

# Retirement Planning Insights

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## Up Front

### New Facebook group and YouTube channel

I hope you and your families are staying healthy and dealing with the current state of the world as best as reasonably possible. As we close the chapter on April - our country's first full-month of sheltering-in-place and formal social distancing requirements - I look forward to May and continued progress in the fight against the coronavirus and it's nasty offspring, COVID-19.

I'm excited to share that my recently launched Facebook group, **Taxes in Retirement**, is already close to 500 members. There have been a lot of great questions from members so far. The quality of the content and engagement in the group is exceeding my expectations. I invite you to join if you haven't already. And bring with you any questions you have on tax matters relating to retirement!

I also recently started a YouTube channel, **Retirement Planning Demystified**. Its purpose is to provide informative and educational videos about various aspects of retirement planning. Considering the channel is only three days old, there are only two videos up there so far. But you can expect a steady stream of new content over the coming months.



As always, if you have any retirement planning or investing questions you'd like to ask, don't hesitate to contact me. Also, if there are any particular topics you'd like to see covered in one of my YouTube videos, let me know!

-Andy



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# Retirement Planning News

## My favorite retirement planning podcasts

Considering how much of the news is being consumed by the pandemic, I'd thought I'd take a break from commenting on yet another COVID-19 story. Instead, I'd like to share with you my recommendations for some GREAT podcasts about retirement planning.

I regularly listen to about 15 different finance-related podcasts, about half of which focus on retirement. I highly recommend the four detailed below. It's hard for me to pick a favorite amongst them, so they're listed in the order in which I first came across them:

- **The Retirement and IRA Show, by Jim Saulnier & Chris Stein**

This show discusses virtually all aspects of retirement planning but with a particular focus on Social Security and the ins and outs of IRAs. Of the four podcasts listed here, this one is the most technical in its content. Therefore, it's best suited for those who already have at least a basic understanding of investing, Social Security, etc. Jim and Chris do two shows a week; one "Q&A" show where they answer questions from listeners and one "EDU" show where they do a deep dive explanation into one particular topic.

- **Personal Pension Radio, by Kraig Strom**

As the name of the show implies, its message is how to best create secure income - aka a personal pension - in retirement. The weekly show covers a holistic view of how to maximize income in retirement while not focusing solely on traditional investments. It also stresses the importance of protecting your finances through proper insurance and estate planning. I must also share that I had the privilege of being interviewed as a special guest on the show's 214<sup>th</sup> episode, "**Best Possible Retirement with Andy Panko**"

- **The Retirement Answer Man, by Roger Whitney**

Compared to the other podcasts listed here, Roger's weekly show focuses much more on the softer side of retirement planning, like how to stay happy and maintain a sense of purpose. The show does also talk about typical financial matters like investing, taxes and Social Security. But most of the topics cover more qualitative things like how to maintain and nurture social connections and what to consider when relocating. Roger even dedicated four shows to covering everything you ever wanted to know about buying an RV and living the RV life.

- **Retirement Starts Today Radio, by Benjamin Brandt**

This weekly show is probably best described as a blend of the other three shows mentioned here. But there is one unique twist; it also has a segment dedicated solely to discussing current news pertaining to retirement planning. While the other shows do often reference current events, Benjamin dedicates a portion of each show to covering recent news. And of all the podcast hosts mentioned here, Benjamin definitely has the silkiest radio voice!

# Practical Retirement Planning

## After-Tax 401(k) contributions are not the same as Roth 401(k) contributions

While after-tax and Roth 401(k) contributions appear similar on the surface, they're actually quite different. So I thought I'd expand on the topic.

In addition to traditional tax-deferred contributions, many 401(k) plans also allow you the option to make Roth contributions. Like Roth IRAs vs traditional IRAs, Roth 401(k) accounts are treated the opposite of tax-deferred 401(k) accounts. The money you contribute to a Roth 401(k) is after-tax, but all money eventually comes out tax-free (assuming you meet certain conditions).

The IRS sets limits on how much you can contribute to your 401(k) plan on a tax-deferred and/or Roth basis. For 2020, that amount is \$19,500 if you're under 50 or \$25,000 if you're 50 or older. It's important to note that these contribution limits are shared between tax-deferred AND Roth contributions. For example, you can't contribute \$19,500 to your tax-deferred 401(k) and then contribute another \$19,500 to your Roth 401(k).

In addition to tax-deferred and Roth contributions, many 401(k) plans also allow for a third type of contributions...“after-tax” contributions. After-tax contributions are made with after-tax money like Roth contributions, but they go into the tax-deferred account like tax-deferred contributions.

After-tax contributions do NOT count toward your \$19,500 (or \$25,000) annual contribution limit; they fall under a different limit. For 2020, when including after-tax contributions and money contributed by your employer, the IRS allows total 401(k) contributions of \$57,000 if you're under 50 or \$63,500 if you're 50 or older.

It's important to note that the amount of the after-tax contribution itself won't be taxable when withdrawn; only the gains attributable to that contribution will be taxable. For example, assume you contribute \$55 to your 401(k) through a tax-deferred contribution and another \$35 through an after-tax contribution. And then assume you have \$10 of gains on the \$90 contributed. In this case, 35% of the \$100 in the account has already been taxed. Therefore, when you take a withdrawal, only 65% of it will be taxable.

You should generally only make after-tax contributions if you've already used up your \$19,500 (or \$25,000) limit on tax-deferred and/or Roth contributions AND you still want to save more in your plan.

However, if you do fill up your \$19,500 (or \$25,000) limit and want to save extra, first consider contributing to a Roth IRA. If you max out your Roth IRA contribution and still want to save even more, *then* consider an after-tax 401(k) contribution.

After-tax 401(k) contributions can also allow you to do what's called a “mega backdoor Roth contribution.” I'll save that topic for another day.

If you'd like to discuss YOUR optimal 401(k) savings strategy, we'd be glad to assist. You can contact us at [hello@tenonfinancial.com](mailto:hello@tenonfinancial.com).

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