BIRTHDAYS OVER 50

Worth Celebrating!

Mark These Birthdays on Your Calendar

alphastar
WEALTH MANAGEMENT
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CONGRATULATIONS!!!

You’ve reached the big “five- ‘O’”. The fun is just getting started! Before you start planning for retirement, make sure you put these relevant dates in your calendar. Beginning at 50 years old, there are several birthdays that are essential to be aware of as they can influence your retirement timeline and overall financial plan.

Catching Up at Age 50

At the age of 50, certain approved retirement plans let individuals make extra "catch-up" payments on an annual basis in addition to the standard contribution. In 2023, individuals who are under 50 can contribute a maximum of $6,500 to an IRA account. But those 50 and over are eligible to submit an extra $1,000. The amount individuals can contribute to their SIMPLE retirement accounts increases to $15,500 in 2023. Those 50 and older taking part in a Simple IRA or Simple 401(k) plan can contribute an extra $3,500. Employees that have 401(k), 403(b), 457 plans, and the Thrift Savings Plan can make contributions of up to $22,500. The catch-up contribution limit increased to $7,500 for those 50 and above.[1]

Start Early at the Age of 55

A lot of people don't know that if they stop working in the year they turn 55 or later, they can withdraw money out of their 401(k) or employer-sponsored retirement plans without penalty. Note that this does not apply to IRAs and any type of individual retirement account. In addition, it is important to note that this does not include funds that have been rolled into an IRA, given that the IRA has different rules on when you can start taking penalty-free withdrawals.[2]

Half Birthdays are Back in Style at 59 ½

Age comes with benefits. Once you reach 59 ½, you can withdraw from your IRA or old 401(k)s without penalty.[3]

If you are retired or have terminated employment and still have funds in your 401(k) plan, you can access them at age 59 ½ and pay no early withdrawal penalty tax. If you have rolled your 401(k) funds into an IRA, the rules are the same. Age 59 ½ is the earliest you can withdraw funds from an IRA account and pay no early withdrawal penalty tax.

If you are still working, you can access funds from an old 401(k) plan once you reach age 59 ½, but you may not have the same access to funds inside the 401(k) plan at the company for which you currently work. Check with your 401(k)-plan administrator to see if your plan allows an "in-service" distribution at age 59 ½. Some 401(k) plans allow this, and others don't.

You've Reached Minimum Retirement Age at 62

The earliest you can claim Social Security benefits is age 62. However, claiming benefits before your full retirement age will result in a permanently smaller benefit. If you want to claim past your full retirement age, your benefit will increase by about 8% per year you defer until age 70.[4]

If you're planning on working while receiving Social Security, keep in mind that your benefit can be reduced. Social Security beneficiaries under their full retirement age who earn more than $21,240 in 2023 will have $1 withheld for every $2 they earn above this limit. This earnings limit jumps to $56,520 for the year recipients reach their full retirement age, and the penalty decreases to $1 withheld for every $3 earned above the limit. After beneficiaries reach their full retirement age, no benefits are withheld if they continue working.[5]

Get Ready for Medicare at Age 65

If you're turning 65 or are new to Medicare, it is critical to decide
postpone enrollment, you may have to pay extra and may lack healthcare coverage for a period of time. Your Initial Enrollment Period is the first opportunity to join. If you're eligible for Medicare when you turn 65, you can sign up during the 7-month period that:

- Begins 3 months before you turn 65.
- Includes the month you turn 65.
- Ends 3 months after the month you turn 65.[6]

Once you reach 65, you can register for Part A (hospital insurance) even if you have health coverage through your job. Generally, this won't cost anything since most individuals pay Medicare taxes while employed. If you are already getting Social Security, you will be enrolled in Parts A and B automatically. You may choose to forego Part B (medical insurance) because it involves an extra cost, but if you're not covered by your employer and decide to enroll in the future, you may face an increase in premium for the duration of your enrollment unless you qualify for a "Special Enrollment Period" (SEP).[7]

