The Coach's Corner

From your Retirement Coaches and Advisors

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Welcome back,

We hope you are enjoying these warmer days. Qualified retirement plans, such as IRAs and 401(k)s, have many rules, and some of them can be quite complicated. Take the quiz in our newsletter to see how well you understand some of the finer points.

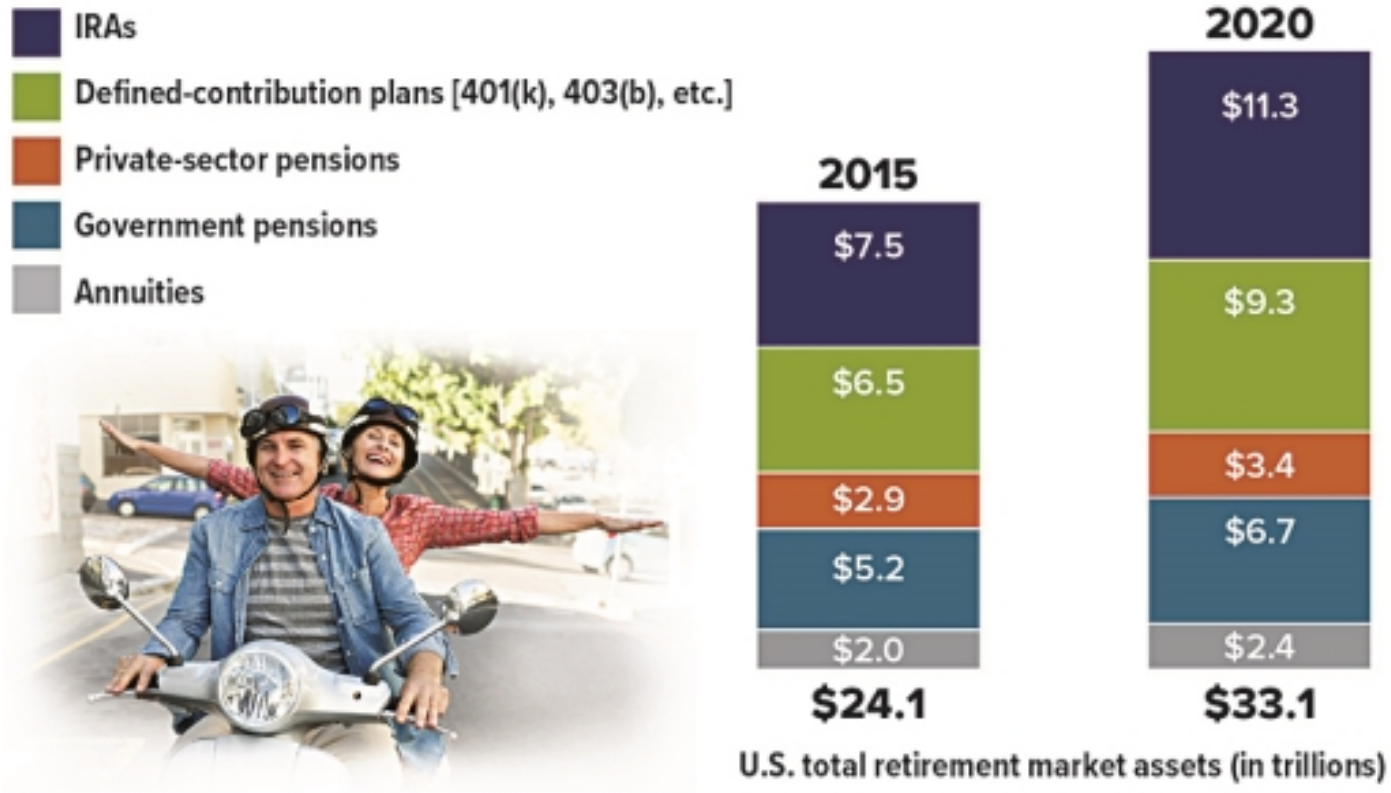
As you know, we have recently moved and look forward to welcoming you to our new office. Our new address is 9300 Olive Blvd., Olivette, Mo 63132.

We hope you enjoy this month's newsletter and tune in on Saturday to hear us on KTRS.

We are continuing to accept new clients. Call us at 314-863-0008 to set up your complimentary coaching session or client review. ***This meeting is cost-free and obligation-free and can be done virtually through Zoom.***

IRAs Are Top Tool for Retirement Savings

Individual retirement accounts are the largest pool of U.S. retirement assets, which totaled $33.1 trillion at the end of the third quarter of 2020.



Source: Investment Company Institute, 2020

How Well Do You Understand Retirement Plan Rules?

Qualified retirement plans, such as IRAs and 401(k)s, have many rules, and some of them can be quite complicated. Take the following quiz to see how well you understand some of the finer points.

1. You can make an unlimited number of retirement plan rollovers per year.

A. True

B. False

C. It depends

2. If you roll money from a Roth 401(k) to a Roth IRA, you can take a tax-free distribution from the Roth IRA immediately as long as you have reached age 59½.

