



OnWealth

Financial Advice from Wealth Management Services



Craigen S. Schoen, CFP®
Managing Director
Raymond James & Associates, Inc.
112 Haywood Road
Greenville, SC 29607
864-289-2164
craigen.schoen@raymondjames.com



\$45.97

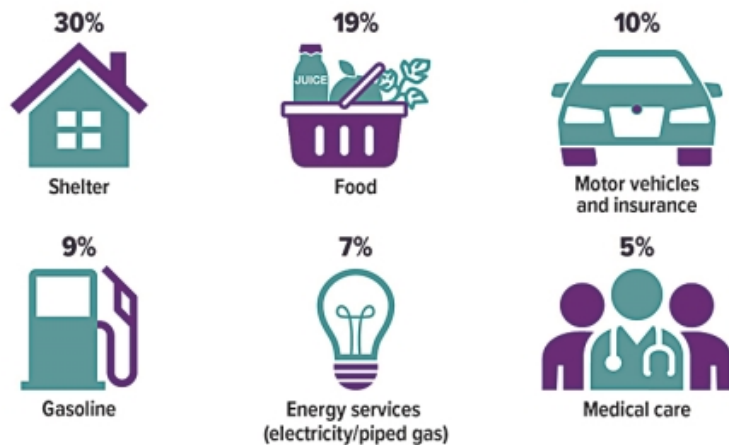
Average monthly price of the most popular broadband internet packages, with download speeds of about 98 Megabits per second. It's estimated that nearly 40% of U.S. households (48 million) may qualify for a new federal program that provides a subsidy of \$30 per month to help cover high-speed internet. For more information, visit [GetInternet.gov](https://www.getinternet.gov).

Source: US Telecom Broadband Pricing Index, 2022

The Top Six Inflation Drivers of 2022

In June 2022, the 12-month rise in the Consumer Price Index (CPI) peaked at 9.1%, the fastest pace in 40 years, before dropping to 7.7% in October. This bout of inflation has been driven in large part by steep price hikes for essentials, hitting many U.S. households where it hurts the most. In fact, more than three-fourths of the annual increase in the CPI can be attributed to these six categories.

Contribution to the 12-month, 7.7% increase in consumer prices, October 2022



Source: U.S. Bureau of Labor Statistics, 2022

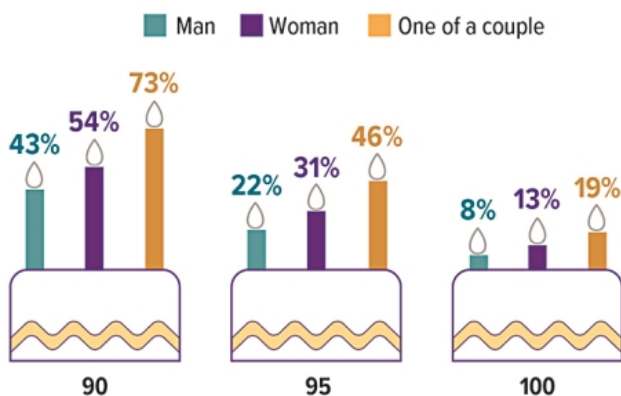
Fixed for Life: What Can an Annuity Do for You?

With stock and bond markets both faltering over the past year, it's easy to see why more near-retirees have a newfound appreciation for fixed annuities — insurance contracts that guarantee a specified rate of return. A fixed annuity maintains its value regardless of market conditions, and yields on these products have risen in response to the higher interest-rate environment.

When you purchase a fixed annuity, you are shifting the risk for future investment returns to the insurance company. It's also a way to create a pension-like income stream for retirement, starting right away or when you are older.

A Long Retirement

Probability that a healthy 65-year-old will live to the following ages



Source: Society of Actuaries and American Academy of Actuaries, 2022

Income for Now or Later

An *immediate fixed annuity* is usually purchased at the beginning of retirement, often with a lump-sum premium. The fixed payments start within 12 months from the date the annuity is purchased and continue for the duration of the contract.

With a *deferred fixed annuity*, you can make a series of premium payments, and the income is delayed until a future date of your choosing. This type of annuity can be used to save for retirement or to provide income in your later years. The income payments reflect the value of the premiums paid, the annuity's compounded return, and the length of the payout period (or your life expectancy). Thus, the longer you defer your annuity, the higher the payout can be.

