LET'S TALK MONEY®

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How Long Will You Work?

Recent surveys show that younger Americans believe they will work past normal retirement age, which could become reality given the increasing amount of "retired" Americans who continue to work. But life has a way of altering the best-laid plans, so it's important to establish a "what-if" strategy that addresses a shorter work life and longer retirement than you may plan.

Intentions and Reality

With fewer pensions and inadequate retirement account balances, many older Americans not only work past normal retirement age, but hope to keep working indefinitely. According to the Bureau of Labor Statistics (BLS), the labor force participation rate is expected to increase fastest for people ages 65 and older through 2024.

While older Americans may be healthier and more active than previous generations were, you can't apply generalizations to specific situations. For example, BLS notes that the labor force of the 75-and-older age group is expected to grow about 86% from 2014–2024. Those workers are putting a lot of faith into a future that can be uncertain.

Prepare for Uncertainty

That uncertainty can be anything from poor health or a changing job market to the death or disability of workers or their loved ones.

That's why it's important to plan for a normal retirement age, which is between 66 and 67 for most people retiring in the next few years, and then hope for the best.

How best to get going? Start by preparing financially with the help of a financial professional. Some older Americans continue to work to pay for healthcare, which can be expensive even when qualifying for Medicare. Make sure you have the proper health insurance beyond Medicare that covers out-of-pocket costs such as deductibles. Don't forget about contributing to a Health Savings Account if you have a high-deductible health plan. You carry any balance until it's exhausted without time restrictions.

As long as you're working, increase your retirement plan and IRA contributions. If you qualify by income, contributing to a Roth IRA may also make sense because qualified distributions are tax-free. Then, if you have to stop work at 66, you have built some retirement income. If you keep working, keep building.

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Retirement Version

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How to Develop Healthy Spending Habits

Developing and maintaining healthy spending habits seems easy in theory, but prove harder in practice. From the time we earn that first paycheck to receipt of our first retirement check, financial goals change, but smart spending habits hold true. Consider practicing these habits through the times of your life:

Young Adults

There is no better time to learn and practice healthy spending habits than in our early adult years. But today's Millennials are swamped with 24/7 sales messages on their electronic devices, television and in print. At any age, start by using your head and putting your heart in cold storage when shopping. When you hear "buy, buy, buy" answer the question "why, why, why?" before spending a dime.

Learn to curb your buying impulses. Ask questions. Do you really need to buy a new $1,200 smartphone when your old one works just fine and is paid off? Do you know how those designer lattes add up each month, each year? Understand your total expenses and learn to differentiate between needs and wants.

Once you take the emotion out of buying, put your new spending plan in writing. Detail your income and expenses, and build an occasional indulgence into your budget. Ultimately, you'll appreciate the discipline you follow to a healthy financial lifestyle.

Midlife Reset

Even the most disciplined savers can fall back into poor spending habits and see their debt levels rise. If this sounds like you, consider the following:

1. Forgive yourself. Everyone makes mistakes;
2. Review your budget and strategize for better spending health;
3. Pay your credit card balances with the highest rates until they're paid in full;
4. If you use your cards again, pay off balances in full each month;
5. Strive to buy with cash instead; and
6. Put the extra cash you saved toward long-term goals.

Near Retirement

The younger you are, the easier it may be to correct poor spending habits. But no time is more important to nail this financial aspect than when you're near retirement. Because this time of your life may include less income than when you worked, it's important to start by lowering your expenses.

Healthy spending habits near and in retirement may start and end with reducing your major expenses. Downsizing your living arrangements could provide the biggest boost to your disposable income. Paying off credit card debt is a must and planning for unexpected expenses should be a priority.

Know, for example, that a home you own will need maintenance at some point, so plan for its costs. Carry the insurance needed to pay for health, disability and long-term care. Revisit your spending plan regularly to account for changes in your life.

Back-to-School Shopping Tips

While summertime brings songs about sun, sand and fun, parents of students know this season includes an extra expense: back-to-school shopping. Here's how to survive this unavoidable annual ritual while keeping your expenses down.

Textbooks are expensive, particularly those needed in college. Save lots of money by buying used, renting, borrowing or downloading e-books.

Kids lose things, including laptops and smartphones, so insure them against loss and other damage

Accept hand-me-downs. If your kids have to wear uniforms and they're the same as used ones in good shape, choose the less-costly used option.

Shop at dollar stores for everyday items including writing instruments, binders and paper.

