aside adequate funding for the future is a long, hard slog. Particularly for younger families who are early- to mid-career and have a lot of competing financial items to cover. Between raising young kids, paying mortgage or rent, and the countless other items that come with daily living, it can be stressful and difficult to see how everything is ever going to come together. Let alone saving for future goals – such as a home, kids' education funds and the big one: retirement.

Truth is, we're in an era where these pressures continue to increase. Education expenses seem to be heading to the moon. And the concept of an employer paying a retirement pension has been dwindling for decades. The burden has shifted to employees to fund their own retirements.

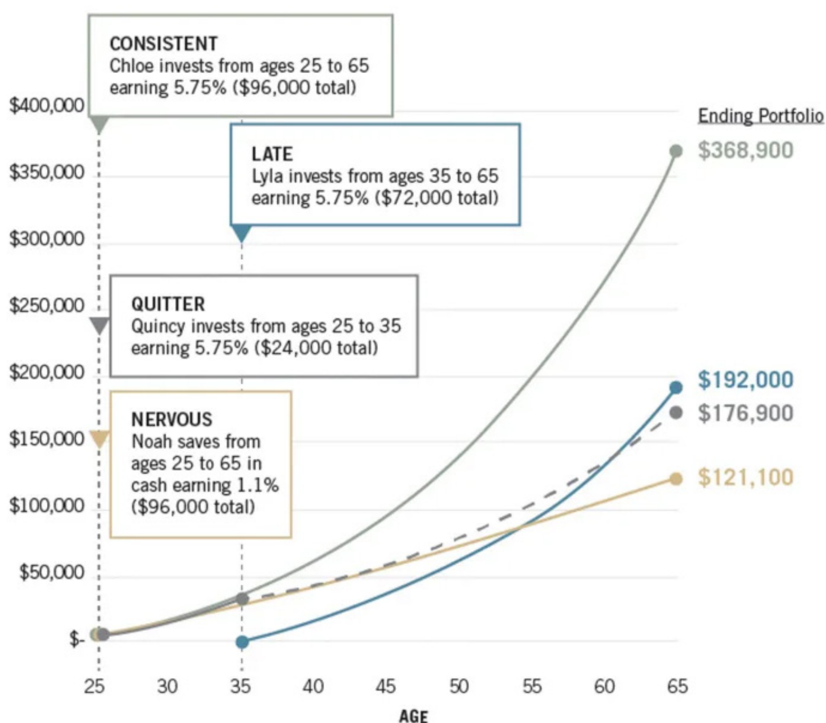
If you're in this boat, consider these strategies that may help. I'll start with saving for retirement.

The first decade of retirement savings builds your foundation

Let's tackle the question of balancing saving for retirement and education with what we know today. Unlike your children's education, your retirement can't be financed with a loan. The thing you can control about saving for retirement is to start early in your life and remain disciplined in putting something away for the long term. I often advise people who are starting out in their careers, and it's key for them to understand that the first 10 years of savings generally won't feel like things are growing fast enough. What you're essentially doing in that period is building a foundation: A meaningful amount of money that down the road should start to compound at a faster rate.

The more dollars you have in the foundation, the more they can generate with even slight increases in investment returns. Think of it this way – making 10% on $1,000 produces $100 of investment returns. At the end of the day, $100 may not last too long in retirement. However, if you can build a savings balance to $100,000 and get 10% returns, that amounts to $10,000. Now start to replicate that over time, and eventually those return dollars start to compound at a higher rate than your annual contributions.

The graphic below provides a good example of how compounding works. Compare the "Consistent" example with the "Late" results. Those 10 years of starting early are highly advantageous in terms of compounding.



SOURCE: JP MORGAN
The above example is for illustrative purposes only and not indicative of any investment.
Account value in this example assumes a 5.75% annual return and cash assumes a 1.1% annual return.

The gap between Consistent and Late carries a powerful message: Use those early career years to start putting money away to build up your foundation. Decide on an amount you can afford – and just start and stick to the plan. As your pay increases, you should reassess to determine if you can increase your contributions.

Contemporary studies indicate a need to save 15% of your income annually to obtain enough savings over a career to replace your salary in retirement. This is a high hurdle, but starting early and building your way up to the target over time is the important part.

This saving and investing business is a slow, long-term process. But it's a lot more effective than waiting until later in life when you won't have as much time to allow your money to grow before you need to draw from it.

Education savings should play second fiddle

As I mentioned above, retirement isn't something you can finance or borrow money to fund. From my experience, I believe retirement should take a higher priority over saving for your children's college. I'm not saying you should ignore that future expense – but don't put it ahead of creating a nest egg to support you when you can no longer work or choose not to. Ultimately, education can be financed if you don't have the means to fully save for it as well as to cover all of life's expenses and put away money for retirement.

