ISSUE
25
January 2021

QUARTERLY
JOURNAL

IWM Quarterly

This Issue:

2021 Limits IRAs, 401(k)s, and More

The Treasury Department released the 2021 adjusted figures for retirement account savings. Although these adjustments won't bring any major changes, there are some minor elements to note.

401(k)s. The salary deferral amount for 401(k)s remains the same at $19,500, while the catch-up amount of $6,500 also remains unchanged. However, the overall limit for these plans will increase from $57,000 to $58,000 in 2021.[1]

Individual Retirement Accounts (IRA). The limit on annual contributions remains at $6,000 for 2021, and the catch-up contribution limit is also unchanged at $1,000.[2]

Roth IRAs. Roth IRA account holders will experience some slightly beneficial changes. In 2021, the Adjusted Gross Income (AGI) phase-out range will be $198,000 to $208,000 for couples filing jointly. This will be an increase from the 2020 range of $196,000 to $206,000. For those who file as single or as head of household, the income phase-out range has also increased. The new range for 2021 will be $125,000 to $140,000, up from the current range of $124,000 to $139,000.[3]

Speak to your financial professional today!

– IWM Research Team

What Do I Do With All of This Money?

Just because it's a nice problem, doesn't mean it's not still a problem.

Here's a scenario for you: You pick up what appears to be a lottery ticket. You check the numbers for a laugh and discover a winning combination, offering you millions of dollars in prize money. What are the chances of that?

The next day, you get a call from a lawyer. "Uh-oh," you think. It turns out he works for your Aunt Gertrude's estate. Just before her passing, she decided not to establish a charity for homeless cacti and other wayward succulents, and has instead left her vast estate in your hands.

The day after that, you get a call from a Silicon Valley tech billionaire who wants to make an offer on your small startup company and all of its patents. The deal goes through. In a matter of days, you are wealthy beyond the dreams of King Midas himself.

Yes, these circumstances are improbable. You have a better chance of being killed by lightning or being hit by falling airplane parts than you do of winning the lottery. And in terms of a large inheritance, your elders are more likely to exhaust their assets than have much to leave behind. That said, these windfalls do happen, and sometimes to people who least expect them.[1,2]

What if it happens to you? There is no shortage of ways a large financial windfall could get the better of you. First on the long list of things to avoid is spending it too quickly. Another is neglecting any tax obligations that come with the money. You may also simply not have the knowledge it takes to manage your newfound wealth on your own. It comes down to the choices that you make with that money and

choices that you make with that money and what is guiding those choices.

The fiduciary responsibility. Your wisest course of action is to seek out someone with the skills to make fully-informed, objective financial decisions, such as an experienced financial professional. Their fiduciary responsibility means that they will help you build a strategy with your best interest in mind. They know what to look out for, with skills and knowledge to help you cultivate your windfall into something that could support your overall financial goals for years. They will speak frankly with you about your objectives, risk tolerance, and any issues related to your time horizon (for example: does your windfall enable you to retire early, or would it be wise to work a few more years before retiring?).

A financial professional can also offer a holistic support network, with connections that can help you build a team of trusted experts. Assuming they don't handle tax matters themselves, for example, they may be able to introduce you to a tax professional who can help.

If a windfall has come your way, or you anticipate inheriting money or selling your company, be sure to speak to a financial professional early on. It may make the difference between a nightmare and a dream come true.

- Jim

Coronavirus Vaccines and the Economy

Hopeful markets react.

As the United States sees a rise in cases of COVID-19 across the nation, news of two promising vaccines out of hundreds being tested has offered a ray of hope for a fatigued world.[1]

A positive reaction to these vaccines affects every aspect of human life, including the financial world. On Monday, November 16th, The Dow Jones Industrial Average rose 450 points on the news of a second effective vaccine, hitting a record high.[2]

Markets are not merely reacting to the positive news, but what a vaccine might mean for the economy. Investors are likely picturing people returning to something resembling their old lives. Stocks related to travel, such

Retirement Blindspots

Some life and financial factors that can sometimes be overlooked .

We all have our "blue sky" visions of the way retirement should be, yet our futures may unfold in ways we do not predict. So, as you think about your "second act," you may want to consider some life and financial factors that can suddenly arise.

You may end up retiring earlier than you expect. If you leave the workforce at "full" retirement age (FRA), which is 67 for those born in 1960 and later, you may be eligible to claim "full" Social Security benefits. Working until 67 may be worthwhile because it will reduce your monthly Social Security benefits if you claim them between age 62 and your FRA.[1]

Now, do most Americans retire at 67? Not according to the annual survey from the Employee Benefit Research Institute (EBRI).

