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Data security is a growing problem. As more information is sent electronically, it is vital to protect sensitive, confidential, and personal data. When sending sensitive documents or data, please consider using an encryption tool or service to reduce the likelihood of the wrong person gaining access to your private information. One tool SWA uses is encryption software called AttachPlus. This software converts an original Word or Excel file to a PDF and then encrypts all contents of that PDF using 128-bit encryption when it is attached to an email. The email recipient uses a password to open and view the attached PDF. SWA also uses encrypted online document services, including ShareFile, which use 256-bit encryption and allow documents to remain in their native format such as Excel or Word.

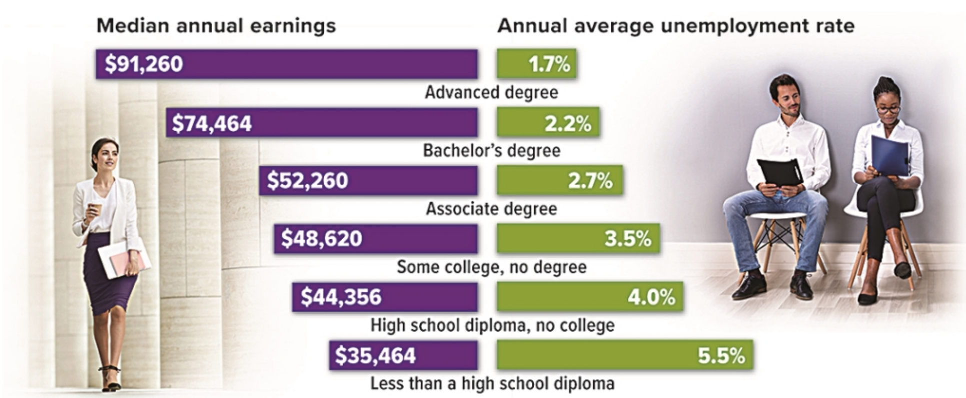
Until Next Time...

The SWA Team

Education and Earnings

While there is widespread concern about student debt and the cost of higher education, data from the U.S. Bureau of Labor Statistics makes a strong case that higher education leads to higher earnings and lower unemployment rates.

In 2022, median annual earnings for a full-time worker with a bachelor's degree were about $30,000 more than for a worker with only a high school diploma, a difference of more than $1 million over a 35-year career. Even so, it's important to be realistic about taking on debt in relation to expected earnings, as the job market and potential compensation can vary widely for different fields of study.



Source: U.S. Bureau of Labor Statistics, 2023 (data for ages 25 and older; annual earnings based on usual weekly earnings for full-time wage and salary workers)

Give Your Money a Midyear Checkup

If 2023 has been financially challenging, why not take a moment to reflect on the progress you've made and the setbacks you've faced? Getting into the habit of reviewing your finances midyear may help you keep your financial plan on track while there's still plenty of time left in the year to make adjustments.

Goal Overhaul

Rising prices put a dent in your budget. You put off a major purchase you had planned for, such as a home or new vehicle, hoping that inventory would increase and interest rates would decrease. A major life event is coming up, such as a family wedding, college, or a job transition.

Both economic and personal events can affect your financial goals. Are your priorities still the same as they were at the beginning of the year? Have you been able to save as much as you had planned? Are your income and expenses higher or lower than you expected? You may need to make changes to prevent your budget or savings from getting too far off course this year.

Post-Tax Season Estimate

Completing a midyear estimate of your tax liability may reveal planning opportunities. You can use last year's tax return as a basis, then factor in any anticipated adjustments to your income and deductions for this year.

Check your withholding, especially if you owed taxes or received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill or having too much of your money tied up with Uncle Sam.

You can check your withholding by using the IRS Tax Withholding Estimator at [irs.gov.](https://irs.gov) If necessary, adjust the amount of federal income tax withheld from your paycheck by filing a new Form W-4 with your employer.

Investment Assessment

Review your portfolio to make sure your asset allocation is still in line with your financial goals, time horizon, and tolerance for risk. How have your investments performed against appropriate benchmarks, and in relationship to your expectations and needs? Looking for new opportunities or rebalancing may be appropriate, but be cautious about making significant changes while the market is volatile.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. All investing involves risk, including the possible loss of principal and there is no guarantee that any investment strategy will be successful.

More to Consider

Here are five questions to consider as part of your midyear financial review.

Do you have an emergency fund?

Can you put more in your health savings account?

Have you checked your credit score recently?

What are the interest rates on your credit cards?

How much is left in your flexible spending account?

Retirement Savings Reality Check

If the value of your retirement portfolio has dipped, you may be concerned that you won't have what you need in retirement. If retirement is years away, you have time to ride out (or even take advantage of) market ups and downs. If you're still saving for retirement, look for opportunities to increase retirement plan contributions. For example, if you receive a pay increase this year, you could contribute a higher percentage of your salary to your employer-sponsored retirement plan, such as a 401(k), 403(b), or 457(b) plan. If you're age 50 or older, consider making catch-up contributions to your employer plan. For 2023, the contribution limit is $22,500, or $30,000 if you're eligible to make catch-up contributions.

If you are close to retirement or already retired, take another look at your retirement income needs and whether your current investment and distribution strategy will provide enough income. You can't control challenging economic cycles, but you can take steps to help minimize the impact on your retirement.