Unlike tax-advantaged workplace plans and IRAs, annuities have no annual contribution limits, so they present an opportunity to save as much as you want on a tax-deferred basis. When annuities are purchased with after-tax dollars, only the earnings portion of withdrawals is taxable as ordinary income. You can also invest in an annuity through a qualified (tax-advantaged) retirement plan. In this case, the qualified annuity is subject to the same tax rules as the

qualified plan, so there is no additional tax benefit. For both qualified and nonqualified annuities, early withdrawals prior to age 59½ may be subject to a 10% penalty.

Annuitization Options

Converting the funds in an annuity to an income stream is called *annuitization*. A deferred annuity contract will specify the date at which you can annuitize and begin to receive payments as defined in the contract, but generally you are not required to do so at that time. Although a guaranteed income is often a sought-after feature of annuities, many owners choose not to annuitize.

Before annuitization, you can withdraw some or all of the annuity funds in a lump sum or a series of distributions. However, surrender charges typically apply if you withdraw more than a specified amount before the end of the surrender period. If you die before annuitizing, your heirs would receive the funds accumulated in the annuity. After you annuitize, you no longer control the funds, so you cannot take lump-sum distributions.

Whether you purchase an immediate or deferred fixed annuity, you'll have options for the income stream you will receive during the annuitization period. A straight, guaranteed lifetime income will provide the highest monthly payments and help protect against the risk of outliving your savings. But payments will typically end when you die, with no funds going to your heirs. A "period certain" provides income for a fixed number of years and will go to your heirs if you die before the end of the period, but you risk running out of income if you live beyond the period. "Life with a period certain" guarantees you a lifetime income along with a period of time in which it can pass to your heirs, but payments are generally lower.

The decision to annuitize — and the option you choose if you decide to do so — will depend on your financial situation, life expectancy, and risk tolerance.

Annuities have contract limitations, fees, and expenses, and they are not appropriate for every investor. Withdrawals reduce annuity benefits and values. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Investors should be aware that when they purchase a fixed annuity, they may sacrifice the opportunity for higher returns that might be available in the financial markets, and that inflation could reduce the future purchasing power of their annuity payouts. Annuities are not guaranteed by the FDIC or any other government agency. They are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association.

When Should Young Adults Start Investing for Retirement?

As young adults embark on their first real job, get married, or start a family, retirement might be the last thing on their minds. Even so, they might want to make it a financial priority. In preparing for retirement, the best time to start investing is now — for two key reasons: compounding and tax management.

Power of Compound Returns

A quick Internet search reveals that Albert Einstein once called compounding "the most powerful force in the universe," "the eighth wonder of the world," or "the greatest invention in human history." Although the validity of these quotes is debatable, Einstein would not have been far off in his assessments.

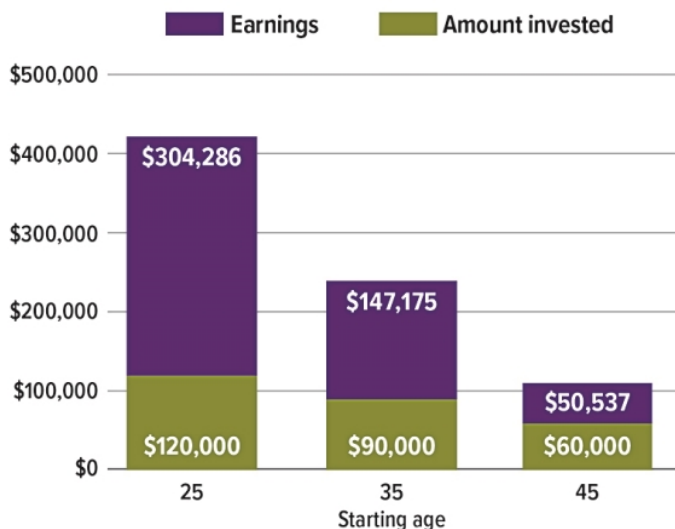
Compounding happens when returns earned on investments are reinvested in the account and earn returns themselves. Over time, the process can gain significant momentum.

For example, say an investor put \$1,000 in an investment that earns 5%, or \$50, in year one, which gets reinvested, bringing the total to \$1,050. In year two, that money earns another 5%, or \$52.50, resulting in a total of \$1,102.50. Year three brings another 5%, or \$55.13, totaling \$1,157.63. Each year, the earnings grow a little bit more.

Over the long term, the results can snowball. Consider the examples in the accompanying chart.

A Head Start Can Be a Strong Ally

This chart illustrates how much an investor could accumulate by age 65 by investing \$3,000 a year starting at age 25, 35, and 45 and earning a 6% annual rate of return, compounded annually.



