TENON FINANCIAL
RETIREMENT PLANNING & INVESTMENT MANAGEMENT

Retirement Planning Insights

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Up Front

The year of travel and client visits

Now that the country has opened back up, I've been doing some traveling to meet clients whom I haven't yet met in-person.

While literally all my financial planning & investment management business and engagement with clients can be done virtually, it's always nice to have a physical connection with folks. As such, I'm making it a point to get out and meet all my clients.

Even though I'm in New Jersey, I only have two clients in the state. Everyone else is literally scattered throughout the country, including Alaska and Hawaii!

Considering the geographic dispersion of the people I work with, it's going to take some time to make the rounds across the country to see everyone. But I'm trying to get my visits in sooner rather than later.

Last year I met up with a few clients, one of whom lives in California but was visiting a friend who coincidentally lives about 20 minutes from me. And I also met up with another client in Denver while I was there for a conference, one on my way home from my kids' dance competition in Myrtle Beach, SC, and two in Texas.

This year, I've already met with both of my New Jersey clients, which wasn't hard to do as New Jersey is a small state!

Additionally, I drove down to Delaware a few weeks ago to meet with clients there. And I took a trip to Georgia a couple weeks back to meet with two different clients in the Atlanta suburbs.

This month, I'll be going to Austin, Texas for a few days and meeting up with three different clients there.

In July, I'll be going to the Midwest to meet with three Chicago-area clients and one in Wisconsin.

In October, I'm going to visit two clients in Arizona and one in New Mexico. Also in that trip, I'll be stopping in the Dallas area on the way home for the Rock Retirement Club's annual "Rodeo Roundup" educational and community-building event. While in the Dallas area, I'll be meeting with another client who lives nearby.

I'm also kicking around the idea of doing a California trip this year to meet six clients there; three in the Bay area, three in SoCal. If that trip doesn't happen this year, it will definitely be my priority for 2023! (for all of my California clients who may be reading this and wondering when I'm getting out there…)

While virtual relationships are no doubt 100% feasible, I still greatly appreciate the personal connection of meeting people face-to-face. I think most clients appreciate it as well. And for those who don't want to see me in-person, I'm not offended!

-Andy

Retirement Planning News

New RMD rules on inherited accounts?

In February, the IRS released **proposed regulations** that give guidance on how they interpret the implementation of the new Required Minimum Distribution ("RMD") rules for inherited accounts that were put into place as part of the Setting Every Community Up for Retirement Enhancement Act of the 2019 (the "SECURE Act").

One of the major changes of the SECURE Act was how non-spouse beneficiaries would have to take RMDs from qualified accounts inherited by decedents who died after 2019.

Prior to the SECURE Act, non-spouse beneficiaries generally had the option to "stretch" inherited account RMDs over their lifetimes by using annual RMDs factors that were based on the beneficiary's life expectancy.

Under the SECURE Act, most non-spouse beneficiaries who inherit qualified accounts such as IRAs after 2019 are no longer able to stretch RMDs over their lifetimes, but instead have to completely empty the accounts within 10 years.

Additionally, the SECURE Act reads such that there aren't any distributions required during those 10 years; so long as the inherited account is completely distributed by the end of the 10th year after the year of the original account owner's death, that's sufficient.

However, the new proposed regulations put forth by the IRS this February interpret the SECURE Act differently. Specifically, the proposal says there WOULD need to be annual RMDs for most non-spouse inherited accounts each year. Even though the account still needs to be emptied within 10 years, the new proposal says the beneficiaries would have to take out minimum amounts of distributions each year along the way.

The bad news is the IRS's interpretation of the SECURE Act's RMD rules is technically effective already. Which means anyone who inherited an IRA or Roth IRA after 2019 should have taken an RMD in 2021 and will need to take an RMD this year. RMDs were waived in 2020 for all account types, so even if RMDs were retroactively required as per these new interpretations, they were waived anyway.