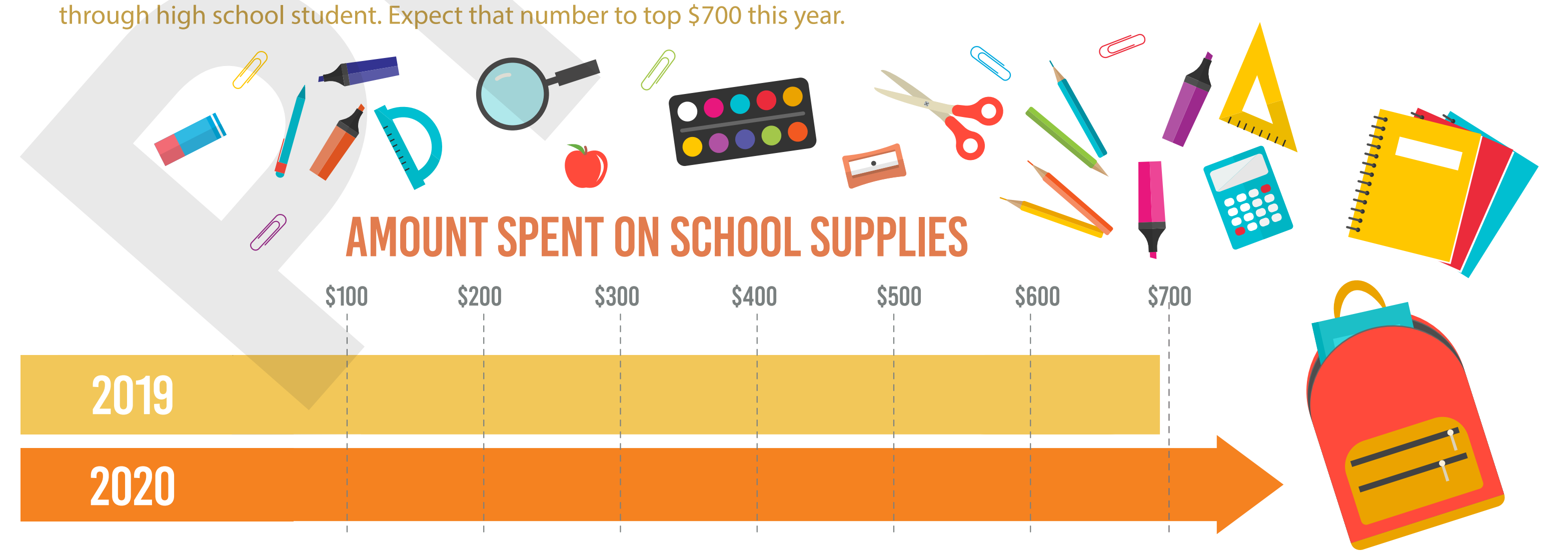
Shop in bulk. Team up with family, friends and neighbors to buy common school supplies in bulk.

Buy computers with lower speed and storage. Higher levels of speed and space cost more and are more likely to be beneficial for gaming than for school research.

Wait for sales. If you can hold off, you may find better prices on electronics and clothing during the holidays than in the back-to-school sales season, when retailers figure they have you cornered.

Back to School Spending Stats

School supplies comprise a healthy portion of back-to-school spending. In 2019, a survey by the National Retail Federation and Prosper Insights & Analytics found that families expected to spend an average $696.70 on school supplies for each elementary through high school student. Expect that number to top $700 this year.



Easy Ways to Help Grow Your Retirement Accounts

Company-sponsored 401(k) plans have undergone big changes over the years, including matching contributions from your employer, and automatic enrollment, rebalancing and contribution escalators. Even if you don't have these options, you can still model your individual retirement investing behavior after some of these plan features.

Auto Enrollment

If your retirement plan doesn't offer automatic enrollment, ask what you need to do to join. If you don't have a workplace plan, make it your mission to research the qualifications and contribute to an individual retirement plan.

Auto Contributions

Before you start a new job, forecast your take-home pay for your monthly budget after subtracting a number like 10% for retirement contributions. (Remember that your contributions will likely be tax-deductible.) Start contributing as soon as you're eligible, because time means everything when it comes to building your retirement accounts.

Auto Escalators

When you get a raise, why not put the extra money into a retirement account? If you never had the raise, you won't miss it. Employers often do this automatically for plan participants. If yours doesn't, request a change to your contribution level.

Auto Choice

Some people don't enroll in 401(k) plans because they don't want to choose among investments. So some employers automatically put employees' contributions into target-date or balanced accounts for them. Do the same if you don't want to choose among investment options.

Auto Rebalancing

If you choose your own investments in a workplace or other retirement plan, it pays to diversify.* To keep your portfolio diversified as planned, you'll need to rebalance it regularly, say every six or 12 months. Many 401(k) plans include this feature; otherwise set yourself a reminder.

Auto Rollover

Some employers automatically roll over retirement plan balances for employees leaving one job for the next, but the new employer will have to accept these rollovers. If your previous employer doesn't do this automatically, ask your new place of employment about the process of having the balance rolled over.

**Diversification cannot eliminate the risk of investment losses. Past performance won't guarantee future results. An investment in stocks or mutual funds can result in a loss of principal.*

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 16, 2020

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The communication submitted appears consistent with applicable standards.

Reviewed by,

Natlyn D. Murrain
Associate Principal Analyst

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