A. True

B. False

C. It depends

3. You can withdraw money penalty-free from both your 401(k) and IRA (Roth or traditional) to help pay for your children's college tuition or to pay for health insurance in the event of a layoff.

A. True

B. False

C. It depends

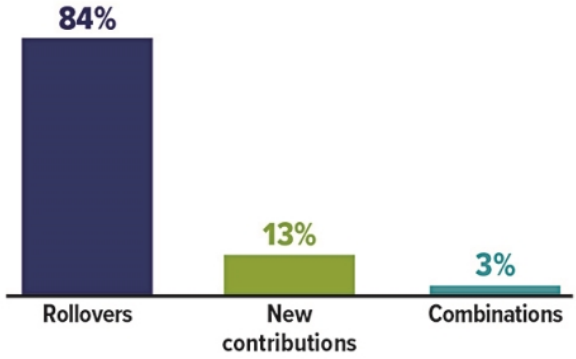
4. If you retire or otherwise leave your employer after age 55, you can take penalty-free distributions from your 401(k) plan. You can't do that if you roll 401(k) assets into an IRA.

A. True

B. False

C. It depends

Shares of Traditional IRA Assets Opened with...



Source: Investment Company Institute, 2020 (data reflects IRAs opened in 2016)

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1. C. It depends. Rollovers can be made in two ways — through a direct rollover, also known as a trustee-to-trustee transfer, in which you authorize the funds to be transferred directly from one account or institution to another, or through an indirect rollover, in which you receive a check in your name (less a required tax withholding) and then reinvest the full amount (including the amount withheld) in a tax-deferred account within 60 days. If the full amount is not reinvested, the outstanding amounts will be considered a distribution and taxed accordingly, including any applicable penalty. Generally, individuals can make an unlimited number of rollovers in a 12-month period, either direct or indirect, involving employer-sponsored plans, as well as an unlimited number of direct rollovers between IRAs; however, only one indirect (60-day) rollover between two IRAs is permitted within a 12-month period.

2. C. It depends. Beware of the five-year rule as it applies to Roth IRAs. If you establish your first Roth IRA with your Roth 401(k) rollover dollars, you will have to wait five years to make a qualified withdrawal from the Roth IRA, regardless of how long you've held the money in your Roth 401(k) account, even if you are over 59½. However, if you have already met the five-year holding requirement with *any* Roth IRA, you may take a tax-free, qualified withdrawal.

3. B. False. You can take penalty-free withdrawals from an IRA, but not from a 401(k) plan, to pay for a child's qualifying education expenses or to pay for health insurance premiums in the event of a job loss. Note that ordinary income taxes will still apply to the taxable portion of the distribution, unless it's from a Roth account that is otherwise qualified for tax-free withdrawals.

4. A. True. If you leave your employer after you reach age 55, you may want to consider carefully whether to roll your money into an IRA. Although IRAs may offer some advantages over employer-sponsored plans — such as a potentially broader offering of investment vehicles — you generally cannot take penalty-free distributions from an IRA between age 55 and 59½, as you can from a 401(k) plan if you separate from service. If you might need to access funds before age 59½, you could leave at least some of your money in your employer plan, if allowed.

When leaving an employer, you generally have several options for your 401(k) plan dollars. In addition to rolling money into an IRA and leaving the money in your current plan (if the plan balance is more than $5,000), you may be able to roll the money into a new employer's plan or take a cash distribution, which could result in a 10% tax penalty (in addition to ordinary income taxes) on the taxable portion, unless an exception applies.

Growing Interest in Socially Responsible Investing

U.S. assets invested in socially responsible strategies topped $17.1 trillion at the start of 2020, up 42% from two years earlier. Sustainable, responsible, and impact (SRI) investments now account for nearly one-third of all professionally managed U.S. assets.[1] This upward trend suggests that many people want their investment dollars to pursue a financial return and make a positive impact on the world.

There is also wider recognition that good corporate citizenship can benefit the bottom line. A favorable public image might increase sales and brand value, and conservation efforts can help reduce costs, improving profit margins. Some harmful business practices are now viewed as reputational or financial risks that could damage a company's longer-term prospects.

ESG Explained

SRI strategies incorporate environmental, social, and governance (ESG) considerations into investment decisions in a variety of ways. ESG data for publicly traded companies is often provided alongside traditional financial data by investment research and rating services. Some examples of prominent ESG issues include climate change, sustainable natural resources, labor and equal employment opportunity, human rights, executive pay, and board diversity.

A simple exclusionary approach (also called negative screening) allows investors to steer clear of companies and industries that profit from products or activities they don't wish to finance. These choices can vary widely depending on the individual investor's ethics, philosophies, and religious beliefs, but alcohol, tobacco, gambling, and weapons are some typical exclusions.

