

WEEKLY FOCUS

The Importance of a Good Withdrawal Plan

So, you've developed a financial plan for your future. You know how you're going to accumulate the savings and investments needed to provide a comfortable retirement. But do you have a plan for withdrawing savings during retirement? If you don't create a well-thought out plan for accessing funds from your accounts, you could lose savings to taxes or even run out of money.

Here are some things to keep in mind when developing your budget and withdrawal plan.

Budget for your future lifestyle. Your budget is a good place to begin determining your monthly retirement withdrawals. Will you continue your current financial lifestyle? Adopt a more conservative approach? Or do you have goals, which will require a higher budget? In addition to living expenses, include travel, entertainment, and the possibility of life-changing events like marriage or health issues.

Know how taxes will affect your assets. Having assets in accounts, which vary in terms of their tax treatment, could be wise. Your assets likely fall into tax-deferred, taxable, or tax-free categories. Knowing how your savings will be taxed is important when developing your withdrawal plan. For example, depending upon your circumstances and goals, it might be best to use the profits from taxable investment accounts first and later look to your tax-deferred accounts, such as a traditional IRA or 401(k). Most experts agree Roth IRAs should be the last account to tap, giving them as much time as possible to grow tax-free.

Know your required minimum distributions (RMDs). When you reach 72 (70½ if you reached 70½ before January 1, 2020), certain types of accounts require you begin withdrawing savings. If you don't, the tax penalty could be as high as 50 percent of the required distribution. The rules for RMDs can be confusing. Your financial professional can help you understand them and avoid fees.

Just as it's never too early to start saving for retirement, it's never too soon to think about how you'll withdraw from those savings in retirement. There are many approaches to withdrawal plans, but the best plan is based on your future goals and the kind of investment accounts you have. Call our office today. We can help you create a well-thought-out withdrawal plan designed to increase confidence, preserve your retirement assets, and reduce your tax burden.

We do not provide tax advice; please consult an accountant for more information.

FINANCIAL FACTS

Dollar Is King — 59 percent of the world's foreign exchange reserves, i.e., cash holdings of central banks around the world, were held in U.S. dollars as of the end of calendar year 2020, its lowest level in 25 years but still making the dollar the most popular currency in the world. The Euro, representing 21 percent of global foreign exchange reserves, is the second most widely held currency (source: International Monetary Fund, BTN Research).

Babies — When America recorded 4.32 million births in 2007, it broke the nation's all-time high of 4.31 million births from 1957. Since 2007, the number of U.S. births has fallen in 12 of 13 years to 3.61 million births in 2020, the same number of U.S. births that took place in 1980 (source: Centers for Disease Control and Prevention, BTN Research).

Work From Home, Start a Business — Americans filed 4.33 million new business applications in 2020, up 24 percent from 3.49 million filed in 2019, and up 75 percent from 2.48 million filed in 2010 (source: Census Bureau, BTN Research).

WEEKLY COMMENTARY

THE MARKETS

Stocks climbed slightly Friday. The S&P reached a new record, and the NASDAQ posted its fourth winning week in a row as investors shook off a report showing the Consumer Price Index jumped 5 percent in May from a year earlier. For the week, the Dow fell 0.78 percent to close at 34,479.60. The S&P rose 0.43 percent to finish at 4,247.44, and the NASDAQ climbed 1.85 percent to end at 14,069.42.

Returns Through 6/11/21	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-0.78	13.65	39.98	13.38	16.74
NASDAQ Composite (TR)	1.85	9.50	49.29	23.64	24.78
S&P 500 (TR)	0.43	13.84	43.73	17.31	17.41
Barclays US Agg Bond (TR)	0.47	-1.71	-0.20	5.50	3.17
MSCI EAFE (TR)	0.34	11.60	35.24	8.04	10.41

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond, NASDAQ and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. (TR) indicates total return. MSCI EAFE returns stated in U.S. dollars.

If you would like to talk with John about the topics discussed in this article, or you would like to set up a phone or in person appointment to review your accounts or discuss any concerns about the markets, etc., with John, then please contact our office at 408-440-1020, or John.plaza@securitiesamerica.com to arrange a time that is convenient for you.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright June 2021. All rights reserved. Securities offered through Securities America, Inc., broker-dealer and member of FINRA and SIPC. Investment advisory services offered through Securities America Advisors, Inc. and/or Arbor Point Advisors LLC, registered investment advisers. Securities America, Inc., Securities America Advisors, Inc., and Arbor Point Advisors LLC are separately owned and other entities and/or marketing names, products or services referenced here are independent. Securities America • 12325 Port Grace Blvd. • La Vista, NE 68128 • 800-747-6111 • securitiesamerica.com # 3631160.1