

THE ROUND TABLE

Enriching a Teen with a ROTH IRA

Teenagers with part-time or seasonal jobs earn some spending money while gaining valuable work experience. They also have the chance to contribute to a Roth IRA — a tax-advantaged account that can be used to save for retirement or other financial goals.

Minors can contribute to a Roth IRA provided they have earned income and a parent (or other adult) opens a custodial account in the child's name. Contributions to a Roth IRA are made on an after-tax basis, which means they can be withdrawn at any time, for any reason, free of taxes and penalties. Earnings grow tax-free, although nonqualified withdrawals of earnings are generally taxed as ordinary income and may incur a 10% early-withdrawal penalty, unless an exception applies.

A withdrawal of earnings is considered qualified if the account is held for at least five years and the distribution is made after age 59½. However, there are two penalty exceptions that may be of special interest to young savers. Penalty-free early withdrawals can be used to pay for qualified higher-education expenses or to purchase a first home, up to a \$10,000 lifetime limit. (Ordinary income taxes will apply.)

Flexible College Fund

A Roth IRA may have some advantages over savings accounts and dedicated college savings plans. Colleges determine need-based financial aid based on the "expected family contribution" (EFC) calculated in the Free Application for Federal Student Aid (FAFSA).

Most assets belonging to parents and the student count toward the EFC, but retirement accounts, including a Roth IRA, do not. Thus, savings in a Roth IRA should not affect the amount of aid your student receives. *(Withdrawals from a Roth IRA and other retirement plans do count toward income for financial aid purposes.)*

Financial Head Start

Opening a Roth IRA for a child offers the opportunity to teach fundamental financial concepts, such as different types of investments, the importance of saving for the future, and the power of compounding over time. You might encourage your children to set aside a certain percentage of their paychecks, or offer to match their contributions, as an incentive.

In 2024, the Roth IRA contribution limit for those under age 50 is the lesser of \$7,000 or 100% of earned income. In other words, if a teenager earns \$1,500 this year, his or her annual contribution limit would be \$1,500. Parents and other individuals may also contribute directly to a teen's Roth IRA, subject to the same limits.

Do You Have These Key Estate Planning Documents?

Estate planning is the process of managing and preserving your assets while you are alive, and conserving and controlling their distribution after your death. There are four key estate planning documents almost everyone should have regardless of age, health, or wealth. They are: a durable power of attorney, advance medical directive(s), a will, and a letter of instruction.

Durable power of attorney

Incapacity can happen to anyone at any time, but your risk generally increases as you grow older. Consider what would happen if, for example, you were unable to make decisions or conduct your own affairs. Failing to plan may mean a court would have to appoint a guardian, and the guardian might make decisions that would be different from what you would have wanted.

A durable power of attorney (DPOA) enables you to authorize a family member or other trusted individual to make financial decisions or transact business on your behalf, even if you become incapacitated. The designated individual can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

There are two types of DPOAs: (1) an immediate DPOA, which is effective at once (this may be appropriate, for example, if you face a serious operation or illness), and (2) a springing DPOA, which is not effective unless you become incapacitated.

Advance medical directive(s)

An advance medical directive lets others know what forms of medical treatment you prefer and enables you to designate someone to make medical decisions for you in the event you can't express your own wishes. If you don't have an advance medical directive, health-care providers could use unwanted treatments and procedures to prolong your life at any cost.

There are three types of advance medical directives. Each state allows only a certain type (or types). You may find that one, two, or all three types are necessary to carry out all of your wishes for medical treatment.

- A living will is a document that specifies the types of medical treatment you would want, or not want, in a particular situation. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used solely to decline medical treatment that "serves only to postpone the moment of death."

- A health-care proxy lets one or more family members or other trusted individuals make medical decisions for you. You decide how much power your representative will or won't have.
- A do-not-resuscitate (DNR) order is a legal form, signed by both you and your doctor, that gives health-care professionals permission to carry out your wishes.

Will

A will is quite often the cornerstone of an estate plan. It is a formal, legal document that directs how your property is to be distributed when you die. Your will should generally be written, signed by you, and witnessed. If you don't leave a will, disbursements will be made according to state law, which might not be what you would want.

There are a couple of other important purposes for a will. It allows you to name an executor to carry out your wishes, as specified in the will, and a guardian for your minor children.

Most wills have to be filed with the probate court. The executor collects assets, pays debts and taxes owed, and distributes any remaining property to the rightful heirs. The rules vary from state to state, but in some states smaller estates are exempt from probate or qualify for an expedited process.

Letter of instruction

A letter of instruction is an informal, nonlegal document that generally accompanies a will and is used to express your personal thoughts and directions regarding what is in the will (or about other things, such as your burial wishes or where to locate other documents). This can be the most helpful document you leave for your family members and your executor.