However, the new interpretation is not yet technically final. Specifically, there is going to be a public hearing on the matter. As of now, that hearing is scheduled for June 15, 2022.

It's quite possible that the public hearing will bring forth enough adverse reaction and pushback from the industry that the IRS may change its interpretation.

I would not currently advocate taking RMDs from inherited qualified accounts that were inherited from original account owners who died after 2019.

I feel it would be best to let the public hearing happen and see how things play out after that. Even if the IRS's recent proposal does indeed hold and gets enforced, there will still be plenty of months left in the year to take the 2022 RMD and clean up any missed RMDs from 2021.

Or, maybe the IRS will at least waive any missed 2021 RMDs as literally the entire industry believed RMDs were no longer required from most non-spouse inherited accounts under the SECURE Act.

For more info and insight into this matter, check out the recent *InvestmentNews* article, **"The New IRS 10-Year RMD Rule Isn't What We Thought it Was."**

Practical Retirement Planning

Using I Bonds in your portfolio

Chances are, you've probably heard about "I Bonds" in the last few months. I Bonds are savings bonds issued by the U.S. Treasury where the "I" denotes the series of the bond and stands for "inflation."

The reason why you've probably heard of I Bonds recently is because the interest rate they pay is based on current levels of inflation. Considering how high inflation has been, I Bonds have become all the rage.

For full details about I Bonds, check out the U.S. Treasury's website, TreasuryDirect. Also, I did a deep dive into I Bonds in a recent episode of my Retirement Planning Education podcast. Specifically, you can check out the I Bond episode here.

But for those of you looking for a quick and dirty summary of I Bonds, here you go:

- **Background** – I Bonds are direct obligations of the U.S. Treasury. They are technically "bonds," but are functionally more like a savings account in that they are guaranteed to not lose principal and they pay a guaranteed rate of interest.
- **How to buy** – I Bonds can be purchased through www.TreasuryDirect.gov or through your tax return refund via filing Form 8888 with your return. If you buy I Bonds directly online, the bonds will exist only in electronic form, through your Treasury Direct account. If you buy I Bonds with your tax return refund, you will receive physical paper certificates.
- **Purchase limit** – Each person can buy up to $10k of I Bonds per year through Treasury Direct. Additionally, another $5k can be purchased per tax return. Also, trusts and businesses can potentially buy up to $10k per year. I Bonds can also be purchased as gifts for others.
- **Denominations** – when buying online, you can buy anywhere from $25.00 to $10,000.00, in increments as small as $0.01. When buying through your tax return refund, denominations are limited to $50, $100, $200, $500 and $1,000.
- **Registration and beneficiary info** – I Bonds can be owned individually (e.g. John Smith), with a "payable on death" beneficiary (e.g. John Smith POD Jane Smith) or jointly (e.g. John Smith OR Jane Smith).
- **Interest Rates** – The interest rate paid on I Bonds is a combination of a fixed rate and a variable rate. The fixed rate has been zero for a few years, but the variable rate changes every six months based on the actual changes in inflation (as measured by CPI-U). Furthermore, the interest rate on your I Bond will change every six months. New rates are announced each May 1 and November 1. Currently, I Bonds bought between May 1 2022 and October 31 2022 are paying an annual rate of interest of 9.62% for the first six months.
- **Redemptions** – You cannot redeem an I Bond within the first twelve months of its purchase. If you redeem between the first year and the fifth year, you will have to forego the most recent three months of interest. If you redeem after five years, there is no redemption penalty.
- **Taxation** – Interest on I Bonds is taxable at the federal level, but not at the state level. You don't have to pay tax on interest until you eventually redeem some or all your bonds.

While the current 9.62% GUARANTEED annual interest rate is quite high, it can and will change every six months. When inflation eventually subsides, I Bond interest rates will come down accordingly.

With that in mind, I Bonds may not be a great long-term savings or investing vehicle. But if you have some cash that you don't plan on needing for at least a year, I Bonds can be a great way to park the money, risk-free, while getting some rather high guaranteed interest for a while.