

## Expert Contributor

# Retirement Planning - Financial Tips for All Ages

By Christina A. Nash, CFP® & Jodi M. Viaud, CFP® | Knox Grove Financial, LLC



Retirement planning is not just for those approaching their golden years. Planning for the lifestyle you want to enjoy later in life can begin as early as your twenties. Let's look at some financial tips to help you prepare, no matter what your age.

### 20s, 30s, and 40s

This month, as you relax on the beach or by the pool, start envisioning what your retirement will look like. Begin with a general retirement goal that includes where you might want to live and what type of lifestyle you want to maintain. How will you make that happen? Save often and early. This is known as the accumulation phase; a time to grow your wealth. Saving for retirement as a young adult gives you an opportunity to benefit from compounding investment returns. This would also be a good time to engage with a financial advisor.

- Maximize your employer retirement benefits – contribute the maximum pre-tax amount allowed for a 401(k), 403(b) and take advantage of any employer match. If you can't afford the maximum, increase the amount you contribute every year.
- Consider contributing to a Roth IRA – Roth accounts are funded with post-tax money which means when you take the money out in retirement, you won't have to pay taxes on those distributions.
- Utilize other employer benefits – Health Savings Accounts (HSA), Flexible Spending Accounts (FSA) and student loan repayment are all benefits that can help you save more for the future.

- Keep your financial house in order – create a monthly budget, start an emergency fund, and keep your debt under control.

### Age 50-65

These are typically your peak earning years *and* when you realize that retirement is a little closer to reality. How has your vision of retirement changed over the last 30 years? This is the perfect time to review and fine-tune your retirement goals and start thinking about what age you plan to retire. Perhaps you still want to work full or part time during retirement.

- Boost your retirement account savings – once you turn 50, you are allowed to make catch up contributions. In 2023, the catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$7,500, up from \$6,500. It also allows for an additional \$1000 contribution to an IRA.
- Revisit your retirement plan and investment strategy with your financial advisor – is your portfolio keeping up with inflation? Has your risk tolerance changed? Is it still designed to meet your income needs? At what point should your equity exposure decrease?
- Start thinking about what your expenses will be during retirement. Are there large debts you can pay off before retiring? Your plan should include enough income to cover essential expenses as well as contingencies.



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## Does your retirement strategy address these three risks?

Timing / Inflation / Longevity



The Knox Grove Financial Team

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- As you approach age 62, the earliest age at which you can take Social Security Income, you may wish to consult with your financial advisor as to the best time to begin taking this benefit.

## 65+

While you can keep adding to your retirement savings, for most, this is the period during which you begin transitioning from accumulation to decumulation by implementing a withdrawal strategy. It's also time to prepare for the long run. Your financial advisor can help you map out how you want to spend your early retirement *and* your later retirement years; a life stage when you may need long-term care or other services.

- Enrolling in Medicare health coverage may be one of the most important things you'll do at 65. Meet with a Medicare Specialist to discuss your healthcare costs and options at least 3 months before you turn 65. At Knox Grove, individuals and couples can meet with our Medicare Specialist, Bill Stalow, at no cost, to review their Medicare options.
- Be savvy about taxes – How will your investment income be taxed as it is distributed? Interest income is treated as ordinary income. Short-term capital gains are taxed at an ordinary income tax rate while long-term capital gains are taxed at 0, 15% or 20%, depending on your taxable income. Get input from your financial advisor and your accountant to ensure you understand how all your income will be taxed.
- Determine whether any of your taxable retirement assets should be converted to a Roth account for future tax-free withdrawals.
- Review your estate planning documents; make sure your will, medical directive and financial power of attorney are up to date.

Make a point to enjoy each stage of pre- and post-retirement planning. When you're young, the possibilities are endless and when you've finally achieved what you've worked so hard for, you have more time to enjoy the fruits of your labor!

For more information on retirement planning at any age, contact the Knox Grove Financial team at 609-216-7440.

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