

# Retirement Point

NEWS FOR PLAN SPONSORS AND PARTICIPANTS

May 2019

## Where Will Your Retirement Money Come From?

*Retirement income may come from a variety of sources.*

### THE MONTH IN BRIEF

Wall Street shifted its focus from trade to earnings in April. On that front, the news was good: through April 26, first-quarter results for S&P 500 firms had beaten expectations by 5.3%, a bit better than the historical average of 4.8%. A strong first-quarter gross domestic product reading and solid consumer spending and hiring numbers did much to quell worries about the economy slowing. Existing home sales retreated again; mortgage rates went north again. Oil prices rose. Bullish sentiment was palpable.<sup>1</sup>

MARKET INDEX	Y-T-D CHANGE	1-MO CHANGE	2018
DJIA	+14.00	+2.56	-5.63
NASDAQ	+22.19	+4.90	-3.88
S&P 500	+17.51	+3.93	-6.24
YIELD	12/31 RATE	1 MO AGO	1 YR AGO
10 YR NOTE	2.51	2.41	2.95

Sources: barchart.com, wsj.com, treasury.gov – 4/30/19 <sup>14,15,16</sup>

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year Treasury real yield = projected return on investment, expressed as a percentage, on the U.S. government's 10-year bond.

#### Monthly Quote

*"Everything you can imagine is real."*

PABLO PICASSO

#### Monthly Tip

After a significant life event, such as a marriage or the birth of a child, it is smart to review your insurance coverage. You may need more (or less) coverage or even an extra kind of insurance.

#### Monthly Riddle

Small, soft, and cuddly, I'll pull on your heart. I share only my last name with a real-live animal who might tear you apart. What am I?

#### Last month's riddle:

It is filled with garb, and the price is free; you can take whatever you like, and return what you don't need. What is it?

#### Last month's answer:

A Closet

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# Where Will Your Retirement Money Come From?

*Retirement income may come from a variety of sources.*

For many people, retirement income may come from a variety of sources. Here's a quick review of the six main sources:

**Social Security.** Social Security is the government-administered retirement income program. Workers become eligible after paying Social Security taxes for 10 years. Benefits are based on each worker's 35 highest earning years. (If there are fewer than 35 years of earnings, non-earning years may be counted in the calculation.) In mid-2018, the average monthly benefit was \$1,413.<sup>1,2</sup>

**Personal Savings and Investments.** These resources can also provide income during retirement. Personally, you may want investments that offer steady monthly income over vehicles giving you the potential for double-digit returns. But remember, a realistic understanding of your ability and willingness to stomach large swings in the value of your investments is a must. A quick chat with a financial professional can help you understand your risk tolerance as you approach retirement.

**Individual Retirement Accounts.** Traditional IRAs have been around since 1974. Contributions you make to a traditional IRA are commonly deductible. Distributions from a traditional IRA are taxed as ordinary income, and if taken before age 59½, may be subject to a federal income tax penalty. Once you reach age 70½, these accounts require mandatory withdrawals.<sup>3</sup>

Roth IRAs were created in 1997. Contributions you make to a Roth IRA are non-deductible, as they are made using money that has already been taxed. Sometimes, only partial Roth IRA contributions can be made by taxpayers with six-figure incomes; some especially high-earning individuals and couples cannot direct money into Roth IRAs at all. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Contributions may be withdrawn penalty-free at any time. Roth IRAs do not have any required minimum distribution rules.<sup>3</sup>

**Defined Contribution Plans.** Many workers are eligible to participate in a defined-contribution plan such as a 401(k), 403(b), or 457 plan. Eligible workers can set aside a portion of their pre-tax income into an account, and the invested assets may accumulate with taxes deferred, year after year. (Some of these accounts are Roth accounts, funded with after-tax dollars.) Generally, once you reach age 70½, you must begin taking required minimum distributions from these workplace plans.<sup>4</sup>

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**Defined Benefit Plans.** Defined benefit plans are “traditional” pensions – employer-sponsored plans under which benefits, rather than contributions, are defined. Benefits are normally based on specific factors, such as salary history and duration of employment. Relatively few employers offer these kinds of plans today.<sup>5</sup>

**Continued Employment.** In a recent survey, 68% of workers stated that they planned to keep working in retirement. In contrast, only 26% of retirees reported that continued employment was a major or minor source of retirement income. Many retirees choose to continue working as a way to stay active and socially engaged. Choosing to work during retirement, however, is a deeply personal decision that should be made after considering your finances and personal goals.<sup>6</sup>



For more information on investment choices for your retirement plan, please call our plan's advisor at 202-618-3977 or email at [dmakim@pointoak.com](mailto:dmakim@pointoak.com)

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## DISCLOSURES

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- 2 - [cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security](https://cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security) [8/14/18]
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