Fast Fact

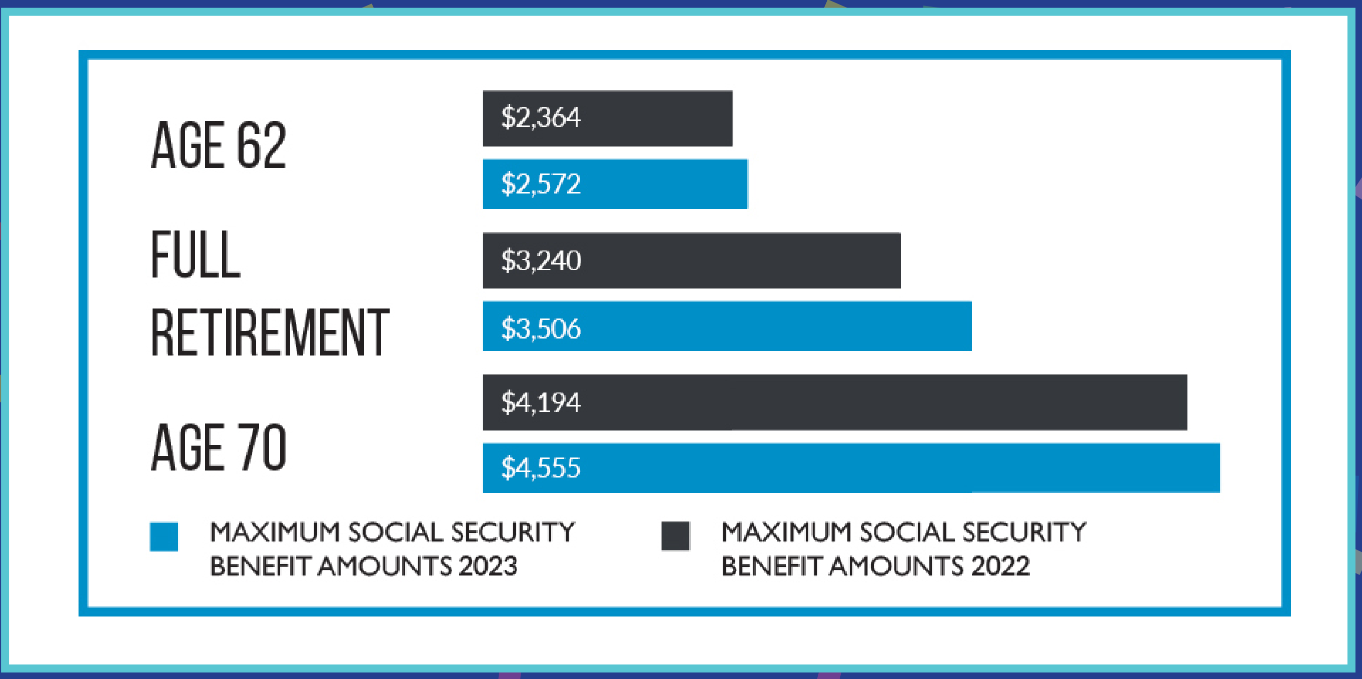
According to a 2019 study by United Income, the typical household loses about $110,000 in lifetime benefits by claiming Social Security at age 62 instead of waiting until they turn 70.[8] Don't lose out on your optimal benefit!

65-67

is Your Full Retirement Age

From the ages of 65 to 67, people are entitled to get their full Social Security benefit. In the year 2023, the Cost-of-Living Adjustment (COLA) for Social Security recipients was 8.7%, the most notable change since 1981. Because of this rise, the largest possible amount of money for those who retire at the standard age has risen to $3,506 each month.[9]

Even if you may not receive the maximum sum in Social Security benefits, you can still make a plan to get the most you can out of your benefit. You can begin by examining your benefit declarations on a regular basis to make sure you are getting the credit for the taxes you are paying into the system. Looking over your statements can also help you determine when to apply for benefits by showcasing the amount you are receiving.



73 and Required Income

In 2022, the SECURE Act 2.0 modified the age when Required Minimum Distributions need to be taken from 72 to 73. These RMDs are applicable to qualified retirement plans such as 401(k)s, 403(b)s, Profit Sharing plans, Money Purchase Pensions, IRAs, Simple IRAs, and SEP IRAs, providing retirees with additional time to allow their retirement savings to expand tax-free.[11]

The annual RMD (Required Minimum Distribution) is the floor of what the retiree is obligated to take out of their retirement account, but they have the choice to withdraw more. Taking out more than the RMD could lead to a greater tax requirement and any additional funds withdrawn won't benefit from tax-free growth.

If you forget to take an RMD, it's going to cost you. There is a 25% penalty based on the RMD you were supposed to take.[12] RMDs are based on the total balance of all your IRAs, 401(k)s, and other traditional retirement plans as of December 31st of the previous year. You can visit your financial professional to develop a retirement timeline including your RMDs that works for you.

Recognizing and planning for these milestone birthdays is a good way to make sure you are ready for retirement. You may find that planning your retirement around these birthdays may provide you with financial advantages. Furthermore, it is critical to be aware of these dates in order to prevent any penalties from being inflicted if the date is not met. And while you're at it, why not plan birthday parties around these key dates?

Do You Have Questions About Your Retirement Birthday (Party) Timeline?

We cordially invite you to give us a call and visit our office to go over your options and strategies to make these birthdays truly worth celebrating.

Sources

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