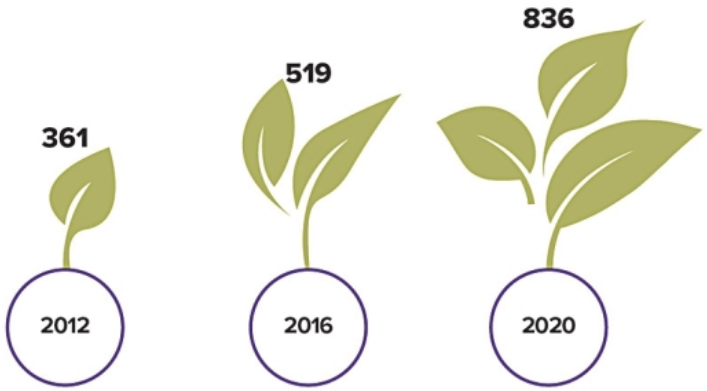
Similarly, positive screening can help investors identify companies with stronger ESG track records and/or policies and practices that they support. Impact investing is a less common strategy that directly targets specific environmental or social problems in order to achieve measurable outcomes.

There are also a variety of integrative approaches that combine robust ESG data with traditional financial analysis. These tend to be proactive and comprehensive, so they are less likely to avoid entire industries. Instead, analysts and portfolio managers may compare industry peers to determine which companies have taken bigger steps to meet environmental and social challenges, potentially gaining a competitive advantage.

Investment Opportunities

The range of investment vehicles used in SRI strategies includes stocks, mutual funds, exchange-traded funds (ETFs), and, to a lesser extent, fixed-income assets. Altogether, there are more than 800 different investment funds that incorporate ESG factors, and the field is expanding rapidly.[2]

Number of ESG Investment Funds



Source: US SIF Foundation, 2020

Many SRI funds are broad based and diversified, some are actively managed, and others track a particular index with its own collection of SRI stocks. ESG criteria can vary greatly from one SRI fund to another. Specialty funds, however, may focus on a narrower theme such as clean energy; they can be more volatile and carry additional risks that may not be suitable for all investors.

Socially responsible investing may allow you to further both your own economic interests and a cause that matters to you. Moreover, recent research suggests you shouldn't have to accept subpar returns in order to support your beliefs.[3]

As with any portfolio, it's important to pay attention to the composition and level of risk and to monitor investment performance. Be prepared to make adjustments if any of your holdings don't continue to meet your financial needs and reflect your values.

The return and principal value of SRI stocks and funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. There is no guarantee that an SRI fund will achieve its objectives. Diversification does not guarantee a profit or protect against investment loss.

Investment funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1-2) US SIF Foundation, 2020

3) *The Wall Street Journal,* March 16, 2020

Your Business: Minimum-Wage Laws in the Spotlight

In the November 2020 election, Florida voters approved an initiative to increase the minimum wage incrementally to $15 per hour by 2026. Eight states (plus the District of Columbia) have passed legislation to raise the minimum wage in steps to $15, but Florida is the first state to do so through a ballot measure.[1]

State labor laws vary widely, but affected small businesses may face challenges as minimum wage increases take effect over the next few years.

Twenty-nine states and the District of Columbia have minimum wages higher than the federal wage floor of $7.25, which hasn't been adjusted since 2009.[2] Some cities have enacted minimums that exceed state levels. Moreover, a few large employers have increased pay for employees nationwide, making it more expensive for smaller businesses to compete for the same types of labor.[3]

Economic Impact

Proponents of raising the minimum wage say it helps reduce poverty and income inequality, boosts consumers' buying power, and stimulates economic growth. Opponents believe that steep increases might cause jobs to be eliminated, especially in lower-wage areas. A 2021 report by the nonpartisan Congressional Budget Office estimated that raising the federal minimum wage to $15 would lift 0.9 million Americans out of poverty and cause 1.4 million job losses.[4]

Rising wage costs can be particularly hard on the balance sheets of small businesses, many of which are already struggling to stay above water during the pandemic. Increases in the minimum wage influence labor costs throughout a business, because more experienced employees generally expect to be compensated accordingly.

Survival Tips

Preparing for pending wage increases may put you in a better position to absorb the cost and limit the impact on your workforce.

- Start by cutting extraneous expenses and looking closely at your energy consumption, surplus inventory, and service contracts.
- Consider reducing your hours or streamlining your operations in other ways.
- If you must raise prices, do so carefully by researching what competitors charge, and communicate openly with customers to manage expectations.
- Before you reduce staff, focus on cross-training and retaining your most dependable employees, and hold off on hiring until you are sure you can afford the additional payroll costs.

1) *The Wall Street Journal* , November 27, 2020

2) U.S. Department of Labor, 2020

3) *Bloomberg Businessweek* , November 17, 2020

4) Congressional Budget Office, 2021

There are many ways to receive more straight talk and input from your favorite Advisers and Retirement Coaches:

Listen to our show "Straight Talk on Retirement" every Saturday from 10-11am on KTRS 550-AM.

I am accepting new clients so please do not hesitate to offer your friends and family members the chance to visit me for a free coaching session- let's help them get their financial life on track!