

RETIREMENT IN SIGHT



MONTHLY NEWS AND INFORMATION FOR CURRENT AND FUTURE RETIREES
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QUOTE OF THE MONTH

“Every laugh line, every scar, is a badge I wear to show I've been present, the inner rings of my personal tree trunk that I display proudly for all to see. Nowadays, I don't want a perfect face and body; I want to wear the life I've lived.”

PAT BENATAR

POSSIBLE CHANGES FOR CATCH-UP CONTRIBUTIONS

Since 2002, Americans aged 50 and older have been permitted to make annual "catch-up" contributions to popular retirement accounts – but according to Vanguard's 2021 How America Saves report, just 15% of retirement savers do. One factor may be the limits on these contributions. Many pre-retirees who are old enough to "catch up" would like to contribute considerably more to their retirement plans, as they need to ramp up their rate of saving.

Proposed legislation making its way through Congress could allow people over 60 to make larger yearly catch-up contributions to some of the most popular types of workplace retirement plans. Essentially, there are variations of the same bill circulating in Washington. The Senate version would let those 60 and older make annual catch-ups of up to \$10,000 to employer-sponsored retirement plans. The House version also has a \$10,000 annual maximum, but the enlarged catch-ups would have to be after-tax contributions. An after-tax contribution does not reduce your current taxable income by an equivalent amount, but it may help reduce your income tax burden during retirement. With many seniors needing to save more – much more – before they conclude their careers or sell their businesses, any new laws allowing larger catch-up contributions could be a benefit.¹

HOW ABOUT A "GAP YEAR" BEFORE YOU RETIRE?

For generations, teens in Europe have opted for a year off to adventure and see the world before starting their university educations – an interim commonly referred to as a "gap year". It turns out some American seniors are also taking a "gap year" between full-time work and retirement, but instead of avoiding campus, they are using the transition to take advantage of expanded adult education at our own colleges.

There are some trends encouraging this, and one will not surprise you. The COVID-19 pandemic, according to a 2021 AgeWave study, has led an estimated 68 million U.S. seniors to adjust their exit dates from their careers, professions, and businesses. At the same time, universities are noticing that our country is growing older – by 2034, Americans aged 65 and older will outnumber children. Adult learning, sometimes offered at nominal cost, is aiding pre-retirees and new retirees with ambitions to work in a new way, start a business, or embark on an encore career. A "gap year" may be a useful life step to help them decide what to do next.²

ON THE BRIGHT SIDE

The S&P 500 took just 354 trading days to double in value from its March 23, 2020 close. This represents the quickest doubling from a market bottom in the index's history.³

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. The S&P 500 Composite Index is an unmanaged group of securities considered to be representative of the stock market in general. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index.

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CITATIONS.

1 - CNBC, August 5, 2021

2 - MarketWatch, April 7, 2021

3 - CNBC, August 16, 2021