BELTZ IANNI & ASSOCIATES

Speaking of…

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NEW 401(K) AND IRA RULES FOR 2017

While the dawning of 2017 brings with it many significant changes, there are some that may impact you and your family's financial standing more than others. Most notably, there are several new rules surrounding retirement accounts taking effect in 2017, including:

Higher IRA income limits. Employees who are covered by a retirement plan at work who earn $62,000 or less annually ($99,000 or less for couples) can take a full deduction up to the maximum contribution limit of $5,500 ($6,500 for ages 50 and older). The tax deduction is phased out for those earning between $62,000 and $72,000 ($99,000 and $119,000 for couples) this year.

Longer Roth IRA income cutoffs. Those who earn less than $118,000 annually ($186,000 for couples) can make contributions to a Roth IRA that may position them to receive tax-free retirement income. Roth IRA eligibility will be phased out for those who earn between $118,000 and $133,000 ($186,000 and $196,000 for couples).

Higher income threshold for the saver's credit. Those who earn less than $31,000 annually ($62,000 for couples) might qualify for a credit worth 50%, 20%, or 10% of 401(k), Roth IRA, or IRA contributions up to $2,000 for individuals and $4,000 for couples, depending on adjusted gross income.

Special rules for those impacted by Hurricane Matthew. Those who live or work in FEMA-designated counties in North Carolina, South Carolina, Georgia, or Florida affected by the hurricane will be allowed to access hardship distributions and loans from 401(k)s, 403(b)s, and certain types of retirement accounts without the typical restrictions in order to cope with storm-related costs, including food and shelter. Distributions taken between October 4, 2016 (October 3, 2016 in Florida) and March 15, 2017 will qualify for this policy.

Feel free to contact the team at Beltz Ianni & Associates to learn more about these changes and what they might mean for you.

TAX-SMART SAVING STRATEGIES CHECKLIST

Between unexpected expenses like home repairs or car trouble and milestone expenses like college tuition or retirement, it can be difficult to know if you are using the best savings strategies. When it comes to saving wisely, a lot can be said for employing methods that help you retain more of your money and allocate it in tax-smart ways.

To help you save more wisely this year, consider trying one of the following strategies:

- **Contribute the maximum to your workplace savings plan.**

Consider gradually increasing your annual contributions, and therefore those of your employer, to your 401(k), 403(b), or governmental 457(b) plan until you reach the maximum annual amount.

- **Open a health savings account.**

A health savings account (HSA) can be a tax-efficient way to pay for medical expenses now and when you retire. Your elected contributions are made pre-tax, and many employers will offer a regular contribution to allow you to build your savings year after year.

- **Pay down high-interest debt.**

When managing multiple debts, try using extra savings to first pay down the one with the highest interest rate while continuing to make the minimum payments on your other debts. Once the debt is paid, focus on the one with the second-highest interest rate, and so on.

- **Contribute to an IRA.**

Whether a traditional IRA (earnings grow tax-deferred, but income taxes are charged on withdrawals) or a Roth IRA (earnings grow tax-free and qualified withdrawals can be taken tax free), opening one of these accounts can be a tax-smart way to save for retirement.

- **Open a 529 college savings account for a loved one.**

If helping a child, grandchild, or other loved one pay for college, a tax-advantaged 529 savings account may be the best option.

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DEBT CAN HURT YOUR RETIREMENT

Debt can be a major threat to your financial security in retirement. When you have a fixed amount of income, you will not have more money tomorrow than you do today to pay off the debt. Some suggestions for reducing your debt include:

- Replace your high interest debt (like credit cards) by consolidating your debt with lower interest rate loans.
- Work in “retirement” by having a part-time job to support debt pay down (just be aware of Social Security yearly earning limits).
- Pay off debt with existing savings to eliminate the interest payments you would make over time.
- Delay retirement or alter your budget to pay off debt.

Being debt free puts you in the best possible position for retirement success.

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