



## Financial Strategies For Your Future

### August 2023 Newsletter



The New Hampshire seacoast is only 13 miles, but it's long on character, beauty, history, and wonderful places to shop and eat. You might even run into one of us when you are out and about.

Rain rain go away don't come back until we say. This is how we feel after these past couple of months of it. Lets enjoy the nice weather days as much as possible and the rest of our summer. Please feel free to contact us to schedule an appointment by phone at 603-343-4515 or Email [Eric.Wasson@AztecFG.com](mailto:Eric.Wasson@AztecFG.com)

## Did you know...

### Fun Facts about New England

Connecticut, New England's southernmost state, has a wine trail through a collection of 25 unique vineyards. Vermont produces more than half of all the maple syrup made in the United States. Montpelier, Vermont's capital, is the smallest state capital and the only one without a McDonald's.

## Cochecho Arts Festival :

### UNH Theatre

Where:

Henry Law Park  
1 Washington Street  
Dover, NH 03820

When:

Tuesday, Aug 8, 10:30 am

Join us in Henry Law Park for a summer full of music and art! The Festival began in the summer of 1987, after the Chamber had accepted the challenge of matching an anonymous donation to produce a summer concert series. The summer-long Festival showcases regionally recognized acts as well as top local Seacoast entertainers. The Chamber is proud to have taken the lead in promoting the arts and community events in Dover with the belief that everyone benefits from a vibrant, healthy community. All Cochecho Arts Festival events are free to attend and open to the public. Each week, the Children's Series features a different performance, including music, dancing, acting, jugglers and magicians.

[More Information](#)

Kennebunkport  
Concerts on the  
Lawn - Fog Ave

## REO Speedwagon

Where:

Hampton Beach Casino  
Ballroom  
169 Ocean Blvd Hampton, NH  
03842

When:

Friday Aug 18 8:00pm

Three bands were the undisputed arena rock kings of the early '80s -- Styx, Journey, and REO Speedwagon -- yet all weren't overnight success stories (in fact, each group began pursuing different musical styles originally -- prog rock, fusion, and straight-ahead hard rock, respectively, before transforming slowly into chart-topping mainstream rockers). REO Speedwagon first formed in 1968, via a pair of University of Illinois students, keyboardist Neal Doughty and drummer Alan Gratzner. After graduation, the group signed on with then-unknown manager Irving Azoff (who would later guide the careers of such multi-platinum acts as the Eagles and Steely Dan), which led to the outfit building a devoted following in the Midwest due to nonstop touring.

[More Information](#)

40th Annual  
Tommy Gallant  
Jazz Festival



Where:  
25 School St  
Kennebunkport, ME 04046

When:  
Thursday August 24 6-8pm

Celebrate summer with live music, food trucks, a bounce house, and face painting! Banded Brewing Co. Will be serving up some tasty beverages all summer long at concerts on the lawn.

Where:  
Prescott Park  
105 Marcy St  
Portsmouth NH 03801

When:  
Saturday August 26  
12:30-8pm

2023 is the 40th year of the Seacoast Jazz Society's annual Jazz Festival. This full-day event was first held in 1983 as the Portsmouth Jazz Festival, then called the Seacoast Jazz Festival, and now called The Tommy Gallant Jazz Festival in honor of legendary local jazz pianist/composer/educator, Tommy Gallant. The full-day lineup draws from the many wonderfully talented musicians in the area and their love of jazz is shared with a broad and diverse community of festival goers--families, seniors, young children, individuals of all ages. Rain date: August 27



[More Information](#)

[More Information](#)

## Important Birthdays Over 50

Most children stop being "and-a-half" somewhere around age 12. Kids add "and-a-half" to make sure everyone knows they're closer to the next age than the last.

When you are older, "and-a-half" birthdays start making a comeback. In fact, starting at age 50, several birthdays and "half-birthdays" are critical to



understand because they have implications regarding your retirement income.

#### Age 50

At age 50, workers in certain qualified retirement plans are able to begin making annual catch-up contributions in addition to their normal contributions. Those who participate in 401(k), 403(b), and 457 plans can contribute an additional \$7,500 per year in 2023. Those who participate in Simple Individual Retirement Account (IRA) or Simple 401(k) plans can make a catch-up contribution of up to \$3,500 in

2023. And those who participate in traditional or Roth IRAs can set aside an additional \$1,000 a year.<sup>1,2</sup>

#### Age 59½

At age 59½, workers are able to start making withdrawals from qualified retirement plans without incurring a 10% federal income tax penalty. This applies to workers who have contributed to IRAs and employer-sponsored plans, such as 401(k) and 403(b) plans (457 plans are never subject to the 10% penalty). Keep in mind that distributions from traditional IRAs, 401(k) plans, and other employer-sponsored retirement plans are taxed as ordinary income.