In EBRI's 2020 Retirement Confidence Survey, 16% of pre-retirees expected to retire between ages 66-69, and 31% thought they would retire at age 70 or later. The reality is different. In surveying current retirees, EBRI found that only 6% had worked into their seventies. In fact, 70% percent of them had left work before age 65, and 33% had retired before age 60.[2]

You may see retirement as an extension of the present rather than the future. This is only natural, as we all live in the present – but the future will arrive. The costs you have to shoulder later in retirement may exceed those at the start of retirement. As you may be retired for 20 or 30 years, it is wise to take a long-term view of things.

You may have a health insurance gap. If you retire before age 65, what do you do about health coverage? You may shoulder 100% of the cost.

Looking forward, you may need extended care, and it seems to get more expensive each year. Wealthy households may be able to "self-insure" against extended care, but many other households struggle. In Genworth's 2020 Cost of Care Survey, the median monthly cost of a semi-private room in a nursing home is $7,738. In California, it is $9,023; in Florida, $8,803.[3]

Suppose you become disabled or seriously ill, and working is out of the question. How do you make ends meet?

Age may catch up to you sooner rather than later. You may stay fit, active, and mentally sharp for decades to come, but if you become mentally or physically infirm, you need to find people to trust to manage your finances.

You could be alone one day. As anyone who has ever lived alone realizes, a single person does not simply live on 50% of a couple's income. Keeping up a house, or even a condo, can be tough when you are elderly. Driving can be a concern. If your spouse or partner is absent, will there be someone to help you in the future?

These are some of the blind spots that can surprise us in retirement. They may quickly affect our money and quality of life. If you age with an awareness of them, you may have the opportunity to manage the outcome better.

- Shawn

Do Our Biases Affect Our Financial Choices?

Even the most seasoned investors are prone to their influence .

Investors are routinely warned about allowing their emotions to influence their decisions. However, they are less routinely cautioned about their preconceptions and biases that may color their financial choices.

In a battle between the facts & biases, our biases may win. If we acknowledge this tendency, we may be able to avoid some unexamined choices when it comes to personal finance. It may actually "pay" to recognize blind spots and biases with investing. Here are some common examples of bias creeping into our financial lives.

Letting emotions run the show. An investor thinks, "I got a great return from that decision," instead of thinking, "that was a good decision because ______."[1]

How many investment decisions do we make that have a predictable outcome? Hardly any. In retrospect, it is all too easy to prize the gain from a decision over the wisdom of the decision, and to, therefore, believe that the findings with the best outcomes were the best decisions (not necessarily true). Putting some distance between your impulses and the action you want to take to help get some distance from your emotions.[1]

Valuing facts we "know" & "see" more than "abstract" facts. Information that seems abstract may seem less valid or valuable than information that relates to personal experience. This is true when we consider different types of investments, the state of the markets, and the economy's health.[2]

Valuing the latest information most. In the investment world, the latest news is often more valuable than old news. But when the latest news is consistently good (or consistently bad), memories of previous market climate(s) may become too distant. If we are not careful, our minds may subconsciously dismiss the eventual emergence of the next bear (or bull) market.[2]

Being overconfident. The more experienced we are at investing, the more confidence we have about our investment choices. When the market is going up, and a clear majority of our investment choices work out well, this reinforces our confidence, sometimes to a point where we may start to feel we can do little wrong, thanks to the state of the market, our investing acumen, or both. This can be dangerous.[3]

The herd mentality. You know how this goes: if everyone is doing something, they must be doing it for sound and logical reasons. The herd mentality is what leads many investors to buy high (and sell low). It can also promote panic selling. The advent of social media hasn't helped with this idea. Above all, it encourages market timing, and when investors try to time the market, they frequently realize subpar returns.[4]

Sometimes, asking ourselves what our certainty is based on and reflecting about ourselves can be a helpful and informative step. Examining our preconceptions may help us as we invest.

-Mico

as airlines and cruise holidays, have seen an uptick. The properties of the vaccine itself might influence the markets - one of the vaccines spotlighted requires deep refrigeration, leading to a boost in trading for companies offering that service.[3]

While the hope the vaccine inspires feels reassuring, it's crucial to maintain the long view, just as the markets are. Investors may now see life after COVID-19 on the horizon, but we aren't there yet. Vaccines must be approved for use, distributed, and widely adopted before the full benefit can be realized. That will take time.[4]

- Barbie

Interesting Facts About Snow…

- Snowiest city on Earth is Aomori City in Japan...26ft of snow on average yearly
- 1 inch of rain in the summer would be 10in of snow during the colder months.
- 22 millions tons of salt are used on the roads in the U.S each winter.

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