LET'S TALK MONEY®

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Investing for Income

Income investing involves building a portfolio that produces enough profit to pay out a regular income. The success of this strategy depends on selecting investments that are likely to provide a steady stream of cash. Now that interest rates have increased, the yields on fixed income investments are climbing, too.

Max Out Your Plan Contributions

You may already be saving taxes if you contribute to your employer's qualified retirement plan, such as a 401(k), 403(b), or 457 plan. The money you contribute is deducted from your paycheck pretax, which reduces your taxable income. For 2022, the contribution limit for these plans was $20,500, (increasing to $22,500 for 2023). Savers age 50 and older also were eligible to make a catch-up contribution of $6,500, ($7,500 in 2023). The deadline for employer plan contributions is December 31 each year.

A Look at the IRA Rules

If you meet the eligibility requirements, both you and your spouse can contribute to an IRA up until April 18, 2023, and deduct it on your 2022 tax return. For 2022, you can contribute $6,000 to a traditional IRA, increasing to $6,500 for 2023, plus an additional $1,000 if you're age 50 or older.

Contributions Are Limited

Participants who are eligible to contribute to an employer's 401(k) plan can make deductible traditional IRA contributions if their modified adjusted gross income (MAGI) is below $78,000 for singles and $129,000 for married couples. If you (and your spouse, if married) aren't covered by a plan at work, you can deduct the full amount of your IRA contribution on your tax return. If one spouse is covered by a plan at work, the ability to deduct contributions to a traditional IRA phases out with income between $204,000 and $214,000.

An Added Layer

IRAs may offer a broader range of investments than an employer-sponsored retirement plan. Your financial professional can help you determine if an IRA is right for your personal situation.

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OnMark is a boutique financial services firm devoted to long-term relationships built on trust and commitment. Utilizing our distinctive process, we offer high touch advice with a sophisticated suite of financial planning services.

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Targeting Seniors

Criminals find new ways to defraud their victims all the time. While anyone can become a victim of fraud, seniors age 60 or older seem to be the population most often targeted by scammers. Consider warning parents and older relatives about these five common scams.

Grandparent Scam. The scammer poses as a grandchild or other relative or as someone calling on behalf of that individual, such as law enforcement or an attorney. The "grandchild" says he or she is in trouble and asks the grandparent to wire money for bail, hospital bills, or another fake expense.

Government Impersonation Scam. The scammer claims to be a government employee, often from the Social Security Administration or the IRS, and threatens arrest or prosecution unless the victim provides funds or other payments.

Sweepstakes or Lottery Scam. The scammer tells victims they've won a sweepstakes or lottery and asks for money to pay fees and taxes on their winnings.

Tech Support Scam. Scammers call or text the victim, offering to "fix" a non-existent computer issue. The scammer asks the victim to call a toll-free number or click on a link, thereby gaining remote access to the victim's computer or phone and their personal information.

Romance Scam. The victim meets a person online who quickly expresses deep feelings and gains the victim's trust. The "relationship" often goes on for many months before the scammer creates a story about needing funds and asks the victim for money or bank account information. The scammer then disappears with the victim's money, sometimes thousands — or even hundreds of thousands — of dollars.

Caution older family members to be alert for phone and email scams that ask for money or personal information. Report fraud to the National Elder Fraud Hotline at 833-372-8311.

Is a New Employer in Your Future?

Starting a job at a new company can be an exciting opportunity. Before you clean out your desk and say good-bye to your coworkers, review the items on the checklist below.

Your retirement account. You can (1) leave the money in your former employer's plan, if the employer allows; (2) have funds directly transferred to your new employer's plan or an IRA. Consider rolling over HSA funds to your new plan as well; (3) cash out of the plan. However, if you opt for cash, you will need to pay income taxes at your ordinary rate and if you are younger than 59½, you will pay a 10% penalty.

Stock Options. If stock ownership is part of your compensation, find out the stock type, tax implications, vesting schedule, and what will happen to the stock if you leave the company.

Benefits. Review your new employer's insurance and benefit plans to determine if benefits match what you currently have.

Flexible Spending Account Use any money left in your FSA before you leave the company so you don't lose it.

