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THE R.A. READ

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2020 Election

Don't Panic!

President Trump and the first lady tested positive for Covid, injecting a new round of uncertainty into an already tumultuous election. How this may play out is unknown, as we're in uncharted waters.

Much will depend on the path of the virus, but heightened uncertainty does put a damper on investor sentiment. Amid tension on both sides, **let me first say that my role is to be your financial advisor. I have worked hard to earn your trust.** I am not a political analyst. I am here to guide you as you journey toward your financial goals. Therefore, I will carefully and cautiously review the current contest as closely as possible but mainly I will focus on the economic fundamentals and steer clear of playing politics with your investments.

Let's consider these facts:

Stocks have performed well under both parties. The conventional wisdom isn't always right. Recall that stocks weren't supposed to do well with a Trump win, as investors wanted the continuity a Hillary Clinton presidency would offer.

Compromise and gridlock may engulf a dominant party, as a one-sided win tends to expose party divisions. Remember how Republicans would quickly repeal Obamacare?

Some investors fret that a Biden win would lead to higher corporate taxes and heap more regulations on businesses. But might we see more fiscal stimulus and an easing in trade tensions, which could support shares? Longer term, stocks march to the beat of the economy, Fed policy and corporate profits. A growing economy fueled by innovation and entrepreneurship has been the biggest driver of stocks over many decades. **In my opinion, that's not about to change.**

6 Steps That Put You on the Path to a Successful Retirement

Simply put, failing to plan is planning to fail. Don't plan to fail!

According to the [[www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement.pdf Department of Labor]]:

- Only 40% of Americans have calculated how much they need to save for retirement.
- In 2018, almost 30% of private industry workers with access to a 401(k) plan or something similar did not participate.
- The average American spends roughly 20 years in retirement.

1.**Regularly saving is critical.** Once you begin an automatic payroll deduction into a retirement account, you won't miss it. I promise. I can't overly emphasize the importance of capturing your entire company's match. It's free money. Don't leave free cash with your employer!

2. **Start as early as you can.** It won't be long before my youngest daughter graduates from college. In her mind, retirement is another planet, if not another universe. And that's the case for many young people.

But we all know the magic of compounding. The savings we socked away when we were younger has paid big dividends.

Here's a story. A friend of mine in his early 50s is semi-retired. Yet, he sometimes complains that he started saving when he was 26 and not 22. For many, he's ahead of the game, even if he didn't start right out of college. Still, his decision to start early and max out his contributions put him on the path to financial freedom.

3. **What plan best fits my need?** That question will depend on your personal circumstances. For many, your company's 401(k) is tailor-made to save for retirement. This is especially true if your employer has a matching contribution. Alternatively, current tax law does not require minimum distributions, which can be a big advantage as you travel through retirement.

A Roth may also be advantageous if you do not believe your marginal tax rate will fall much in retirement or if you have outside assets that limit your need to withdraw on your retirement savings.

Of course, these are all decisions that Renaissance Advisory Group can help clients determine the best course of action!

4. **How much will I need at retirement?** This is where things get personal. Your retirement expenses and lifestyle will dictate your portfolio needs and draw down strategy.
One approach some folks consider is the 4% rule.
It's relatively simple. Withdraw 4% of your total investments in the first year and adjust each year for inflation. Keep in mind, however, that this is a rigid rule. It assumes a 30-year time horizon and minimizes the risk of running out of money.

Partnering with a financial advisor takes the guesswork out of managing your distribution process that remains dynamic as the markets fluctuate and your needs change.

5. **How do I find the right mix of investments?** What worked when you were 30 years old probably isn't appropriate today.

While our advice will vary from investor to investor, we can offer broad guidelines:

Retirement may be broken into different stages, which may require adjustments to the plan. Some investors decide its best to take a very conservative approach. You know, "I can't lose what I've accumulated because I don't have time to recoup losses." But that has its drawbacks. For starters, you don't want to outlast your money. Equities, which have historically offered more robust returns, may still be an important part of an investment strategy.

Others may be swept up by what might be called "the current of the day." Stocks have surged, which may encourage investors to load up on risk. However, a comprehensive financial plan helps remove the emotional component that can creep into decisions.

6. **I've saved all my life. How do I begin withdrawing from my savings?** It's a complete shift in the paradigm. No longer are you socking away a percentage of each paycheck. Instead, you are living off your savings.

First, if you are required to take a minimum distribution from a tax deferred account, take it.

Next, consider interest, dividends and capital gains distributions from taxable investments, which continues to tax shelter assets in retirement accounts. If additional funds are needed, consider withdrawals from your IRA or other tax-deferred accounts. If you are in high tax bracket, you may consider pulling from your Roth. Those in a lower tax bracket could leave the Roth alone and take funds from their traditional IRA.

Bottom line
Let me reiterate that many of these principles are simply guidelines. One size does not fit all. Plans we suggest are tailored to one's specific needs and goals. If you have any questions, we would be happy share our recommendations. We're simply a phone call or email away!

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