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# Retirement Planning Insights

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## Up Front

### Wishing you a healthy 2020 holiday season

It goes without saying that 2020 has been anything other than normal. It's been incredibly difficult on many fronts. While my family has thankfully been fine physically and financially, the social and emotional aspects of this year have not been easy.

Our Thanksgivings have historically been large and loud gatherings of 20+ people. This year, due to the widespread and exponential growth of COVID-19 cases, our Thanksgiving was just the four of us.

During dinner, we piped in my in-laws through Zoom, but it obviously wasn't the same as celebrating with everyone in-person. Given the expected continued growth of virus cases, we're already assuming our celebrations for Christmas and New Year's will be similarly minimal.

While the 2020 holiday season will be unlike any we have ever seen, try to focus on the positives. For me, I'm thankful for a healthy family, a business that's been growing much more than I expected and a light at the end of the pandemic tunnel. And I'm also thankful for the Internet…imagine having to be socially distant without the ability to communicate through streaming video!

The next few months are going to be difficult, especially since outdoor gatherings won't really be feasible (at least not here in the Northeast). But let's focus on staying as physically and mentally healthy as possible so we can get ourselves to the spring, where it appears we should finally be able to start to get back to some kind of normal. Until then, take it one day at a time.

-Andy

# Retirement Planning News

## How the pandemic has affected retirement planning

On November 13, 2020, U.S. News & World Report published an article titled, **Five Ways the Pandemic is Affecting Retirement Planning.**

We all know how significant of an event the pandemic has been not just physically, mentally and emotionally, but also financially. This article brings attention to some of the financial impacts specific to retirement planning:

- **Stress levels are high** – It's obvious the pandemic has caused heightened levels of anxiety for everybody. The stress and anxiety have permeated into our financial lives, too. As such, people may be scared to make any big financial decisions and may be sitting on the investment sidelines, potentially to the detriment of the long-term growth of retirement portfolios.

- **Less saving for retirement** – Many people lost their jobs or have at least had their incomes reduced due to being furloughed or having hours reduced. While saving for retirement is important, it's less of a priority than financially surviving day-to-day in the present. This means retirement saving contributions have since stopped for many. Also, a lot of people have presumably taken early distributions from their IRAs and employer-sponsored plans, which will further hurt retirement savings.

- **Emotional decision-making** – Investment decisions should never be driven by emotions. However, because of all the uncertainty in the world since the beginning of the year, many people may be letting emotions such as fear get in the way of prudent investing. Such actions can lead to buying or selling investments at inappropriate times (such as selling out of stocks at the bottom of the market in March).

- **Forced early retirement** – A lot of workers have recently been pushed out of the workforce earlier than expected. Unfortunately, considering the state of the economy, it may not be that easy for persons in the later stages of their careers to get back in even if they want to. This has likely led to knee-jerk financial reactions like starting Social Security prematurely.

- **Less spending** – With less opportunities to travel, gather with friends, go to large events and so forth, many people have been spending less money during the pandemic. With regards to the overall health of the economy, this reduced level of spending has not been a positive development. However, in respect of personal retirement planning, reduced spending generally translates to increased savings, which is obviously good.

While you may not have had a formal financial plan in place prior to the pandemic, it's never too late to put a plan in place to help minimize the adverse impacts of not only the current state of the world, but whatever other events the future may hold.

A proper financial plan can help you account for various "what-ifs" in your personal life and the broader financial world. A formal plan can also act as a tool to help you take emotions and stress out of your financial decision-making.

Consider a financial plan kind of like a map - you know where you want to go and the plan will help you get there and make decisions along the way!

# Practical Retirement Planning

## End of year tax planning opportunities

With only a month left in 2020, now is a good time to take advantage of some strategic tax planning before the end of the year. This list isn't exhaustive, but it at least covers the most common opportunities to look for:

- **Charitable donations** – If you're charitably inclined, December is a good time to get in your donations for the year, if you haven't already. Even if you normally use the standard deduction and therefore aren't able to deduct your donations, 2020 is a bit different. Thanks to the CARES Act, if you will use the standard deduction on your 2020 tax return, you can still get a deduction for up to $300 of charitable donations for the year. However, those donations need to be in the form of cash, check or credit card…they can't be property or securities.
- **Tax loss & gain harvesting** – If you invest in stocks, bonds and funds in a regular brokerage account, you may have sold some positions this year at potentially sizable gains or losses. If you so far have a large net gain for the year, perhaps see if you have other positions that could be sold at a loss to help offset those gains (i.e. tax *loss* harvesting). Or, if you have really low taxable income for the year, you may be able to sell for a gain some positions you've held more than a year and pay no tax on them (i.e. tax *gain* harvesting).
- **Roth conversions** – While not right for everyone, especially those who are already in high tax brackets, Roth conversions can help reduce your long-term tax bill. By "converting" money from your tax-deferred accounts to Roth accounts, you pay tax on the conversion now, but the converted monies will then grow and eventually be withdrawn tax-free. Since the year is almost over, you should have a good idea of what your total income will be for 2020. Therefore, you can figure out how conversions would incrementally add to your income and taxes. And speaking of owing taxes…
- **Tax withholding & estimated payment check-up** – Now is a wise time to take stock of all your income for the year and all of the taxes you have thus far paid through withholdings or estimated payments. If you have so far underpaid your expected taxes for the year, you can potentially withhold some extra tax from sources like IRA distributions or your last couple of paychecks. Or, you can make a $4^{th}$ quarter estimated tax payment.

Charitable donations, brokerage account sales and Roth conversions all need to occur by the end of December $31^{st}$ to apply to the 2020 tax year. Similarly, additional tax withholdings would need to happen by the end of the year to count for 2020. However, $4^{th}$ quarter estimated tax payments are not due until January $15^{th}$ 2021 – if paid by then, the payments will apply toward 2020.

The above summaries only scratch the surface of each item. If you are unsure if any of these opportunities make sense for you, discuss them with your tax or financial professional before making any decisions.