Managing Finances After a Divorce

Divorce often entails going from two incomes to a single income. That can be hard on both spouses, but it can be especially difficult for women who are over the age of 50 when the divorce occurs.

A Look at Statistics

According to the U.S. Government Accountability Office (GAO), women over age 50 will see their incomes drop by an average of 41% following divorce, compared with 23% for men. Divorced women in this age group typically experience a 73% drop in their standard of living. Conversely, statistics show that men's standard of living improves by an average of 42% after they divorce.

The Impact on Savings

Women generally earn less than men throughout their careers, often taking time away from their jobs to raise children, which may result in less money saved in retirement accounts with few years to catch up.

Time to Plan

Divorce may mean a new living situation. Suddenly, all living expenses are the responsibility of one person. Women (and men) facing divorce should create a post-divorce spending plan. The plan should include setting aside three to six months' worth of living expenses in an emergency fund.

Striving to contribute the maximum amount to a 401(k) plan account, or at least enough to get an employer match, can increase the amount saved for retirement.

When divorce seems imminent, it's important to engage a trusted financial professional who can help with making sound financial decisions.

Tax Breaks for the Recently Divorced

Divorce can negatively affect the finances of both spouses, so it's helpful to work with your tax and financial professionals so you are aware of tax breaks that may lessen the financial burden.

Filing Status

If you're still married as of December 31, it may be advantageous to file a joint income tax return. Alternatively, if you've lived apart for at least six months, file a separate return, and have a dependent living with you for more than half the year, you may qualify to file as head of household.

Home Sale

Individuals can exclude $250,000 of gain ($500,000 for couples) on the sale of a home owned and lived in for at least two of the last five years. Sales after a divorce can still qualify for a reduced exclusion even if the two-year test hasn't been met.

Alimony

You can deduct alimony you pay to an ex-spouse if the divorce agreement was in place and not changed before December 31, 2018. Otherwise, it's not deductible (or taxable to the recipient).

Working with a tax professional can help ensure that you are paying only the taxes you owe.

Post-divorce Checklist

Keeping up with the many tasks you'll need to complete after a divorce can be daunting. A checklist may help.

- ☐ Divide property according to the divorce agreement.
- ☐ Review beneficiaries on retirement plans, insurance policies and payable-on-death accounts.
- ☐ Change titles to vehicles, deeds and other property.
- ☐ Remove your name from debts that aren't yours.
- ☐ Create a post-divorce budget.
- ☐ Make a will and create medical and financial directives.
- ☐ Change passwords on accounts.
- ☐ Arrange for health insurance for you and dependents.
- ☐ Pay off and close joint credit accounts.
- ☐ Ensure any qualified domestic relations order (QDRO) is entered and implemented.
- ☐ Notify insurers, creditors and healthcare providers of a change of address.

Financial Tips for 2023

You've probably heard the saying, "If you fail to plan, you plan to fail." That adage is particularly true when it comes to your finances. Your goal should be to create a plan that can help you weather financial ups and downs, no matter what the economy is doing.

Start with Your Goals

Before you purchase a single investment, think about what you'll need money for in the future. The future can be several months or several years down the road. In fact, it will probably be both. Your short-, medium- and long-term goals will determine how much money you'll have to save to reach each goal. Defining your goals and your time frame for needing the money will help you formulate a plan to reach them.

Eliminate Debt

The first step in your financial plan should be to pay off any debt you have. Whether you have student loans or credit card balances, paying off debt will leave you with more money to save and invest.

Create an Emergency Fund

Consider waiting to invest until you've saved at least six months' worth of expenses in an account that you can access penalty free. Having an emergency fund means you won't have to borrow money on a high-interest credit card to pay for an unexpected expense. Stashing money in an account that offers liquidity can prevent you from having to sell investments when values are down.

What Kind of Investor Are You?

Are you an aggressive investor who is willing to take on more risk for a potentially greater reward? Or are you a conservative investor who prefers investments that protect your principal? Maybe you fall somewhere in the middle. Understanding how much investment risk you're willing to take will help you choose investments that fall within your comfort zone. Your financial professional can help.

Know What You're Getting

Before you invest, make sure you understand what you're buying. Many investments are complex, so ask your financial professional to explain the pros and cons, and don't buy any investment you don't understand.

We Value Your Input...

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