#### Age 62

At age 62 workers are first able to draw Social Security retirement benefits. However, if a person continues to work, those benefits will be reduced. The Social Security Administration will deduct \$1 in benefits for each \$2 an individual earns above an annual limit. In 2023, the income limit is \$21,240.<sup>3</sup>

#### Age 65

At age 65, individuals can qualify for Medicare. The Social Security Administration recommends applying three months before reaching age 65. It's important to note that if you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A (hospitalization) and Part B (medical insurance) without an additional application.<sup>4</sup>

#### Age 65 to 67

Between ages 65 and 67, individuals become eligible to receive 100% of their Social Security benefit. The age varies, depending on birth year. Individuals born in 1955, for example, become eligible to receive 100% of their benefits when they reach age 66 years and 2 months. Those born in 1960 or later need to reach age 67 before they'll become eligible to receive full benefits.<sup>5</sup>

#### Age 73

In most circumstances, once you reach age 73, you must begin taking required minimum distributions from a traditional Individual Retirement Account and other defined contribution plans. You may continue to contribute to a traditional IRA past age 70½ as long as you meet the earned-income requirement.

Understanding key birthdays may help you better prepare for certain retirement income and benefits. But perhaps more importantly, knowing key birthdays can help you avoid penalties that may be imposed if you miss the date.

1. If you reach the age of 50 before the end of the calendar year.

2. IRS.gov, 2023

3. SSA.gov, 2023

4. SSA.gov, 2023. Individuals can decline Part B coverage because it requires an additional premium payment.

5. SSA.gov, 2023

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# The Sequence of Returns



What exactly is the "sequence of returns"? The phrase describes the yearly variation in an investment portfolio's rate of return. But what kind of impact do these deviations from the average return have on a portfolio's final value?

Let's take a closer look at a few different investment scenarios. The first few scenarios focus on how market volatility affects a portfolio while assets are accumulating, and the last scenario focuses on how market volatility affects a portfolio from which distributions are being taken.

One study found the sequence of returns appears manageable during accumulation. An analysis from BlackRock compared three model investing scenarios: three investors start portfolios with lump sums of \$1 million, and each of the three portfolios averages a 7% annual return across 25 years.

In two of these scenarios, annual returns ranged from a hypothetical -7% to +22%. In the third scenario, the return is simply 7% every year. In all three situations, each investor accumulates the same total of \$5,434,372 after 25 years. This is because the average annual return is a hypothetical 7% in each of the three portfolios.<sup>1</sup>

It's important to remember that investing involves risks, and investment decisions should be based on your own goals, time horizon, and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The BlackRock study assumes that the three hypothetical investors evaluated their financial ability to continue making purchases through periods of declining and rising prices.

When you shift from asset accumulation to asset distribution, the story can change. There is the risk that your distribution strategy could coincide with a period of declining prices, which may present a challenge.

Another model investing scenario by BlackRock compared two hypothetical portfolios starting with \$1 million. Both portfolios took \$60,000 in annual inflation-adjusted withdrawals.<sup>1</sup>

One portfolio performed well in its early years, earning a 22% return in its first year and a 15% return in its second year. Though it suffered some losses in its later years, the portfolio actually increased in value to \$1.1 million 35 years later.

The second portfolio had losses in its early years of -7% in its first year and -4% in its second year. The portfolio ran out of money before the 35 year mark.



Though both portfolios averaged a 7% annual rate of return over the course of 35 years, the early losses suffered by the second portfolio had long-term effects on the portfolio's performance.

If you are preparing to retire, having an understanding of the sequence of returns may help you ask important questions about your overall investment strategy.

1. Blackrock.com, 2023

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## Navigating Retirement Pitfalls



Much is written about the classic financial mistakes that plague start-ups, family businesses, corporations, and charities. Some classic financial missteps have been known to plague retirees, too.

Calling them “missteps” may be a bit harsh, as not all of them represent errors in judgment. Either way, becoming aware of these potential pitfalls may help you to avoid falling into them in the future.

**Managing Social Security.** Social Security benefits are structured to rise about 8% for every year you delay receiving them after your full retirement age. Is waiting a few years to apply for benefits an idea you might consider? Filing for your monthly benefits before you reach your full retirement age can mean comparatively smaller monthly payments.<sup>1</sup>

**Managing medical costs.** One report estimates that a healthy couple retiring at age 65 can expect nearly \$208,000 in out-of-pocket medical expenses during the course of their retirement, even with additional coverage such as Medicare Part D, Medigap, and dental insurance. Having a strategy can help you be better prepared for medical costs.<sup>2</sup>

**Understanding longevity.** Actuaries at the Social Security Administration project that around a third of today's 65-year-olds will live to age 90, with about one in seven living 95 years or longer. The prospect of a 20- or 30-year retirement is not only reasonable, but it should be expected.<sup>3</sup>

**Managing withdrawals.** You may have heard of the “4% rule,” a guideline stating that you should take out only about 4% of your retirement savings annually. Each person's situation is unique but having some guidelines can help you prepare.

**Managing taxes.** Some people enter retirement with investments in both taxable and tax-



advantaged accounts. Which accounts should you draw money from first? To answer the question, a qualified financial professional would need to review your financial situation so they can better understand your goals and risk tolerance.

This article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your investment strategy for tax considerations.

Managing other costs, like college. There is no “financial aid” program for retirement.

There are no “retirement loans.” A financial professional can help you review your anticipated income and costs before you commit to a long-term strategy, and help you make a balanced decision between retirement and helping with the cost of college for your children or grandchildren.

1. Social Security Administration, 2021

2. HealthView Services, 2021

3. LongevityIllustrator.org, 2021

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