Right now, we're seeing massive student loans burdening young adults leaving college, and it just seems like this trend isn't getting any better. I question how tuitions can inflate the way they have – especially over the last 20 years. Something will have to give eventually, but don't bank on this while planning for your future!

As with retirement, if you can start saving for education by putting aside something early and often, you likely will see the benefit after building the foundation. It takes time, and it is a marathon. The goal would be to determine an amount you can save from your income, focus on getting a larger portion into retirement savings, and then allocate some to education. You can also make use of bonuses and gifts to save into education as they come along.

I recognize that saving for both retirement and education can seem next to impossible. Most families face this same problem. However, starting to do something about it early in your career can lay a solid groundwork, which will ultimately provide greater compounding – along with significantly greater financial security in the decades to come.

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Nearing Retirement? Ditch 'Hidden' 401(k) Fees

Your 401(k) may be costing you more than you realized. An in-service direct transfer to an IRA could be a game changer – if you qualify.

If you're closing in on retirement — maybe five to 10 years away – you're probably paying more attention than ever to your 401(k) balance and returns.

But when was the last time you took a hard look at how much you're paying in "hidden" 401(k) plan fees?

Although the Department of Labor says plan sponsors must provide a breakdown of account charges at least once a year with a participant-fee-disclosure notice, many people never read theirs — or even the portion of their quarterly statements that contains information about expenses.

That's a mistake.

The goal of a 401(k), after all, is to save as much as possible for retirement. And that's harder to do if, over time, high hidden plan fees keep nibbling away at that money, reducing the growth in your account.

How Much Can 401(k) Fees Cost You?

Even in the short term, from one year to the next, hidden fees can do some damage — especially if you manage to stash away a significant amount in a 401(k) or similar employer plan.

That doesn't mean that you shouldn't take advantage of the convenience of saving in an employer-sponsored plan or the opportunity to get matching contributions.

But if you've got $1 million in your 401(k), and your plan charges 1% of your account balance to cover its hidden fees each year (a typical amount), that's $10,000 coming out of your 401(k) balance every year.

That's not a nibble. It's a bite. And some investors pay 1.5% or even 2% in hidden plan fees on 401(k) plan assets every year.

Could an In-Service Direct Transfer Help You?

Though you may be thinking of your account fees (if you were aware of them at all) as "the cost of doing business," that's not necessarily true. Even if you've been saving in the same plan for decades and have a healthy nest egg sitting in your 401(k), you may be able to cut your hidden plan fees.

In fact, if you're 59½ or older, you likely have a strategy available to you that your younger co-workers don't. It's called an in-service 401(k) direct transfer, and it could make a lot of sense for you.

What's an in-service direct transfer?

You've likely had friends who have transferred funds from a 401(k) to a traditional or Roth IRA when they left one or more jobs through the years. Or maybe you've done it yourself. Well, an in-service direct transfer works much the same way. If you're 59½ or older, and your employer's plan allows it, which most do, you can move your balance directly from your 401(k) to an IRA and enjoy several potential benefits, including:

More control. With an IRA, you may have greater fee transparency. You'll have to do your homework to be sure your new account is less expensive than your employer's, but doing a direct transfer into an IRA could save you in hidden 401(k) plan administrative fees, mutual fund expense ratios and other hidden costs that can reduce your returns.

More investment choices. IRAs generally can offer a wider range of options than 401(k) plans, which can be limited. So not only will you have a potentially better opportunity to comparison-shop for investments with lower costs, you may also be able to add more diversity to your portfolio as you move toward retirement. An IRA can put you in a position to invest in stocks, bonds, exchange-traded funds, real estate investment trusts, precious metals and more.

It may make it easier to do a Roth conversion. Many 401(k) plans don't have a Roth option, and many that do don't have a Roth conversion option. But if you perform an in-service direct transfer to an IRA, you can perform Roth conversions if and when you choose.

You can still contribute new money to your 401(k). If your employer offers a matching contribution, you can continue contributing to your 401(k) to get that money. Your account will remain open, so you can keep the convenience and benefits of your workplace retirement plan, but you've removed the effect of paying hidden 401(k) plan fees on your entire balance.

Get Some Answers Before You Act

Because different employer-sponsored plans have different rules, you should ask your plan administrator about eligibility and other requirements before you move forward with this strategy.

It's also a good idea to discuss your concerns about account fees — and the strategies available to help reduce them — with an independent financial adviser.

Every financial decision comes with pros and cons, so you'll want to thoroughly talk this one through. An adviser who has a legal obligation to look out for your best interests and can help you maximize your retirement plan savings … even if your retirement is just a few years away.

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