SECURE 2.0 Act Expands Early Withdrawal Exceptions

Tax-advantaged retirement accounts such as 401(k) plans and IRAs are intended to promote long-term retirement savings and thus offer preferential tax treatment in return for a commitment to keep savings in the account until at least age 59½. Withdrawals before that age may be subject to a 10% federal income tax penalty on top of ordinary income tax. However, there is a long list of exceptions to this penalty, including several new ones added by the SECURE 2.0 Act of 2022.

Before considering these exceptions, keep in mind that the greatest penalty for early withdrawal from retirement savings could be the loss of future earnings on those savings (see chart). Even so, there are times when tapping retirement savings might be necessary.

Some employer plans allow loans that may be a better solution than an early withdrawal. If a loan or other resources are not available, these exceptions could help. They apply to both employer-sponsored plans and IRAs unless otherwise indicated.

New Exceptions

The SECURE 2.0 Act added the following exceptions to the 10% early withdrawal penalty. Withdrawals covered by these exceptions can be repaid within three years. If the repayment is made after the year of the distribution, an amended return would have to be filed to obtain a refund of any taxes paid.

- **Disaster relief** — up to $22,000 for expenses related to a federally declared disaster; distributions can be included in gross income equally over three years (effective for disasters on or after January 26, 2021)
- **Terminal illness** — defined as a condition that will cause death within seven years as certified by a physician (effective 2023)
- **Emergency expenses** — one distribution of up to $1,000 per calendar year for personal or family emergency expenses; no further emergency distributions allowed during three-year repayment period unless funds are repaid or new contributions are at least equal to the withdrawal (effective 2024)
- **Domestic abuse** — the lesser of $10,000 (indexed for inflation) or 50% of the account value for an account holder who certifies that he or she has been the victim of domestic abuse during the preceding one-year period (effective 2024)

Exceptions Already in Place

These exceptions to the 10% early withdrawal penalty were in effect prior to the SECURE 2.0 Act. They cannot be repaid unless indicated.

- Death or permanent disability of the account owner
- A series of substantially equal periodic payments for the life of the account holder or the joint lives of the account holder and designated beneficiary
- Unreimbursed medical expenses that exceed 7.5% of adjusted gross income
- Up to $5,000 for expenses related to the birth or adoption of a child; can be repaid within three years
- Distributions taken by an account holder on active military reserve duty; can be repaid up to two years after end of active duty
- Distributions due to an IRS levy on the account
- (IRA only) Up to $10,000 lifetime for a first-time homebuyer to buy, build, or improve a home
- (IRA only) Health insurance premiums if unemployed
- (IRA only) Qualified higher education expenses

Lost Opportunity

An early retirement plan withdrawal could end up costing more than you might imagine, even without the 10% penalty. Income taxes will reduce the present value of the withdrawal, and you will lose the potential long-term growth on the amount withdrawn.

This hypothetical example is used for illustrative purposes only and does not represent the performance of any specific investment. Fees and expenses are not considered and would reduce the performance shown if they were included. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

Special Exceptions for Employer Accounts

The 10% penalty does not apply for distributions from an employer plan to an employee who leaves a job after age 55, or age 50 for qualified public safety employees. SECURE 2.0 extended the exception to public safety officers with at least 25 years of service with the employer sponsoring the plan, regardless of age, as well as to state and local corrections officers and private-sector firefighters.

Retirement account withdrawals can have complex tax consequences. Consult your tax professional before taking specific action.

Cheaper Hearing Aids Are Coming to a Store Near You

More than 37 million U.S. adults are living with some hearing loss, but only about one-fourth of those who might benefit from a hearing aid have used one.[1] Cost is a big obstacle: The average price of a pair of prescription hearing aids runs about $4,600. Traditional Medicare and most health insurers cover routine hearing tests but not the cost of hearing aids, although some private Medicare Advantage plans may help cover them. But thanks to a recent regulatory shift, it's now possible to buy an effective hearing aid without a medical exam or a prescription, potentially for a lot less money.[2]

In an effort to spur competition and lower prices, the Food and Drug Administration (FDA) released final rules for a new category of over-the-counter (OTC) hearing aids specifically for adults with mild to moderate hearing loss. These OTC hearing aids are designed to be self-fitting, and they cost less, partly because they don't require the services of an audiologist to evaluate the person's hearing and fit or tune the device. Consumers who purchase OTC hearing aids should be able to set them up by themselves or with technical support provided by manufacturers through apps or over the phone.

Well-known manufacturers are rolling out an assortment of OTC hearing aids, many of them costing as little as $200 to $500 per ear. Some wrap around the ear like traditional hearing aids, but others look more like ear buds or are nearly invisible. They are already available at many stores where health-care devices are sold, or online, but this brand-new market should continue to expand over time. Hearing loss is often progressive, and research shows that people wait an average of 10 years before buying a hearing aid.[3] Thus, there is some hope that easy access to more affordable — and less conspicuous — options could encourage more people who have trouble hearing to seek help sooner.

Tips for Consumers

OTC hearing aids must be clearly labeled as FDA approved, which should help shoppers distinguish them from unregulated personal devices that may amplify sound but don't correct other issues, such as distortion. Consumers are advised to ask about the retailer's return policy in case they are disappointed with the performance of their new hearing aid.

Individuals with severe or sudden hearing loss, as well as those who experience ear pain, vertigo, or tinnitus, should consult an audiologist for testing and treatment. Some people with mild to moderate hearing loss may still want to have their hearing tested by an audiologist, who might be able to help identify OTC hearing aids that may work well for their specific condition.

1) National Institutes of Health, 2022

2-3) National Council on Aging, 2022