Unlike your will, a letter of instruction remains private. Therefore, it is an opportunity to say the things you would rather not make public.

A letter of instruction is not a substitute for a will. Any directions you include in the letter are only suggestions and are not binding. The people to whom you address the letter may follow or disregard any instructions.

Take steps now

Life is unpredictable. So take steps now, while you can, to have the proper documents in place to ensure that your wishes are carried out.

Will You Work Beyond Traditional Retirement Age?

More than seven out of 10 current workers in a recent survey said they expect a paycheck to play a role in their income strategy beyond traditional retirement age. In fact, 33% expect to retire at age 70 or older, or not at all.¹

If you expect to continue working during your 60s, 70s, or beyond, consider the advantages and disadvantages carefully. Although working can enhance your retirement years in many ways, you may also face unexpected consequences, particularly when it comes to Social Security.

Advantages

There are many reasons why you may want to work during retirement. First and perhaps most obvious, a job offers a predictable source of income that can help pay for basic necessities, such as food, housing, and utilities.

Working may also allow you to continue saving on a tax-deferred basis through a work-based retirement savings plan or IRA. Traditional retirement accounts generally require you to take minimum distributions (RMDs) after you reach age 73 or 75, depending on your year of birth; however, if you continue working past RMD age, you can typically delay RMDs from a current employer's plan until after you retire, as long as you don't own more than 5% of the company. (Roth IRAs and, beginning in 2024, work-based Roth accounts do not impose RMDs during the account owner's lifetime.)

Moreover, employment can benefit your overall well-being through social engagement with colleagues, intellectual stimulation, and, if you're employed in a field that requires exertion and movement, mobility and fitness.

Working may also provide access to valuable health insurance coverage, which can supplement Medicare after the age of 65. Keep in mind that balancing work-sponsored health insurance and Medicare can be complicated, so be sure to seek guidance from a qualified professional.

A paycheck might also allow you to delay receiving Social Security benefits up to age 70. This will not only increase your monthly benefit amount beyond what you'd receive at early or full retirement age, it will add years of earnings to your Social Security record, which could further enhance your future payments.

If one of your financial goals is to leave a legacy, working longer can help you continue to build your net worth and preserve assets for future generations and causes.

Disadvantages

There are some possible drawbacks to working during retirement, especially regarding Social Security. For instance, if you earn a paycheck *and* receive Social Security retirement benefits before reaching your full retirement age (66–67, depending on your year of birth), part of your Social Security benefit will be withheld if you earn more than the annual Social Security earnings limit. However, the reduction is not permanent; in fact, you'll likely receive a higher monthly benefit later. That's because the Social Security Administration recalculates your benefit when you reach full retirement age and omits the months in which your benefit was reduced.

After reaching full retirement age, your paycheck will no longer affect your benefit amount. But if your combined income (as defined by Social Security) exceeds certain limits, it could result in federal taxation of up to 85% of your Social Security benefits.

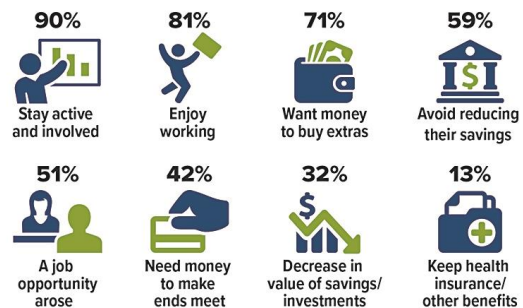
Perhaps the biggest disadvantage to working during retirement is ... working during retirement. In other words, you're not completely free to do whatever you want, whenever you want, which is often what people most look forward to at this stage of life.

Finally, a word of caution: Despite your best planning and efforts, you may find that you're unable to work even if you want to. Consider that nearly half of today's retirees left the workforce earlier than planned, with two-thirds saying they did so because of a health problem or other hardship (35%) or changes at their company (31%).²

For these reasons, it may be best to focus on accumulating assets as you plan for retirement, viewing work as a possible option rather than a viable source of income.

1–2) Employee Benefit Research Institute, 2023

Why Retirees Work



Source: Employee Benefit Research Institute, 2023 (multiple responses allowed)

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What's New at King Wealth Management Group



King Wealth Management Group is pleased to introduce our new Executive Administrator, Patricia Walton. Patricia has been in the financial industry for twenty years, starting out with LPL Financial and most recently at Broadview Wealth Management. Patricia holds a Series 65 license.

Along with Jane and Holly, Patricia provides support to our advisors and exceptional service to our clients. Patricia is the newest, friendly voice on the phone when you call, ready to help with all your needs.

Patricia lives in Saratoga Springs, has four children and four grandchildren. She grew up in Melrose, NY and comes from a large family of eighteen children. She enjoys Crossfit, Broadway shows and time with grandkids.