These hypothetical examples of mathematical compounding are used for illustrative purposes only and do not reflect the performance of any specific investments. Fees, expenses, and taxes are not considered and would reduce the performance shown if they were included. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of investment risk. Actual results will vary.

Tax Management

Another reason to start investing for retirement now is to benefit from tax-advantaged workplace retirement plans and IRAs.

Lower taxes now. Contributions to traditional 401(k)s and similar plans are deducted from a paycheck before taxes, so contributing can result in a lower current tax bill. And depending on a taxpayer's income, filing status, and coverage by a workplace plan, contributions to a traditional IRA may result in an income tax deduction.

Tax-deferred compounding. IRAs and workplace plans like 401(k)s compound on a tax-deferred basis, which means investors don't have to pay taxes on contributions and earnings until they withdraw the money. This helps drive compounding potential through the years.

Future tax-free income. Roth contributions to both workplace accounts and IRAs offer no immediate tax benefit, but earnings grow on a tax-deferred basis, and qualified distributions are tax-free. A qualified distribution is one made after the Roth account has been held for five years and the account holder reaches age 59½, dies, or becomes disabled.

Saver's Credit. In 2022, single taxpayers with adjusted gross incomes of up to \$34,000 (\$66,000 if married filing jointly) may qualify for an income tax credit of up to \$1,000 (\$2,000 for married couples) for eligible retirement account contributions. Unlike a deduction — which helps reduce the amount of income subject to taxes — a credit is applied directly to the amount of taxes owed.

Avoiding penalties. Keep in mind that withdrawals from pre-tax retirement accounts prior to age 59½ and nonqualified withdrawals from Roth accounts are subject to a 10% penalty on top of regular income tax.

Additional Fuel for the Fire

Workplace plans that offer employer matching or profit-sharing contributions can further fuel the tax-advantaged compounding potential. Investors would be wise to consider taking full advantage of employer matching contributions, if offered.

Don't Delay

With the power of compounding and the many tax advantages, it may make sense to make retirement investing a high priority at any age.

Three Ways to Help Simplify Your Finances

Over time, finances tend to get complicated, especially when you're juggling multiple goals and accounts. Simplifying your finances requires a bit of effort up front, but making just a few changes may help free up more time to focus on your financial priorities.

Make Saving Automatic

Saving for a goal is simpler when money is set aside automatically. For example, you may be able to regularly and automatically deposit a portion of your paycheck into a retirement account through your employer. Your contribution level may also increase automatically each year, if your plan offers this feature. Employers may also allow you to split your direct deposit into multiple accounts, enabling you to build up a college fund or an emergency fund, or direct money to an investment account.

Another way to make saving for multiple goals easier is to set up recurring transfers between your savings, checking, or other financial accounts. You decide on the frequency and timing of those transfers, and you can quickly make necessary adjustments.

Consolidate Retirement Funds

If you've had a few jobs, you might have several retirement accounts, such as IRAs and 401(k) or 403(b) plans, with current and past employers. Consolidating them in one place may help make it easier to monitor and manage your retirement savings and distributions, and prevent you (or your

beneficiaries) from forgetting about older or lower-balance accounts. Not all accounts can be combined, and there may be tax consequences, so discuss your options with your financial and/or tax professionals.

Take a Credit Card Inventory

Credit cards are convenient, but managing multiple credit-card accounts can be time-consuming and costly. Losing track of balances and due dates may lead to increased interest charges or late payments. You could also miss out on some of the rewards and benefits your cards offer. If you've accumulated a few credit cards, review interest rates, terms, credit limits, and benefits that may have changed since you got the cards. Ordering a copy of your credit report can help you quickly see all of your open credit-card accounts — there may be some you've forgotten about. Visit annualcreditreport.com to get a free credit report from each of the three major credit reporting agencies (Experian, Equifax, and TransUnion).

Once you know what you have, you can decide which cards to use and put the rest aside. Because it's possible that your credit score might take a temporary hit, it may not always be a good idea to close accounts you're not using unless you have a compelling reason, such as a high annual fee or exposure to fraud.

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC

This information, developed by an independent third party, has been obtained from sources considered to be reliable, but Raymond James does not guarantee that the foregoing material is accurate or complete. This information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein. Investments mentioned may not be suitable for all investors. The material is general in nature. Past performance may not be indicative of future results. Raymond James does not provide advice on tax, legal or mortgage issues. These matters should be discussed with the appropriate professional.