A GOOD WAY TO SPEND TAX REFUNDS WISELY

If you have an IRS check headed your way this year, chances are, you're already planning how to spend your tax refund. Sure, upgrading your appliances would be amazing. And, yes, we know that new backyard jacuzzi would make the neighbors jealous.

Before you run out and buy that new tech gadget or make that dream purchase, we encourage you to think about your future retirement income.

With company pensions disappearing, **Americans are now more responsible than ever for creating their own personal pensions**. Whether it's a 401(k), IRA, or other form of savings, it's now up to *you* to create your own retirement income.

The good news is that it appears Americans are saving more. According to Fidelity Investments, the average 401(k) balance reached $106,000 in Q2 of 2019--an increase of 2% from Q2 the previous year.[1]

Yet, a November 2019 Bankrate survey **reported 52% of American workers say they are behind in saving for retirement.[2]**

If you aren't on track for a comfortable retirement, don't be discouraged. There is one simple thing you can do TODAY that may make a difference during retirement…

Spend your tax refund wisely and invest it into your 401(k) or other retirement plan.

It's an easy way to boost retirement savings without reducing your take-home pay or having to cut back on monthly expenses.

No matter how big or small your refund**, a great way to spend your tax refund is to invest in yourself and in your future.**

Robert Shiller, global economist and 2013 Nobel laureate in economics, put it best…

"Retirement is a once in a lifetime event.
You better get it right."

How to Invest Your Tax Refund in Retirement Savings

A 2019 Bankrate study asked participants who are in the workforce why they weren't saving more for retirement.

38% responded they have too many expenses. 16% responded their job isn't good enough while **13% said they have too much debt.[3]**

A benefit of investing your tax refund into a 401(k) or IRA is that it **allows you to save more without affecting your take-home pay**. You also won't have to cut expenses from your budget or pay less down on your debt.

When you spend your tax refund wisely and invest in your future, you won't even notice the money is gone.

If you invest your tax refund into your 401(k), it needs to go through payroll deduction.
We recommend you contact your Human Resources department, tell them the amount you want to invest, and they will take it out of your paycheck(s). Then **use your tax refund to live on and make up the difference** during this time.

We recommend you use IRS Form 8888 to redirect your full refund into your traditional or Roth IRA. While you can have the refund check deposited into your bank account, and then increase the amount automatically drafted each month into your IRA, you run the risk of spending the money.

New IRS Retirement Plan Contribution Limits for 2020

For the most part, retirement plan contribution limits have gone up for 2020--providing you the opportunity to save even more for retirement.

Here are the 401(k) and IRA guidelines for 2020…

401(k) Contributions: Employee 401(k) contribution limits for 2020 have gone up from $19,000 in 2019 to $19,500. This applies to 401(k), 403(b), most 457 plans, and the federal Thrift Savings Plan.

401(k) Catch-Up Contributions: For those age 50 and older, the 401(k) catch-up contribution limit will also increase $500--from $6,000 in 2019 to $6,500 in 2020.

This means if you're 50 or older and need to catch up on retirement savings, you'll be able to save $26,000 in your 401(k) in 2020. If you turn 50 anytime during December 2020, you're still eligible to contribute the additional $6,500.

Solo 401(k) Contributions: If you have a Solo 401(k), otherwise known as a Self-Employed 401(k) or Individual 401(k), the contribution limits will increase to $57,000 in 2020, up from $56,000 in 2019.

After-Tax 401(k) Contributions: If you are self-employed or your employer allows for after-tax contributions, the overall defined contribution plan limit will increase to $57,000 for 2020--up from $56,000 in 2019. The $57,000 is a cap which includes the maximum $19,500 contribution limit deferral plus employer contributions.

Remember, some of you don't have to wait for enrollment season to make changes to your 401(k) election. You may be able to make changes anytime during the year, depending on your plan!

Traditional or Roth IRA Contributions: Individual retirement account contribution limits stay the same for 2020, with a $6,000 maximum contribution limit. The catch-up contribution for people age 50 and over remains the same additional $1,000.

SEP IRA Contributions: Contribution limits for SEPs, or Simplified Employee Pensions, will go up $1,000--up from $56,000 in 2019 to $57,000 in 2020.

SIMPLE IRA Contributions: Contribution limits will increase in 2020 for SIMPLE retirement plans. The maximum contribution limit will be $13,500 for 2020, up from $13,000 in 2019.

About 401(k) Maneuver

401(K) Maneuver manages your 401(k) for you by reviewing your account quarterly based on your risk tolerance, current economic and market conditions, and the menu of investment choices made available by your employer plan. Then, we rebalance as necessary.

Whether you want more money for retirement or you don't want to lose what you have, 401(k) Maneuver exists to help you with the goals to...

- **Improve account performance** over time so you have more money for retirement.
- **Manage downside risk** to minimize losses during bad markets, to avoid losses like 2008.
- **Decrease fees** that strike a blow to your account performance, so you may keep more of your hard-earned money.
- **Avoid target date funds** that may not be the best strategy to achieve your goals.

Visit us online today at: https://www.401kmaneuver.com/

Let's Get Social! Follow Us for Retirement and Saving Tips, Market Updates, and More!

Sources:

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2. https://www.bankrate.com/surveys/financial-security-poll-november-2019/
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