



PARTICIPANT PERSPECTIVES

TURBOCHARGE YOUR RETIREMENT PLAN

If you've been letting your retirement account idle on the side of the road, it's time to take the wheel and get going. Here are four simple strategies to power up your plan:

Set a contribution goal. Even if you can't do it all at once, aim to increase your contribution level gradually over time. For example, you might consider raising your contribution rate by one percentage point a year until you hit your goal.

Capture the match. Check to see whether your plan offers employer matching contributions (not all plans do). If it does, find out how much you need to contribute to take full advantage of the match and give your savings an extra boost.

Catch up. Many plans allow participants to make additional "catch up" contributions to their plan accounts starting in the year they reach age 50. If your plan includes this feature, it can be a good opportunity to put more money aside for your retirement.

Stay invested. Your plan may let you borrow from your account during your working years or withdraw money

if you experience a financial hardship. While it's nice to know the money is there if you need it, remember that you're saving for retirement. If at all possible, avoid taking money out of your account for other reasons.

How Do You Compare?

Your retirement savings goal should be based on your personal financial situation and needs. Still, you may be interested in comparing the amount you have saved so far with the median retirement savings balance of other people in your age group. Here's a look at data from 2016:

MEDIAN 401(K)/IRA BALANCES		
Age	Individual	Household
35-44	\$37,000	\$40,000
45-54	\$80,000	\$97,000
55-64	\$104,000	\$135,000

Source: Center for Retirement Research at Boston College, calculated using data from the Federal Reserve's 2016 Survey of Consumer Finances

USING HSAS FOR RETIREMENT

Health savings accounts (HSAs) were created in 2003 as a savings vehicle to help people pay out-of-pocket medical expenses. Although that is their primary purpose, HSAs contain several features that could make them viable as a retirement savings vehicle for some individuals.

The Nuts and Bolts of HSAs

An HSA is essentially a medical savings account available to those enrolled in a qualified high-deductible health plan. HSAs offer several tax-saving features. For example, contributions are deductible (or excluded from income), account earnings accumulate tax free, and, as long as the medical expenses paid with HSA savings are qualified expenses for the individual, spouse, or dependents, HSA withdrawals are tax free.

Qualified expenses: Qualified expenses include doctors' fees, hospital services not paid for by insurance, and prescriptions, among others. While health insurance premiums generally are not considered qualified expenses, there are some exceptions. For example, individuals receiving unemployment compensation can use HSA funds to pay for health care coverage.

Qualifications to open an HSA: To open and contribute to an HSA, individuals must have a qualified high-deductible health plan. In addition, they generally cannot have other health coverage (although certain types of insurance are allowed, such as vision and dental care) or be enrolled in Medicare.

To qualify, the high-deductible health plan must have an annual deductible of at least \$1,400 for self-only coverage or \$2,800 for family coverage (for 2020). Also, the sum of the annual deductible and other annual out-of-pocket expenses (other than premiums) required to be paid under the plan cannot exceed \$6,900 for self-only coverage and \$13,800 for family coverage (for 2020). These amounts are adjusted for inflation annually.

Setting up an HSA is similar to setting up a traditional savings account or an individual retirement account (IRA) in that it can be opened with a lump-sum payment or through an arrangement to make contributions on a regular basis.

Contributions: In general, the maximum contribution to an HSA in 2020 is \$3,550 with self-only coverage and \$7,100 for family coverage, with an additional \$1,000 in catch-up contributions for those aged 55 years or more. These limits will be adjusted for inflation in future years. An individual's employer or family member may also contribute, as long as the total contribution amount doesn't exceed the limit.

Contributions can be kept as cash or invested in other options that may be available, such as stock or bond funds.* Any money not spent during the year is rolled over for subsequent years. A relatively healthy individual could accrue a sizable HSA balance over a number of years.

Rules for withdrawals: The rules for withdrawals are quite flexible. An individual with an HSA may make a withdrawal at any point in the future for any qualifying expense incurred since the HSA was first opened. For example, a child needs dental work and her parent pays the \$2,800 cost out of pocket this year. If the parent saves the receipt, the parent could use that bill 25 years later in retirement as the basis for an HSA withdrawal. In addition to the receipt, the parent would need records showing that the expenses were not previously paid or reimbursed from another source or taken as an itemized medical deduction.

*You should consider a fund's investment objectives, charges, expenses, and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.



Using an HSA to Save for Retirement

The combination of favorable tax treatment, the potential opportunity to invest contributions in longer term assets, and the flexible withdrawal rules make HSAs particularly attractive as an alternative retirement savings vehicle for certain individuals. An individual who currently maximizes contributions to all tax-favored retirement accounts for which they qualify and who also saves in taxable accounts could treat the HSA as another option to save more and to save in a tax-favored way. Essentially, the individual could treat the HSA as a retirement savings account and let the assets compound for as long as possible while paying out-of-pocket medical costs with taxable funds.

However, for those who cannot fund all tax-advantaged retirement vehicles, the decision to use an HSA as a retirement savings account is less clear cut. It may make sense in this situation to try to fund a 401(k) or other tax-advantaged retirement savings account, especially if there is an employer match. As always, each individual's situation is unique and the input of an experienced professional can be invaluable when considering different retirement savings options.



IS YOUR HOME A RETIREMENT ASSET?

After years of making mortgage payments and tending to repairs and improvements, you may have a large investment in your residence by the time you retire. Maybe you're planning to finance your retirement with some of that investment. But before you count home equity as part of your retirement savings, ask yourself a few questions.

How much equity are you likely to have?

You can estimate this amount by subtracting how much you'll still owe on your mortgage and home equity loans when you retire from how much you expect your house to be worth.

Will you want to sell your home?

There are basically two ways you can turn home equity into cash for your retirement: sell your home or take a reverse mortgage. In general, your most practical option will be selling, so think about whether you'll be willing to go that route when the time comes.

How much will a new home cost?

You'll need a place to live after you sell your home. Renting is one option. But, if you'd rather own your home, you'll have to buy another property. So the next step is to think about where you want to live and how much you'll have to pay to buy a home there.

What's the bottom line?

To add anything to your retirement savings, the new home you buy will have to cost less than the amount of equity you unlock when you sell your old home.

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